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"Admired Company" - Pantech&Curitel

Pantech&Curitel first entered the mobile handset market in 1983 as a handset division of Hynix Semiconductor (formerly Hyundai Electronics Co. LTD). Since then, the company has strived seamlessly to build its core businesses and maximize marketing efficiencies by meeting the challenges with firm determination, constant innovation and healthy investments to secure proprietary technology and advanced management know-how.

"Company of Quality and Innovation" - Pantech&Curitel

As one of the pioneers in the mobile handset industry, Pantech&Curitel successfully developed mobile handsets in 1998 and has exported to 25 countries, including the US, Canada, Brazil, Russia, India and China.

Pantech&Curitel gained widespread reputation for its superior quality as exemplified in passing some of the world's toughest quality control tests by CDG (CDMA Development Group), GCF (Global Certification Forum) and FCC (Federal Communications Commission). On the strength of its quality, the company is broadening its market presence.

Equipped with its accumulated technology, Pantech&Curitel is focusing on developing next-generation mobile handsets such as WCDMA and HSDPA. The company is committed to emerge as the new market leader through its consistent drive for technological development and brand image reinforcement.

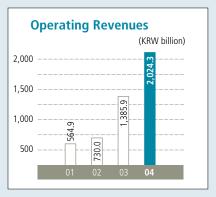
"Customers - Pantech&Curitel's Top Priority"

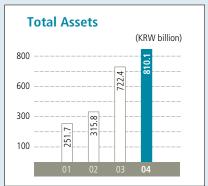
Customer satisfaction is our ultimate goal here at Pantech&Curitel. Through our customer-oriented marketing that aims to delight our customers, we will make every possible effort to meet and surpass their demands and expectations on quality, innovation, reliability, price and service.

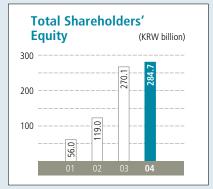
FINANCAIL HIGHLIGHTS

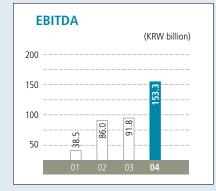


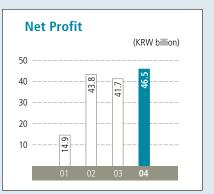
(KRW billion)	FY01	FY02	FY03	FY04	change (% YoY)
Operating revenues	564.9	730.0	1,385.9	2,024.3	46.1
EBITDA	38.5	86.0	91.8	153.3	67.0
Net profit	14.9	43.8	41.7	46.5	11.3
Total assets	251.7	315.8	722.4	810.1	12.2
Total liabilities	195.7	196.7	452.3	525.4	16.2
Total shareholders' equity	56.0	119.0	270.1	284.7	5.4
Current ratio (%)	148.7	116.6	129.3	113.5	-
Financial debt to assets (%)	1.3	3.4	22.1	29.0	-
EBITDA margin (%)	6.8	11.8	6.6	7.6	-
ROE (%)	53.4	50.0	21.5	16.8	-
NP margin (%)	2.6	6.0	3.0	2.3	-
Total assets turnover (X)	4.5	2.6	2.7	2.6	-
Total liabilities to equity ratio (%)	349.6	165.3	167.5	184.5	-
ROA (%)	11.9	15.4	8.0	6.1	-
Shares outstanding, year-end ('000)	80,000.0	106,321.9	149,752.2	149,876.2	-
Shares outstanding, weighted avg. ('000)	69,377.2	95,937.4	119,690.8	144,695.0	-
Earnings per share (Won)	215	456	349	321	-7.9
Book value per share (Won)	599	858	1,502	1,428	-4.9
Number of employees	1,175	1,338	1,646	1,322	-19.7
Sales per employee (KRW million)	481	546	842	1,531	81.8
Net profit per employee (KRW million)	13	33	25	35	38.6













Letter to the shareholders





Dear Fellow Shareholders;

The recent bullish performance of the stock market is signaling a turnaround in the sluggish Korean economy, fueling hopes that we are being given another opportunity to make a giant leap forward.

2005 will mark a very important and significant period for Pantech&Curitel in many different aspects. We enjoyed rapid and extensive growth over the years, but as you are well aware, the ever-changing mobile technology and ubiquitous business environment are presenting more challenges than ever before. Companies are pressured to make enormous investments to develop opportune technology in an effort to lead the fast-paced transformation in a ubiquitous environment.

Caught up in this tempest of change, some world-class companies of the past have met their demise by neglecting technological innovation and failing to adapt to shifting market environments. The wireless handset market is a fierce battleground for survival where stagnant performance spells downfall.

Pantech&Curitel is determined to survive intense global competition and come out as a winner through a prudent yet rapid decision-making process, sound investment choices and cohesive business performances.

2004 proved to be a difficult year for the domestic market amid business suspension penalties on every mobile carrier and severe economic recession. Adding to the difficulties were the depreciating US dollar, intensified price competition and deterioration of other external factors.

Despite the adverse market conditions, Pantech&Curitel's sales in 2004 soared 43% from the previous year to post KRW2,024 billion, solidifying its leading position in the global market.

In the domestic market, we raised our profile from an 11% market share in 2003 to 15% last year through an aggressive brand marketing strategy coupled with the supply of strategic products to wireless telecommunications operators. The significant improvement in brand recognition also helped to strengthen our market position.

We also made great strides particularly in the field of new technology with the launching of Korea's first two mega-pixel camera phone with optical zoom and the world's first 3 mega-pixel CMOS camera module. These innovative products secured our technological supremacy in the domestic market, which is a test bed for global mobile phone technology.

In the overseas market, we displayed our technological prowess to the world with the introduction of the first megapixel camera phone in the North American market. We were

Despite the adverse market conditions, Pantech&Curitel's sales in 2004 soared 43% from the previous year to post KRW2,024 billion, solidifying its leading position in the global market.

Letter to the shareholders

also able to successfully add into our customer base Sprint PCS, the second largest CDMA carrier in that market.

We are also enjoying a steady growth in sales by providing secure delivery of handsets to Verizon Wireless, the largest wireless carrier in the US. Buoyed by our success in the North American market, we were able to diversify our market to other regions such as Australia, New Zealand and Israel.

One of last year's greatest achievements was expanding our market control in the key market of North America by signing a contract to supply ten million units to UTStarcom and expanding our CDMA market share to 11%. This enabled us to record exports of KRW1,259 billion last year, representing a growth of 44% YoY, outperforming the industry average growth rate of 25%.

We are confident Pantech&Curitel's distinctive competitive advantages are the backbone of our amazing growth. Although we are not as large in size as our competitors, we are gaining global recognition as a robust, flexible and 'tenacious' company, armed with advanced technology, a speedy response system and exciting corporate culture.

2005 will be the year in which Pantech&Curitel launches new initiatives in brand marketing and expands supplies of brandname products to the North American market. We plan to branch out to the world on the foundation of our experience and know-how accumulated over the years in the market. Our

strategy is to promote Pantech&Curitel's own technology and brand image rather than adhering to the existing ODM business. For this purpose, we plan to set up six North American branch offices in Toronto, Canada as well as Seattle, Atlanta, New Jersey, Miami and Kansas City in the US, in addition to the US headquarter in Cyprus, near Los Angeles. Moreover, we will continue the valued partnership with our established customers by maintaining stable business alliances and manage risks. Furthermore, we plan to explore brandbusiness opportunities.

In an effort to reposition ourselves as a leader in the ubiquitous age where everything will be integrated into a mobile phone, Pantech&Curitel's goal is to make 2005 the banner year in entering the European market by introducing third generation WCDMA mobile handsets. We are conducting meetings with major European service providers and manufacturers and anticipate a successful outcome in the near future.

Pantech&Curitel's soft-landing in the European market would ensure our emergence as a global leader in the handset market. Furthermore, we are executing an active brand marketing strategy targeting the Indian market, which is surfacing as the largest market after China. We also have our eyes on penetrating the Central and South American market starting with Brazil. In the domestic market, we will reinforce our position in terms of market share through the introduction of a wide range of functional products with unique designs and a dramatic increase in user-friendly features.

In an effort to reposition ourselves as a leader in the ubiquitous age where everything will be integrated into a mobile phone, Pantech&Curitel's goal is to make 2005 the banner year in entering the European market by introducing third generation WCDMA mobile handsets.

My fellow shareholders;

Pantech&Curitel is a young and vibrant company. Our corporate culture does not tolerate rigidity or the closemindedness that is inherent in larger firms. We welcome challenges. Our tireless spirit and foresight have enabled us to achieve explosive growth in just a short period of time. Although the current business climate is far from favorable, we will use the opportunity to triumph as an undeniable market force.

We at Pantech&Curitel will not be satisfied with achievements of the past. 2005 will be the year in which we make a giant leap forward to emerge as the undisputable market leader by displaying our capabilities to survive in the time of crisis.

Enriching lives with mobile technology; this is the future we envision with you.

Thank you for your invaluable encouragement and faith in us. We are committed to rewarding your support with outstanding performance in 2005 and beyond.

President & CEO | Song, Moon Seob

¡ÆAwards & Recognitions in 2004

Awarded for Notable Design by 'Ministry of October 20, 2004. Commerce, Industry and Energy' and 'Public | The Good Design award is given to outstanding design

Procurement Service' at '2004 Good Design' leaders based on their products' quality, artistic,

Presented with 'USD900 Million Export Tower' On 41st Trade Day

outstanding technology and quality as well as competition, the Company's exports soared in 2004, 'USD900 Million Export Tower.' The award, which company's technological prowess. The feat is a create a steady supply of competitive products, and



On Our Reliable Name

An admired company sustains excellence in every spectrum of business from managerial achievements, technology, personnel and organization management to corporate culture. It is a company that never stops evolving to develop and follow through on its core values and commitments, which are acknowledged and appreciated by the Company's internal and external customers.



P1
Red dot Design Award 2005
Stylish & Slim Bar Type
2 Mega-pixel CCD Camera, Auto Focus, MP3 Player, TTS(Text to Speech), Mini-SD Card

THE PANTECH GROUP



GROUP & AFFILIATES

R Pantech

Following a dramatic transition from a pager manufacturer into a global handset vendor in the 1990s, Pantech's groundbreaking technological innovations fueled the Company's emergence as a leading provider of mobile handsets with unique designs and functions. Today, Pantech is enjoying a global reputation as one of the world's fastest growing companies in the handset industry.

From the very beginning, Pantech made serious commitments to R&D and product innovation. Dedicating over 35% of its total workforce and more than 8% of total revenue into research and development, the Company successfully capitalized both CDMA and GSM technology into fruitful gains. Pantech's most significant achievement is its remarkable growth that has outperformed the industry. The constant driving force behind such amazing advances has been Pantech's zeal for superb quality and excellence in design.

In 2004, one of the company's key strategies was to shift its business model from ODM and cultivate brand identity. With proper and effective execution of marketing & sales strategies, the "Pantech" brand has gained wider recognition in Eastern Europe and Latin America. Pantech will rigorously reinforce the "Pantech" brand in 2005 by providing a comprehensive lineup of premium products to diverse global clients. To fulfill this goal, the Company will make every possible effort in differentiating product mix, maximizing customer satisfaction, and executing efficient marketing strategies. Pantech is committed to becoming a dynamic market force in the global handset industry and to bringing Korean innovations to the world.

Affiliate Companies

Business Sector	Company	Remarks
Broadcasting & Wireless Telecommunication	Pantech Co. Ltd	Listed (KSE)
Device Manufacturer		
Wholesale Retailing, Information Processing,	Pantech C&I	Not Listed
Research Service		

^{*} Pantech Capital changed its corporate name to Pantech C&I on Dec. 2004

our corporate government



BOARD OF DIRECTORS



Park, Byeong Yeop

- CEO and Chairman, Pantech&Curitel
- Founder, CEO and Chairman, Pantech
- Vice Chairman, the Federation of Korean
 Information Industries



Song, Moon Seob

- CEO and President, Pantech&Curitel
- Executive Vice-President,
 Hynix Semiconductor
- Senior Vice President, HDD Division,
 Samsung Electronics



Park, Chung Dae

- Senior Advisor, Pantech Group
- Vice Chairman, Pantech Group
- Senior Vice President, LG Information &
 Telecommunications



Oh, Kyung Joon

- CFO, Pantech&Curitel
- CEO and President, Pantech C&I
- CFO, Pantech



Park, Geun Woo

- External Director
- Auditor & Consultant, Hyundai Investment and Securities
- Vice Chairman, Securities Supervisory Board



Kim, Sang Hun

- External Director
- Executive Vice President, Dong-Ah Tire

our corporate governance



COMMITTEE STRUCTURE AND ROLES

Pantech&Curitel operates a board of directors with diverse backgrounds, in-depth experiences and problem-solving capabilities. As of 2004, the BOD is comprised of six members including two external directors, making outside members to account for 33% of the BOD. Our directors are involved in an array of management activities and offer viable advice with wide ranges of perspectives.

Pantech&Curitel is strongly committed to maintaining the current number of external directors as stipulated in related laws and regulations. Furthermore, as Pantech&Curitel is very much aware of the importance of healthy corporate governance, the Company plans to set up an independent committee to supervise management as the Company continues to be confronted with unexpected challenges. Furthermore, the Company is providing every possible assistance so that directors can dedicate their time and energy to reinforcing corporate value.

Pantech&Curitel does not fall under the Securities Exchange Act to have a supervisory committee (only companies with assets over KRW2 trillion) and therefore does not operate a separate committee within the company. However, the Company is running a very strict internal audit system for the most efficient execution of independent supervisory activities. Moreover, the Company has an exemplary supervisory system designed to improve management transparency with the 'Online Sinmoongo (Suggestion) System' where customers can

directly lodge their complaints or report irregularities.

Pantech&Curitel's Board of Directors voted for a total of 14 important agendas in 2004, including the sale of marketable securities, establishments of domestic branches, establishment of a subsidiary in the Netherlands, the capital injection into US headquarter, etc.





SHareHolder Relati



MAXIMIZING SHAREHOLDERS' VALUE

At Pantech&Curitel, we place the greatest emphasis on maximizing shareholders' value. We achieve this goal by strengthening competitiveness, improving profitability and reinforcing management transparency. Moreover, we are devoted to implementing financial strategies to provide greater returns to our shareholders. As one example of our efforts, we injected KRW13.2 billion in June and KRW13.9 billion in October of 2004 to buy back a total of 13 million treasury stocks (5 million and 8 million shares, respectively).

IR ACTIVITIES

The IR team's main goal is to facilitate access to transparent and useful information associated with the company for our fellow investors. The team runs various IR programs such as overseas NDRs, IR conferences, one-on-one meetings, conference calls, earnings releases, and others in an effort to help our shareholders make smart investment decision. Moreover, we keep updating, on real-time basis, IR data on the company's IR website.

Beginning with the release of the 2003 annual and 4Q results on February 2004, the team held earnings calls to release the Company's quarterly results. The team also successfully ended overseas road shows for leading institutional investors worldwide. Some 130 one-on-one meetings with investors and analysts were held in 2004 to discuss the current status of the Company and industry. The valuable opinions obtained through these discussions were conveyed to the management to be

reflected in their decision-makings.

DISCLOSURE POLICY & ACTIVITY

Under the Financial Supervisory Service's regulation on supervision of disclosure and revised disclosure act, Pantech&Curitel has set up a systematic disclosure control process by rearranging internal disclosure regulations and guidelines. The Company aims to make accurate disclosures through a thorough review process on all company announcements and releases beforehand. The Company will be making accurate, quick and fair disclosures of its business activities to our existing and potential shareholders to satisfy their right to know. The company had produced 88 disclosure documents throughout 2004.

For Pantech&Curitel, the world is our playground. Our aim is to attract as many foreign investors as possible to gain a valuable access to their insights and obtain feedbacks in order to take a giant leap forward to making a "Better" Pantech&Curitel. For your reference, ownership by foreign investors stands at 6.4% as of December 31, 2004, up from 2.3% in January 1, 2004.

our Brand & Network



BRAND MARKETING

Domestic Brand, "Curitel"

The domestic mobile phone market is characterized for its rapid technological advances and strong replacement demand. In this environment, success lies in the quick and accurate identification of consumer and market trends, and launching new products at the most opportune time and price.

Pantech&Curitel's brand strategy aims for 'end-user-oriented brand building and marketing activities.' That is, we aim to carry out a variety of marketing activities to fit the lifestyle of our customers to promote brand awareness rather than adhering to passive marketing tools of the past.

The following are the key marketing strategies of Pantech&Curitel:

- Comprehensive management of brand equity
- Precise segment-targeting and brand repositioning
- Systemization and swift implementation of all branding activities

Armed with a new determination to make a detailed analysis of market data and trends, Pantech&Curitel is committed to implementing diverse marketing activities in 2005.

Brand Marketing Activities

The most noteworthy marketing achievements in 2004 were 'PPL' and 'online promotional activities.' The Company's PPL marketing was a huge success when its handsets appeared on

Korea's popular TV dramas and movies. Pantech&Curitel's marketing tactics gained further global recognition when its "So Cooool" website was selected as one of the finalists at international advertisement festivals in New York and London, a first for the domestic handset maker.

2004 was a banner year for Pantech&Curitel in terms of marketing. One of the most distinctive marketing tactics implemented as part of our product promotion was caring for sales personnel in both carriers' shops and indirect channel stores. To boost their morale and their preference for our products, we prepared an array of events. They included delivering gifts to distributors nationwide and sending gifts and flowers to congratulate graduations, weddings and birthdays of the owners and families of major stores. We also showed our appreciation by sending them on overseas trips to China and Baekdu Mountain.

GLOBAL NETWORK

Overseas Marketing Strategy

Contrary to an unprecedented short-term surge in brand awareness in the domestic market, our brand power in overseas markets is relatively weak due to the fact that we started as an ODM player. However, that is about to change as 2005 will be the year in which we build our international brand power through an aggressive brand strategy and therefore secure a crucial price premium.

Our brand strategy varies slightly to best appeal to a specific

our Brand & Networ

region. In the US market, we will gradually phase out our ODM business with UTStarcom and establish an infrastructure to spearhead our aggressive pursuit of brand marketing. In the Indian market, we are shifting our major supply network to the private sector with our own brand, from the public where the brand is not an important factor. In Europe, the Company is developing products to make an early entry into the UMTS market which is showing rapid growth in the region. In addition, in-depth discussions are underway with a number of wireless carriers in the world regarding our plan for brand business.

The selection of a global PR agency, considered crucial in delivering a unified global message and exposing the Company to the world's most reputable media, will all be completed within the second quarter of 2005. Regional ad agencies will be also chosen to pursue independent brand strategies to reflect the local flavor in the second half of 2005.

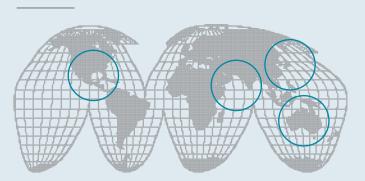
'Forward Thinking', the core essence of our brand, is a key message contained in most of our marketing activities. Based on this simple message that clearly embodies the Company's vision, we are working with major overseas PR agencies to search for slogans and promotional activities tailored to suit local characteristics. For our overseas business, the Company will use the 'Pantech' brand jointly with Pantech to maximize synergy effects through cost cuts and improvements in efficiencies.

Pantech&Curitel was the first handset maker to launch CDMA-

based mega-pixel camera phones in the US market. We plan to pursue a separate marketing strategy for the launch of each new cutting-edge product. Another strategy under consideration is to build our brand premium by shifting more toward mid/high tier segment. We are committed to creating and reinforcing a brand image in the global handset market by incorporating design power and advanced technology proven in the domestic market.

Overseas Network

Pantech&Curitel is building a global sales network by establishing regional offices in our key target markets.



USA

11240 Warland Drive, Cypress, CA 90630, USA

Japan

Yuraku-cho Denki Bldg. South Wing 7F 1-7-1 Yuraku-cho Chiyoda-Ku Tokyo, 100-0006 Japan

01 03 021

India

1003 Ansal Bhawan, KG Marg, New Delhi 110-001, India

ustralia

Suite 102, 66 Berry Street, North Sydney NSW 2060, Australia



With our focus on meeting customer commitments, we will strive to expand our market share through improved brand recognition and solidify our position as a technology leader through the timely rollout of strategic products to complement the new services and promotions of mobile carriers. Pantech&Curitel will also continue to unveil compelling new phone designs with advanced features and refine our marketing activities.

On Our Growing Business







GU-1000 Pantech&Curitel's 1st UMTS phon 1.3 Mega-pixel rotating camera,

1.3 Mega-pixel rotating camera,
MP3 Player, Video Telephony,
Bluetooth, Intenna, MPEG 4

our vision & strategy



VISION

IE Vision Statement

The vision of Pantech&Curitel is to become a globally admired company

An admired company sustains excellence in every spectrum of business from managerial achievements, technology, personnel and organization management to corporate culture. It is a company that never stops evolving to develop and follow through on its core values and commitments, which are acknowledged and appreciated by the Company's internal and external customers.

In short, Pantech&Curitel's vision of an admired company is:

One, a strong company

Two, a company where an individual's value is respected and realized

Three, a company that respects and values its customers
Four, a company with transparent management
Five, a company that cares about the community

Business strategy

Pantech&Curitel's management strategy to attain its vision of becoming an admired company is as follows.

Securing and Fostering Talented Personnel

In this age of information revolution, where intellectual assets are like the heart of corporate growth, the importance of a



superior workforce can never be overstated. Pantech&Curitel attracts and recruits outstanding talents and carries out systematic training programs to mold them into major contributors to the Company's growth and further develop them into the motive power of the larger society.

Sustainable Growth

Sustainable growth is a key to a company's survival. In the ever-changing information era, the handset industry is more affected by the range and speed of development than most other industries. We cannot afford to be content with our current position. Stagnant growth can result in our demise, thus so to avoid such a fate, Pantech&Curitel will focus all of its strengths on building consistent growth capabilities to deliver steady growth in both quality and quantity.

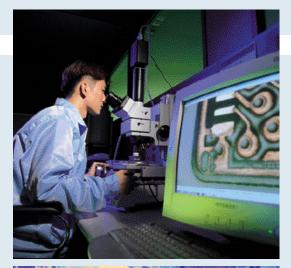
our vision & strate

Sustainable Change

With the collapse of Moore's Law which defined the speed of technological evolution for the past 20 years, we are experiencing enormous changes in which even the speed of evolution is unpredictable. Almost every day, barriers in sectors and industries are breaking down with the world engaging in a flurry of strategic alliances and mergers. Amid such turmoil, Pantech&Curitel will continue its sustainable growth by adapting to constantly-evolving industry paradigms that could lead to a springboard for growth.

Fostering Partnerships

The changing market environment cannot be handled with the efforts of a single company. Pantech&Curitel shares with its partner companies the belief that "We cannot grow without the growth and development of our partners in the 'Value Chain' which makes the business process smoother, more productive and more profitable." To this end, the Company will strive to establish a healthy relationship with its valuable partners based on mutual respect.





our operations



INDUSTRY OVERVIEW

Handset Market Trends & Outlook

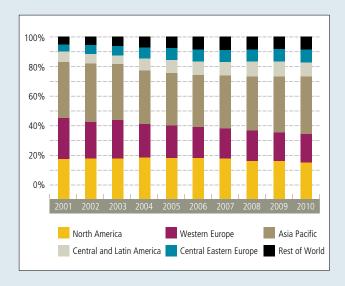
Global Market

The Global handset market has been growing at a steady rate compared to other industries, and this trend is projected to continue in the future as the penetration rate of wireless subscription continues to climb. According to Strategy Analytics, the handset market had grown by over 20% annually over the past two years to 670 million units in 2004, up 29% from the previous year. However, the market survey firm is expecting 2005 to slowdown in terms of growth and projected the worldwide sales of 732 million units in 2005, a slight increase of 9% from 2004. Despite a sluggish growth projected for the entire industry, we believe the latent demand for handsets will propel a moderate growth as more people search for the latest, high-tech mobile phones to enrich their lives in this ubiquitous environment.

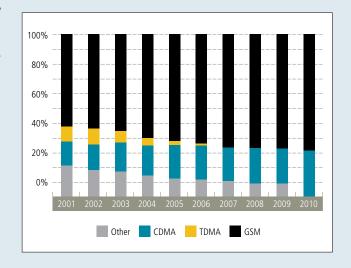
Region by region, replacement demand will be key driver for growth in mature markets like Korea, Japan, North America and Western Europe where 3G wireless services such as EV-DO and WCDMA are about to make debut. In addition, new subscribers are expected to generate demand in the emerging markets such as India, China, Latin America, Russia, and the Middle East. For the approaching couple of years, demand invoked from new subscription is expected to make more contribution to growth in the global handset industry than the replacement demand.

Sales of camera phone posted explosive growth since 2003 as more countries started servicing CDMA-1x and GPRS, which make camera features more attractive and affordable to most mobile users. Moreover, considering that the worldwide distribution rate of camera phones still hovers at a mere 10%, the growth momentum for the handset market triggered by camera phone sales is projected to continue for a while.

Global Sales (%) by Region



Global Sales (%) by Technology



our operations



North America and Europe

The North American market posted 24% growth in 2004 from the previous year to record 129 million unit sales in 2004. This year is projected to slow down to approximately 8% growth, equivalent to the sales of 139 million units.

Pantech&Curitel's main target in North America has been the CDMA market. The CDMA market accounted for approximately 55% of the total North American market in 2004, and that figure is expected to climb to 57% this year mainly due to aggressive strategies by such major carriers as Verizon and Sprint. Meanwhile, replacement demand has been responsible for producing 50% of total demand since 2002, and further growth is highly anticipated with the evolving services. When EV-DO and EDGE/UMTS services begin in full, replacement demand is projected to soar to 60% of total demand.

GSM handsets only contributed to 27% of market demand in 2003 with 28 million units. However, demand for GSM handsets in North America is anticipated to escalate to 46 million units at a growth rate of 36% with the full-fledged migration of TDMA subscribers to GSM. When EDGE/UMTS services fully get underway, GSM is expected to share the market with CDMA.

The North American handset market is undergoing major structural changes with active M&As among the main wireless carriers, which will result in the birth of a few dictating carriers. As a result, these oligopolistic carriers with economies of scale

have been increasing their market dominance. To make the most of this changing business environment, Pantech&Curitel plans to market its competitive products at the most opportune time through continued investments in R&D. The Company is also aiming to start a full-scale business in the region by completing the setup of a local sales channel of its own in 2005.

With the market size bigger than that of the North American market, the European handset market took up 29% of the global market with 194 million units in 2004. In 2005, the regional market demand is predicted to grow by 7% to 208 million units. In particular, with Europe's major service providers gearing up to offer full-fledged WCDMA services, replacement demand, for UMTS models in particular, is anticipated to surge up to 82% of the total regional market.

around 6.3 million units, a whopping 158% growth is projected in 2005 to 16 million units. Some experts have more positive outlook and project the market over 20 million units in 2005. Pantech&Curitel plans to tap into this opportunity and enter

While Europe's WCDMA market in 2004 is estimated to be

Pantech&Curitel plans to tap into this opportunity and enter the European market by introducing UMTS products from the second half of 2005.



our operations



We will solidify our position as a global leader with a full-scale entry into the European market in 2006.

Meanwhile, Pantech&Curitel is also eyeing the Indian market, which has seen over 100% growth every year due to new subscribers addition and aggressive marketing tactics by such Indian service providers as Tata and Reliance. The number of subscribers in India skyrocketed to 52 million in 2004, an increase of astonishing 90% from the previous year. The outlook for 2005 envisions the number of subscribers at 85 million. However, the penetration rate is still minimal, accounting for only 5% in 2004 and forecasted to climb up to just 8%, indicating huge potential for growth for the upcoming periods. As we anticipate the growth of new subscribers and steady increase in replacement demand, Pantech&Curitel plans to enter the Indian market in 2005 and strengthen partnerships with local carriers and dealers by supplying low-end products to new customers and launching strategic products simultaneously with the regional wireless carriers promote new mobile services and programs.

Domestic Market

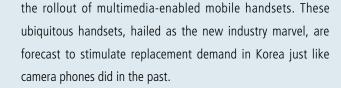
In 2004, the MNP (Mobile Number Portability) and aggressive marketing activities by Korean mobile carriers fueled domestic demand so that the market exceeded 16.5 million units, up 25% from 2003. The MNP helped drive demand from the beginning of the year, along with the popularity of feature-rich handsets such as the mega-pixel camera and MP3 phones. The first six months of the year alone generated over 10 million



units in sales. However the flourishing market underwent a drastic contraction from the third quarter due to the 30- to 40-day business suspensions placed on all mobile carriers and a sharp drop in marketing spending by the carriers. These negative factors resulted in an unexpected surge in inventory and a heavy burden on the fourth quarter market, further worsening market conditions.

Demand outlook for 2005 is estimated to be around 14 to 15 million units, equivalent to a 10 to 15% drop from 2004. Despite these gloomy projections, the industry is expected to recover from the deep recession of the fourth quarter last year, which posted disappointing sales of a mere 2.6 million handsets. A major force to spur demand in the domestic market over the coming months will be intensified marketing initiatives to coincide with the full-scale implementation of the MNP. Other factors contributing to a market recovery in 2005 will be the launch of satellite and terrestrial DMB services and

our operations



With our focus on meeting customer commitments, we will strive to expand our market share through improved brand recognition and solidify our position as a technology leader through the timely rollout of strategic products to complement the new services and promotions of mobile carriers. Pantech&Curitel will also continue to unveil compelling new phone designs with advanced features and refine our marketing activities.

Business Performance in 2004

Pantech&Curitel achieved record sales in 2004 despite difficulties such as the unstable foreign exchange rate, stiffer competition and price pressure. We believe that recognition of our superior product quality both at home and overseas enabled us to post continuous growth.

After breaking through the KRW1 trillion revenue mark in 2003, Pantech&Curitel set another milestone last year with over KRW2 trillion. Considering that the handset market averaged 24% growth in 2004, the results testify to the amazing advances made by the company. As a result, our domestic market share has steadfastly increased from 3% in 2002, to 11% in 2003, reaching 15% in 2004. We also increased our presence in our main market of the North



America CDMA market to approximately 11%, and grabbed a 7% share in the global CDMA market.

2004 was an especially meaningful year for us in which Pantech&Curitel products gained recognition on the worldwide stage. Some of our notable achievements include: partnering with Sprint PCS, supplying North America with its first megapixel camera-phone, selling over 6.3 million units in North America, securing a healthy margin in overseas markets, emerging as number one in the Israeli CDMA market, and readying the foundation for future success in other overseas markets such as Western Europe, South America, India, and

our operations



Business Goal in 2005

Pantech&Curitel Rusiness Goals

- Striving to Become A Marketing-centric Company
- -Strengthening Marketing in the US
- -Establishing a System of Management that Emphasize:
- -Realizing Sound and Efficient Managemen

Our foremost business goal is to become a 'marketing-centric company.' By the term 'marketing-centric,' we mean a company that concentrates all efforts on sales, marketing and R&D to remain ahead of the game in this endlessly changing and evolving marketplace.

The new market paradigm demands constant development and transformation, and a company's fate heavily depends on whether it can nimbly and efficiently respond to these changing market parameters. Our first task in becoming a 'marketing-centric company' is to arm ourselves with the ability to accurately anticipate the needs of our clients and supply them with their demands in a timely manner.

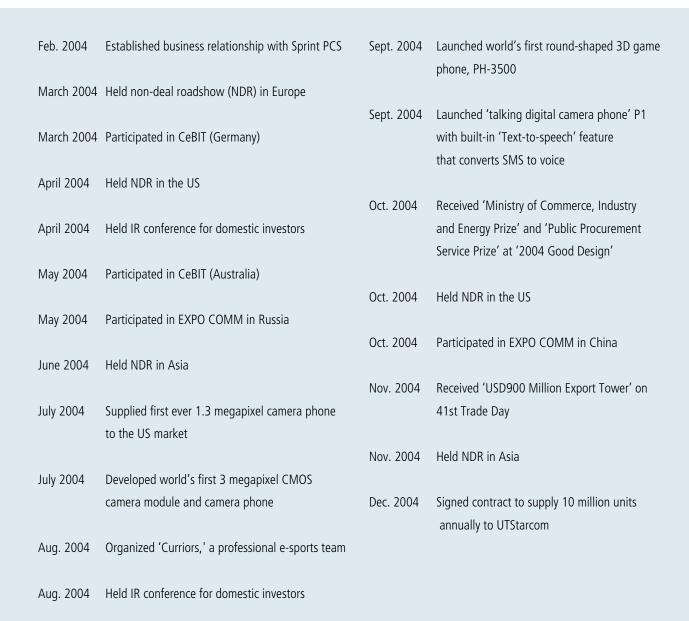
To become 'a marketing-centric company,' Pantech&Curitel has established a three-step plan: first, boost marketing in the US with the establishment of direct sales network; second, build a responsible management structure that clearly defines the rights and responsibilities of our employees; and third, make 2005 the year in which we raise our company up a notch to join the ranks of top global handset makers.





OANTECH & CURITEL

SNAPSHOT IN 2004



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On Our up-to-date Technologies

Pantech&Curitel aims to secure its position in the market and stay ahead of rapid technological advances and fierce competition by continuing to invest in R&D. We are concentrating our efforts on developing pioneering technology and nurturing the talents of our people. The Company will also expand outsourcing for greater efficiency in R&D.



PH-L4000V

IF Design Award 2005, Red dot Design Award 2005 Real Camcorder Phone

2 Mega-pixel CCD Camera, Camcorder, Optical zoom
Auto Focus, MP3 Player

our people and R&D



Research & Development

Pantech&Curitel aims to secure its position in the market and stay ahead of rapid technological advances and fierce competition by continuing to invest in R&D. We are concentrating our efforts on developing pioneering technology and nurturing the talents of our people. The Company will also expand outsourcing for greater efficiency in R&D.

R&D investments in 2004 totaled KRW118.2 billion and constituted 5.8% of company sales. The figure represented an increase of KRW22.6 billion from the year before and was employed in developing 30 new models, including 21 for domestic demand and 9 for exports. Our diverse line-up helped us record annual shipments of 10 million units and over KRW2 trillion in revenue. The Company will increase its R&D budget this year to KRW142 billion to showcase a total of 39 new products, with 23 domestic models and 14 export models, including 2 UMTS models.

Intellectual Property Rights

Pantech&Curitel filed for 1,016 patents in 2004, an increase of approximately 42.5% over 2003. As of March 2005, total patents held by the Company numbered 4,364 of which 562 are international patents. The Company aims to further increase its intellectual property rights by applying for 1,350 patents in 2005, a rise of 30% from the previous year.

International Standard Patents Related to MPEG-4

The Company currently holds about 120 patents in the MPEG-4



technology, of which 10 have already been acknowledged as international standard from MPEG LA, a MPEG standard organization located in Los Angeles, USA. This has enabled Pantech&Curitel to earn royalty payments, and the Company is attempting to receive additional international standard certification for its future registered patents.

R&D Organization & Personnel

The R&D Center at Pantech&Curitel first and foremost concentrates on developing compelling, market-leading handsets and securing core technology to accelerate our future growth. The center has 960 engineers as of February 2005. The company plans to increase its R&D staff by 29% to 1,110 engineers by the end of this year. We believe this will be crucial to staying abreast of various consumer demands and fast-changing technologies. Furthermore, we never shy away from making bold investments for the timely recruitment of top talents to achieve sustainable growth.

our products

State-of-the-Art Products

In 2004, Pantech&Curitel released a new line-up of handsets featuring various next-generation technologies and sophisticated functions. Stylishly packaged, the handsets offer a wealth of multimedia functions in tandem with the growing demand for digital convergence.

We developed an exciting portfolio of pioneering products with high-tech features that led handset market trends. Pantech&Curitel introduced the world's first 3 mega-pixel CMOS camera module which debuted on our new phones. We also launched the first mega-pixel camera phone in North America and proved our product leadership to the world. Other iconic products include the world's first round-shaped 3D game phone, a 'talking digital camera phone' equipped with Korea's first TTS (Text to Speech) function and a design-award winning camcorder phone among others.

Such technological feats are just part of our tireless attempts to satisfy consumer needs for the future era of convergence of telecommunications and broadcasts. We plan to introduce DMB handsets and are readying UMTS products to target the 3G markets in Europe and North America for the latter half of the year. Pantech&Curitel possesses a diverse portfolio of attractive, technologically-advanced handsets to quickly answer to the ever-changing tastes of the global market in 2005.





our products



New Product Development

Developments in network mass storage and multimedia-based technology are driving Pantech&Curitel to boost the competitiveness of new products by securing multimedia-based technology, more intelligent UI technology and wireless PAN technology.

First, Network Mass Storage & Convergence

We are in the midst of developing HSDPA (High Speed Downlink Packet Access) / HSUPA (High Speed Uplink Packet Access) handsets for high-speed mass storage data services. Furthermore, in anticipation of the OFDM-based WIMAX market including WiBro, Pantech&Curitel is securing WiBro modem chipsets and concentrating on developing an Open OS-based platform and on securing key service technology. By participating in public projects to standardize 4G technology based on HSDPA, OFDM and MIMO, we will focus on acquiring 4G based technology IP and proactively take part in global standardization efforts like Super3G. To coincide with the integration and convergence of wired and wireless networks, we aim to achieve the means to provide seamless services among heterogeneous networks like cellular network and wireless LAN.

Second, Convergence of Broadcasting and Communications

The Company is developing DMB handsets for the Korean market and plans to introduce Europe-centric DVB-H technology and MediaFLO/FLO technology. A first phase DMB handset will

be launched in the first half of 2005, with a latter model to be released in the second half equipped with greater energy efficiency and more sophisticated functions. The Company will produce convergence-centric handsets for 2006 outfitted with optimum functions and energy-efficient chipset solutions.

Forecasting the emergence of the DVB-H market, Pantech&Curitel plans to concentrate on securing key chip solutions for DVB-H and FLO handset developments in accordance to market situations.

Third, Multimedia-based Technology

Pantech&Curitel aims to secure core technology based on an IMS framework to respond to multimedia-based technology and is pursuing the integration of VoIP, SIP, RTxP, PTX, web browsing and core Codec technology into its handsets. The Company will also continue to develop lower power consumption, high-function multimedia technology and high-function camera optical technology.



our products

Fourth, Smarter UI Technology

To cope with 'smarter' UI technology, the Company will strengthen its product competitiveness with more user-friendly, context-based UI technology.

Fifth, Wireless PAN Technology

The Company is enabling a personalized network environment through short-distance wireless communications technology such as Bluetooth and Zigbee. We completed testing of handsets featuring Zigbee technology in December 2004 and are concentrating on discovering and developing various PAN technologies for diverse applications.

Sixth, Well-being Trend

In line with the well-being trend for healthy lifestyles, Pantech&Curitel plans to introduce 'healthy' handsets featuring beneficial bio-technology such as Nano silver, far infrared rays and blood sugar monitoring devices.

NEW PRODUCTS



PH-S6000

Bluetooth Music & 3D Game 1.3 Mega-pixel Camera, MP3 Player & MOD, Network Game



PH-K2500V

Unique Compact Design
1.3 Mega-pixel Camera, MP3 Player, VOD,
Wide LCD



TX-170S

Sliding Style 330K pixel Camera, MMS, WAP, BREW, JAVA



TX-180C

Wide LCD, Compact & Slim Design
Wide 260K TFT LCD, 330K pixel Camera, MMS,
WAP. BREW. JAVA



TX-200C

High Featured EV-DO phone 2 Mega-pixel Camera with Auto Focus, QVGA 260K TFT, MP3 Player, Multimedia(VOD)

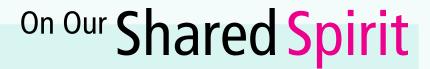


TX-230C

Enhanced Multimedia Featured EV-DO phone 330K Pixel Camera, VOD, JAVA, WAP, BREW, MMS



Through its industrious business activities, Pantech&Curitel achieved financial success in leading global IT technology, strengthening national competitiveness, creating new jobs and sharing profits. However, we firmly believe that as an admired company it is our responsibility to give back and reach out to strengthen the communities where we live and work. Our various volunteer programs and charity works are helping to make a difference year-round.





PT-S100(K100)
Swivel & Single Type Intenna Phone
1.3 Mega-pixel & Swivel Camera, MP
Plaver, TTS, Mini-SD

ETHICAL Management

ETHICAL MANAGEMENT

Code of Ethics

Under our vision of 'Admired Company' and 'Becoming a "NEW" Number One,' we are racing towards our goal of becoming a new leader in all aspects of the handset business. We believe that in order to truly earn the title of a company respected by our employees, clients, shareholders, partner firms and the community, each member at the company must uphold our ethical commitment guided by the Company's 'ethical management' practices on key integrity issues.

Pantech&Curitel defines 'ethical management' practices as:

First, fulfilling our corporate social responsibility (CSR)

Second, promoting a key strategy to boost our corporate competitiveness

Third, meeting global standards demanded by the international community

Fourth, acknowledging ethical standards as our cultural assets and core intangible asset.

After establishing our code of ethics in 2002, we have been engaging in a variety of programs and events to implement ethical management practices.

Key Ethical Management Practices

For Pantech&Curitel, ethical management is paramount in doing business. Therefore, the Company adopted its code of ethics in 2002 to better realize ethical management and defined 'general ethic principles' and 'our promise' to guide us



in upholding our ethical commitment.

Our efforts for transparent management were further extended in July 2003 with the launch of a cyber audit system. The system allowed us to broaden the reach of our ethical standards to that of our partner firms. The cyber audit system has grown into a constructive tool in informing our employees and partner firms of our ethical code details and guidelines.

Both new recruits and existing personnel are subject to the company's educational program called 'Pantech Way' which includes lectures on ethical behavior. The lectures help to instill in our people a better understanding of and sense of pride in the company's ethical position.

Any ethical lapses will be prevented in advance and kept in check by a management auditor team which works tirelessly to spread integrity and ethical behavior. The team also

discourages practices such as the giving and receiving of gifts during national holidays.

corporate social re

Future Plans

Pantech&Curitel will embed the code of ethics and nurture it as part of our corporate culture. As part of our comprehensive plan, we will diversify action programs and expand their scope. The reach of our action programs will broaden to include all our partner firms and Pantech affiliates, to enhance transparency in all our business transactions. The continued auditing and evaluation of our people will further encourage compliance with our code of ethics.

CORPORATE CITIZENSHIP

Through its industrious business activities, Pantech&Curitel achieved financial success in leading global IT technology, strengthening national competitiveness, creating new jobs and sharing profits. However, we firmly believe that as an admired company it is our responsibility to give back and reach out to strengthen the communities where we live and work. Our various volunteer programs and charity works are helping to make a difference year-round.

In 2004, Pantech&Curitel provided financial and cultural assistance as well as moral support in various programs including championing educational opportunities by offering scholarships, financing cultural and sports projects, and improving the lives of children who are forced to become the major breadwinner in their families. Furthermore, we are



committed to implementing Strategic Corporate Community Involvement, a systematic mid- to long-term program designed to contribute to promoting public welfare as well as reinforcing company brand and value. Through this process, we aim to leap forward as a major force in not only products and services but also social contributions.

With our innovative philanthropy programs, our goal is to develop and promote diverse and sustainable programs that support initiatives in education, workforce development, arts and culture, and the environment to benefit communities in need.

We believe true giving extends beyond monetary contribution. That is why we are devoted to volunteer works and to helping resolve various social issues by working closely in partnership with our communities. As a respected member of our community, Pantech&Curitel will strive to do its part to implement exciting new programs and engage our employees more fully in the important mission of corporate citizenship.

corporate social responsibility



2004 COMMUNITY PROGRAMS

Program	Main Projects	Content
Scholarship Program	Investment in local communities	- University students: Students recommended
	and the future through fostering	by public institutions, Hoseo University students
	of talents	- Local high school students: Students recommended
		by local governments, 6 high schools in the Gimpo region
Cultural & Sports	Support and participate in local	- Support local cultural events
Program	cultural & sports events	- Host youth festivals
		- Promote local events
		- Support academic research program for
		development of Gimpo
Welfare Program	Fulfill social responsibilities	- Welfare group sponsorship: Paju Childcare Center,
	to local community by promoting	Banghwa Welfare Center, Nangok Nursing Home, etc.
	public awareness for those less	- Sponsorship to facilities for the disabled:
	fortunate	Continuous support for households in poverty:
		Support for youth-headed families,
		meal support for elementary school children in need,
		campaign to create 'We Start' Village
Other Programs	Support government organizations	- Local government events and volunteer activities
	in the Gimpo region to provide	- Local commerce & industry activities
	quality administrative services to	- Support public service announcements in local media
	the local community in an effort	
	to emerge as community leader	

OANTECH & CURITEL

Labor relations



LABOR-MANAGEMNET RELATIONS

One of our core beliefs here at Pantech&Curitel is that our people have always been the driving force behind our amazing growth. True to this belief, we operate a variety of employee welfare benefit programs as part of our 'people-oriented management' philosophy.

Welfare Benefit Program

Under our fundamental philosophy of 'people-oriented management,' Pantech&Curitel offers its employees a diverse range of support and welfare benefit programs.

Financial Support

Our employees have access to a wealth of support programs designed to bring them greater financial stability so that they may concentrate on their work. Financial assistance is provided in the form of housing loans, wedding loans, medical and funeral expenses among others.

Cultural, Leisure, Educational Support

Pantech&Curitel provides monetary support for cultural, leisure and educational activities that will help enrich the lives and minds of our employees. Foreign language studies are encouraged through company support for institute fees while monthly budgets are given to in-house sports and hobby clubs to promote organizational unity.

Others

Other support measures include an incentive program for longterm employees, transportation support, monetary aid for mobile phone purchases as well as the provision of clothing and meals.

LABOR-MANAGEMENT UNITY

The labor union at Pantech&Curitel was disbanded on February 28, 2004 as we began to 100% outsource production. Since then, the new communication window between employees and management has become the 'Council for Management Improvements.' The council holds regular meetings and is also responsible for the following activities listed below which are designed to bolster exchange between company executives and workers.

- Open Door Day / CEO Hot Line
- On-site visit by management to factory and customer service center
- Providing support to in-house clubs

The above programs will be continued and expanded in 2005, with special emphasis placed on encouraging one-on-one discussions with management, communication between divisions and company-wide events to help boost employee morale and facilitate communication.



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EXECUTIVE SUMMARY

Pantech&Curitel's management goal for 2005 is to reshape itself into a 'marketing-centric company,' to boost direct sales in the North American market, build a responsible management structure by clearly defining employee rights and responsibilities, and ultimately advance as a stronger and more profitable handset maker in terms of both quantity and quality. The market is constantly demanding changes, and Pantech&Curitel will seize this opportunity to anticipate changes in an accurate and timely manner and supply the market with attractive products to fully meet its needs.

2004 was an outstanding year for Pantech&Curitel for our overall achievements including record sales of over KRW2 trillion. Despite the challenging operating conditions set forth by the depreciating US dollar, intensifying competition, and pressure to cut prices, the company rose above these challenges and once again achieved significant growth on the back of its continued bold investments, technological innovations and diverse product lineups.

The handset market in 2004 was an encouraging year for the company despite facing some serious challenges. The domestic market enjoyed a rebound in replacement demand with the introduction of MNP in the year's first half. MNP, which allows mobile phone subscribers to switch mobile carriers while keeping their existing numbers, helped create demand for 10 million handsets in the first half alone. However, the second half of 2004 saw a decline in market demand, weighed down by the delay in domestic economic recovery, a string of temporary business suspensions for mobile carriers, and cuts in marketing expenditures by the carriers.

The company also suffered a temporary slowdown in sales and profitability. Amid adverse conditions, Pantech&Curitel still

managed to achieve 15% market share in Korea on the strength of aggressive marketing (KRW116 billion in marketing expenses in 2004) and new product development. In particular, 2004 was the year in which we began building strong brand recognition on the global stage. Other highlights for the year include: partnering with Sprint PCS; supplying the first megapixel camera phone to the North American market; recording over 6.3 million units in exports to North America; securing a 6~7% profit margin on exports; emerging as No. 1 in the Israeli CDMA market; and laying the foundation for future growth in Western Europe, South America, India and China.

In an effort to go beyond the results achieved last year and solidify its position in the market, the company will strengthen its R&D capabilities in advanced technology through continued investments. Building upon its foundation of top-notch personnel and bolstered marketing activities, 2005 will be the year in which the company emerges as a true leader in the mobile handset industry.

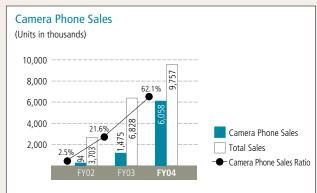
ANALYSIS OF OPERATING RESULTS

Pantech&Curitel persevered through some adverse business conditions to record sales of KRW2,024.3 billion in 2004, representing a 46.1% growth over the previous year. This was the result of its pioneering efforts in product development and in penetrating new overseas markets. Topping KRW2 trillion in total operating revenues was especially significant for the company as a display of triumph amid fierce global competition and the domestic economic slowdown.

Operating Results			
Operating nesults	FY02	FY03	FY04
(KRW billion)	1102	1103	
Operating revenues	730.0	1,385.8	2,024.3
Gross profit	157.5	293.6	372.7
SG&A expenses	108.8	222.8	315.6
Operating profit	48.7	70.8	57.0
Net profit	43.8	41.7	46.5

Operating Revenues

Pantech&Curitel continued to witness robust growth from sales of KRW730 billion in 2002, KRW1,385.8 billion in 2003 to over KRW2 trillion in 2004. Operating revenues of KRW2,024.3 billion in 2004 represents a 46% growth over the previous year. By sales volume, shipments swelled 43% YoY to 9.8 million units. The average selling price (ASP) continues to climb while the growing popularity of high-end products such as camera phones is nudging up the unit price for exports. The ASP for exports edged up 2% YoY to KRW170 thousand and that for domestic sales rose 4% to KRW322 thousand. Meanwhile, camera phones only comprised 21.6% of total sales in 2003, but through improvements in product portfolio, the company nearly tripled that figure to 62% of total sales in 2004.

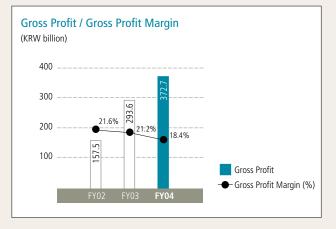


The company is steadily building a reputation as a global handset maker with exports playing an increasingly prominent role: exports accounted for 62.2% of total sales or

KRW1,259.1 billion in 2004. In its largest export market of the North American CDMA, the company now claims an 11% market share. Pantech&Curitel is continuing to make a name for itself with its reliability, quality and technology. On the back of its success in North America, the company is cautiously forecasting future success in the advanced handset market of Western Europe. This prediction stems from Pantech&Curitel's leading technology that launched the first mega-pixel camera phone in the North American market, and its on-going efforts to maximize customer satisfaction as well as boost sales and marketing activities.

Operating Cost and Profitability

In 2004, Pantech&Curitel initiated massive preliminary investments into new product development, advertising, human resources, and equipment in order to drive its 'marketing-centric management.' As a result, the combined factors of fierce competition and delay in domestic demand recovery deteriorated the company's overall profitability to some extent



Despite achieving record high sales in 2004, the gross profit margin fell from 21.2% in 2003 to 18.4% in 2004 due to attributing factors such as shortened product replacement cycles, increased R&D investments and delayed launch of some products. Meanwhile, buoyed by economies of scale, gross

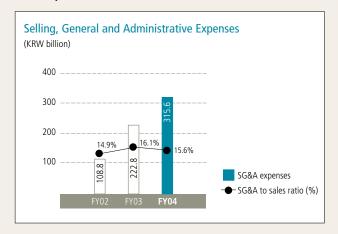
Management's DISCUSSION & AnalySIS



profit achieved growth of 26.9% YoY to KRW372.7 billion. The company anticipates improvement in its gross profit margin with volume effect once it breaks through combined sales of 20 million units along with its affiliate, Pantech.

SG&A expenses and operating profit

Substantial volume growth and aggressive marketing activities helped boost selling, general and administrative (SG&A) expenses in 2004. Advertising expenses and running royalty respectively climbed by approximately KRW10 billion and KRW36.7 billion, respectively, pushing SG&A expenses up by KRW92.8 billion YoY to KRW315.6 billion. However, the ratio of SG&A expenses to sales actually improved by 0.5%p to 15.6%, backed by overall improvement in management efficiency and economies of scale.



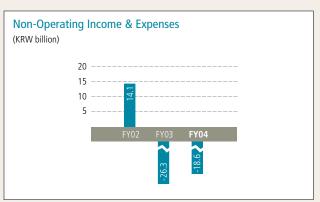
The retreat in gross profit margin and aggressive marketing and R&D investments saw the 2004 operating profit margin decline 2.3%p from the previous year to 2.8%. Accordingly, operating profit also declined 19.4% YoY to KRW57.0 billion.

Operating Profit			
Operating Front	FY02	FY03	FY04
(KRW billion)	F102	F103	F104
Operating profit	48.7	70.8	57.0
OP margin (%)	6.7	5.1	2.8

Non-operating items and net profit

Pantech&Curitel's effective foreign exchange risk management gave a sizeable boost to non-operating income. Gains from foreign currency transactions more than doubled from KRW21.5 billion in 2003 to KRW55.9 billion in 2004, raising total non-operating income to KRW90.4 billion.

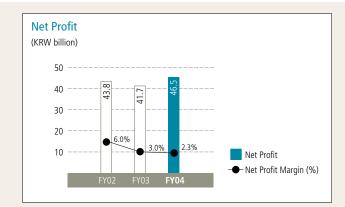
An upsurge in interest costs and losses on impairment of R&D investments (due to the discontinuation of a model or a halt in model development) brought total non-operating expenses to KRW109 billion, about KRW50 billion higher than the year before. Despite the increase, an explosive growth in non-operating income boosted the company's net non-operating expenses (non-operating income - non-operating expenses), so that the ratio of net non-operating expenses to total sales actually improved by 1.0%p from 1.9%p in 2003 to 0.9%p in 2004.



The withdrawal in operating profit led to a 13.6% decrease in recurring profit to KRW38.4 billion. The fall in the recurring profit margin was cushioned by the improvement in non-operating balance, inching down only 1.3%p from 3.2% in 2003, to 1.9% in 2004. In particular, the company managed to witness an 11.3% surge in net profit to KRW46.5 billion despite a decrease in pretax profit. Corporate tax returns, from the R&D-related tax benefits, helped the net profit margin curb its fall to 2.3%.

Management's DISCUSSION & AnalySIS





ANALYSIS OF FINANCIAL CONDITIONS

Pantech&Curitel reaped record high sales last year and saw balanced growth in assets, liabilities and shareholders' equity. Total assets in 2004 advanced 12.2% YoY to KRW810.1 billion, total shareholders' equity inched up 5.4% to KRW284.7 billion, and total liabilities recorded a 16.2% jump to KRW525.4 billion.

Financial Conditions			
(KRW billion)	FY02	FY03	FY04
(KRVV DIIIIOII)			
Current assets	198.0	544.2	501.3
Fixed assets	117.8	178.2	308.8
Total assets	315.8	722.4	810.1
Current liabilities	169.8	420.8	441.6
Long-term liabilities	27.0	31.5	83.8
Total liabilities	196.7	452.3	525.4
Paid-in-capital	53.2	74.9	74.9
Total shareholders' equity	119.0	270.1	284.7

Cash & Working Capital

A decline in current assets in 2004 was attributable to the falling balance of cash assets, which is the sum of cash and cash equivalents, short-term financial instruments and marketable securities. Cash assets decreased KRW94.0 billion to KRW 106.7 billion in 2004. Accordingly, the contribution of cash assets to total assets shrank to 13.2%. However, in-house

financial liquidity risk is minimal in that its investment in SK Corp. shares and treasury stocks would have added more than KRW120 billion into cash assets and lifted up the company's cash level to KRW230 billion: the company invested KRW99 billion to purchase investment security, namely SK Corp. shares, in December 2004.

Cash & Cash Equivalents			
Casil & Casil Equivalents	FY02	FY03	FY04
	1102	1103	F104
Cash & ST financial			
instruments	31.6	160.9	106.7
Marketable securities	1.9	39.8	0.0

Working capital refers to short-term financial requirements for day-to-day operations of a firm. Pantech&Curitel is effectively managing its working capital through the strict control of trade receivables and inventories. In line with strong sales in 2004, the sum of trade receivables and inventories also rose 13.1% YoY to KRW362.4 billion and the burden of working capital increased from KRW135.5 billion in 2003 to KRW207.9 billion in 2004. However, the efficient working capital management led to a stable level in the ratio of working capital to sales in spite of record sales. .

Working Capital			
Working Capital	FY02	FY03	FY04
(KRW billion)	1102	1103	1104
Trade receivable &			
inventories	143.6	320.4	362.4
Trade payable	73.7	184.9	154.5
Working capital	69.9	135.5	207.9
Working capital to			
sales ratio (%)	9.6	9.8	10.3

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Fixed Assets

The company's fixed assets soared 73.3% YoY from KRW178.2 billion in 2003 to KRW308.8 billion. This is primarily due to the acquisition of SK Corp. stocks for investment purposes which more than tripled investment assets to KRW150.7 billion. Tangible assets increased by 14.9% to KRW55.5 billion with the purchase of metallic molding and PP&E investments. Intangible assets also recorded an increase of 13.6% YoY to KRW102.6 billion owing to continued R&D activities for new product development. Pantech&Curitel successfully maintained fixed assets turnover at around 8 to 9 times, despite a significant growth in fixed assets.

Fixed Assets			
	FY02	FY03	FY04
(KRW billion)			
Investmetn assets	42.0	39.6	150.7
Tangible assets	39.1	48.3	55.5
Intangible assets	36.7	90.3	102.6
Fixed assets turnover (x)	8.3	9.4	8.3

Liabilities and Interest-bearing Debt

Pantech&Curitel recorded total liabilities of KRW525.4 billion in 2004, representing an increase of KRW73.1 billion over the previous year and total liabilities to equity ratio of 184.5%. However, without the purchase of SK Corp. stocks, the company's total liabilities to equity ratio would have resulted in 149.6%, the lowest for the company as of yet. Short-term liabilities climbed up 4.9% to KRW441.6 billion while long-term liabilities increased 166.3% to KRW83.79 billion. The increase in long-term liabilities was well-poised with the rise in fixed assets, improving the match between assets and liabilities durations.

Total interest-bearing debt climbed 47% from KRW160.0 billion in 2003 to KRW235.0 billion in 2004. Short-term

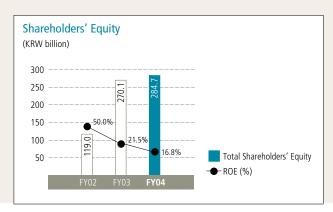
borrowings funded primarily working capital requirement while long-term borrowings enabled the company to finance R&D investments to secure its future growth.

Liabilities and Borrowings			
Liabilities and borrowings	FY02	FY03	FY04
(KRW billion)	1102	1105	1104
Short-term borrowings	4.5	133.3	153.9
Current portion of			
long-term debt	0.0	0.4	2.2
Long-term borrowings	0.0	26.3	19.1
Convertible bonds	6.2	0.0	59.8
Debt-to-equity ratio (%)	8.9	59.2	82.5

The increase in borrowing resulted in the rise in debt to equity ratio from 59.2% in 2003 to 82.6% in 2004. However, the financial risks to the company are limited with interest burden to sales ratio of mere 0.5% and interest coverage ratio of over 6 times.

Shareholders' Equity

Total shareholders' equity grew from KRW270.1 billion in 2003 to KRW284.7 billion in 2004, up 5.4% YoY or an increase of KRW14.6 billion. Fueling the rise was a KRW46.5 billion climb in retained earnings. This offsets a KRW28.4 billion reduction in capital adjustment due to the acquisition of treasury stocks. Meanwhile, the return on equity retreated to some extent but still exceeded the estimated cost of capital for the company.



ANALYSIS OF CASH FLOWS

Cash Flow Analysis			
Cash Flow Analysis	FY02	FY03	FY04
(KRW billion)	1102	1105	1104
Cash flow from operating			
activities	57.6	18.7	94.9
Cash flow from investing			
activities	-78.6	-168.4	-186.1
Cash flow from financing			
activities	26.2	255.3	51.5
		•	•

Cash Flow from Operating Activities

Cash inflow from operating activities in 2004 multiplied more than five times from 2003 to KRW94.9 billion. Contributing to the figure were increases in net profit as well as non-cash expenses including depreciation, amortization and impairment loss on development costs.

Cash Flow from Investing Activities

Cash outflow from investing activities resulted in a slight increase from KRW168.4 billion recorded in 2003, to KRW186.1 billion in 2004. This is primarily attributed to a continuous increase in R&D investments for new product development and the purchase of long-term investment securities.

Cash Flow from Financing Activities

The cash inflow from financing activities in 2004 saw reductions from KRW255.3 billion in 2003, to KRW51.5 billion in 2004. Cash inflow dropped as the company restricted external financing as much as possible and purchased KRW27.2 worth of treasury stocks to enhance shareholder value.

2005 BUSINESS OUTLOOK & ISSUES

The wireless handset industry enjoyed brisk business over the past couple of years, benefiting from a 20% growth rate in both 2003 and 2004 with new subscribers in emerging markets like China and India. The entry of handsets outfitted with color LCD displays and cameras also helped spur replacement demand. However, growth in 2005 is forecast to slow to single-digit levels while price competition between major industry players will exacerbate the situation.

Despite these internal and external challenges that lie ahead, Pantech&Curitel is determined to overcome all hurdles by quickly creating a strong awareness of our brand in major export regions and by boosting sales, in addition to bolstering profitability and competitiveness with the timely introduction of new products.

To manifest our unshaken confidence in the company's ability to successfully meet these challenges, Pantech&Curitel has set an ambitious target of 40% growth over 2004. We will build upon our cooperative relationship with wireless carriers in the North American market by expanding our direct sales channel and by continuing to showcase innovative products such as EV-DO handsets to further raise our profile as a leading handset producer. 2005 will also mark the year in which the company makes major strides into the European market beginning with our 3G WCDMA line. Pantech&Curitel believes that technology and innovation are vital to our future growth. To fuel our continuous development of next-generation technology, we are dedicated to turning good ideas into innovative technologies by investing more than 5% of 2005 sales in R&D activities.



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Samil PricewaterhouseCoopers

Kukje Center Building 191 Hankangro 2ga, Yongsanku Seoul 140-702, KOREA (Yongsan P.O. Box 266, 140-600)

To the Board of Directors and Shareholders of Curitel Communications. Inc.

We have audited the accompanying balance sheet of Curitel Communications, Inc. (the "Company") as of December 31, 2004 and 2003, and the related statements of income, appropriations of retained earnings, and cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Curitel Communications, Inc. as of December 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to the following matters.

As discussed in Note 21 to the financial statements, the Company's sales and purchases to and from Pantech Co., Ltd. and other related parties for the year ended December 31, 2004 were £ 7,544 million and £ 151,936 million, respectively, and related receivables and payables as of December 31, 2004 were £ 3,980 million and £ 17,765 million, respectively.

Samil PricewaterhouseCoopers is the Korean member firm of Pricewaterhouse Coopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

OANTECH & CURITEL

Report of Independent Auditors



As discussed in Note 1 to the financial statements, Mr. B. Y. Park, one of the co-CEO's and a former majority shareholder of the Company, divested himself of all his shareholdings in the Company in December 2004. Consequently, as of December 31, 2004, Pantech C & I Co., Ltd. became the new majority shareholder with 28.7% ownership in the Company. The aforementioned Mr. B. Y. Park owns 100% of Pantech C & I Co., Ltd.

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 conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generallyaccepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Samil Pricewaterhouse Coopers.

Seoul, Korea February 4, 2005

This report is effective as of February 4, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Balance sheets



December 31, 2004 and 2003

Assets Current assets Cash and cash equivalents (Notes 3 and 12) Short-term financial instruments (Note 3) Short-term financial instruments securities Trade accounts receivable, net (Notes 4, 12 and 21) Inventories, net (Note 5) Short-term loans receivable (Note 21) Other accounts receivable Accrued income Advance payments Prepaid expenses Prepaid value-added tax Prepaid corporate income tax Currency forwards Total current assets Long-term investment securities (Note 6) Equity method investment securities (Note 6) Long-term loans receivable (Note 21) Short-term loans receivable Actrued income Advance payments Prepaid expenses Prepaid value-added tax Prepaid corporate income tax Currency forwards Total current assets Solt, 296 S44,17 Long-term financial instruments (Note 3) Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 113,856 15,08 Long-term loans receivable (Note 21) Guarantee deposits Deferred income tax assets (Note 18) Property, plant and equipment, net (Note 7) Total assets £ 810,132 £ 722,36	(1) (1) (1) (1) (1) (1) (1) (1) (1) (1)		2004
Current assets Cash and cash equivalents (Notes 3 and 12) ₤ 73,787 ₤ 113,49 Short-term financial instruments (Note 3) 32,900 47,40 Short-term investment securities - 39,80 Trade accounts receivable, net (Notes 4, 12 and 21) 79,476 114,01 Inventories, net (Note 5) 281,893 205,11 Short-term loans receivable (Note 21) 310 24 Other accounts receivable (Note 21) 3,746 89 Accrued income 637 61 Advance payments 4,411 3,79 Prepaid expenses 1,862 8,24 Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 2 Currency forwards 4,937 50 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18)	(in millions of Korean won)		2003
Current assets Cash and cash equivalents (Notes 3 and 12) ₤ 73,787 ₤ 113,49 Short-term financial instruments (Note 3) 32,900 47,40 Short-term investment securities - 39,80 Trade accounts receivable, net (Notes 4, 12 and 21) 79,476 114,01 Inventories, net (Note 5) 281,893 205,11 Short-term loans receivable (Note 21) 310 24 Other accounts receivable (Note 21) 3,746 89 Accrued income 637 61 Advance payments 4,411 3,79 Prepaid expenses 1,862 8,24 Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 2 Currency forwards 4,937 50 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18)	Accate		
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Inventories, net (Note 5) 281,893 205,11 Short-term loans receivable (Note 21) 310 24 Other accounts receivable 3,746 89 Accrued income 637 61 Advance payments 4,411 3,79 Prepaid expenses 1,862 8,24 Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 26 Currency forwards 4,937 50 Total current assets 501,296 544,17 Long-term financial instruments (Note 3) 50 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27		79	
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Other accounts receivable 3,746 89 Accrued income 637 61 Advance payments 4,411 3,79 Prepaid expenses 1,862 8,24 Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 26 Currency forwards 4,937 50 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27			
Accrued income 637 61 Advance payments 4,411 3,79 Prepaid expenses 1,862 8,24 Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 26 Currency forwards 4,937 501,296 544,17 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27		<u>:</u>	
Prepaid expenses 1,862 8,24 Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 826 Currency forwards 4,937 501,296 544,17 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27	Accrued income		
Prepaid expenses 1,862 8,24 Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 826 Currency forwards 4,937 501,296 544,17 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27	Advance payments		4,411 3,79
Prepaid value-added tax 16,511 10,56 Prepaid corporate income tax 826 826 Currency forwards 4,937 501,296 544,17 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27			
Prepaid corporate income tax Currency forwards 4,937 Total current assets 501,296 544,17 Long-term financial instruments (Note 3) 503 500 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 155,548 48,32 Intangible assets, net (Note 8)		10	
Currency forwards 4,937 Total current assets 501,296 544,17 Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27			
Long-term financial instruments (Note 3) 503 50 Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27		4	4,937
Long-term investment securities (Note 6) 107,603 7,35 Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27	Total current assets	50	1,296 544,17
Equity method investment securities (Note 6) 13,856 15,08 Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27	Long-term financial instruments (Note 3)		503 50
Long-term loans receivable (Note 21) 699 4,06 Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27	Long-term investment securities (Note 6)	10	7,603 7,35
Guarantee deposits 16,522 12,57 Deferred income tax assets (Note 18) 11,553 Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27	Equity method investment securities (Note 6)	1:	3,856 15,08
Deferred income tax assets (Note 18) Property, plant and equipment, net (Note 7) Intangible assets, net (Note 8) 11,553 48,32 90,27	Long-term loans receivable (Note 21)		699 4,06
Property, plant and equipment, net (Note 7) 55,548 48,32 Intangible assets, net (Note 8) 102,552 90,27	Guarantee deposits	10	6,522 12,57
Intangible assets, net (Note 8) 102,552 90,27	Deferred income tax assets (Note 18)	1	1,553
•	Property, plant and equipment, net (Note 7)	5!	5,548 48,32
Total assets £ 810,132 £ 722,36	Intangible assets, net (Note 8)	102	2,552 90,27
	Total assets	£ 810),132 £ 722,36

Balance sheets



December 31, 2004 and 2003

(in millions of Korean won)		2004		200
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts payable (Notes 12 and 21)	£	154,514	£	184,89
Short-term borrowings (Notes 9 and 12)		153,872		133,25
Other accounts payable (Notes 12 and 13)		49,254		31,51
Other advances received		5,002		1,39
Unearned income		445		119
Withholdings		1,156		1,39
Accrued expenses (Note 12)		70,390		55,31
Income taxes payable		-		6,01
Warranty reserve		4,680		5,45
Currency forwards		99		1,06
Current maturities of long-term debts (Note 10)		2,207		38
Total current liabilities		441,619		420,80
Debentures, net of discounts on debentures (Note 10)		59,808		
Long-term borrowings (Note 10)		19,108		26,31
Accrued severance benefits, net (Note 11)		4,875		4,36
Long-term guarantee deposits received		-		2
Deferred income tax liabilities (Note 18)		-		750
Total liabilities		525,410		452,269
Commitments and contingencies (Note 13)				
Shareholders' equity				
Capital stock (Notes 1 and 14)				
Common stock, € 500 par value per share; authorized-500,000,000 shares;				
issued and outstanding-149,876,165 shares		74,938		74,87
Capital surplus (Note 14)		91,468		90,55
Retained earnings (Note 15)		146,717		100,24
Capital adjustments (Note16)		(28,401)		4,41
Total shareholders' equity		284,722		270,09
Total liabilities and shareholders' equity	£	810,132	£	722,360

statements of income

Years Ended December 31, 2004 and 2003

Sales (Notes 21 and 24) Cost of sales (Note 21) Gross profit Selling and administrative expenses (Note 20) Operating income Interest expenses Interest expense Interest expense Interest expense Interest expense Interest expense			
Cost of sales (Note 21) 1,651,678 1,094,58 Gross profit 372,653 291,26 Selling and administrative expenses (Note 20) 315,630 222,79 Operating income 57,023 68,47 Non-operating income 8,183 5,17 Gain on dividend 952 6 Gain on foreign currency transactions 46,322 19,54 Gain on of gign currency translation 9,569 1,90 Gain on disposal of property, plant and equipment 1,213 7 Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts 266 Gain on currency forward transactions 14,019 1,08 Gain on currency forward valuation (Note 13) 4,936 90,386 33,31 Non-operating expenses 90,386 33,31 Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36	(in millions of Korean won, except per share amounts)	2004	200
Cost of sales (Note 21) 1,651,678 1,094,58 Gross profit 372,653 291,26 Selling and administrative expenses (Note 20) 315,630 222,79 Operating income 57,023 68,47 Non-operating income 8,183 5,17 Gain on dividend 952 6 Gain on foreign currency transactions 46,322 19,54 Gain on of gign currency translation 9,569 1,90 Gain on disposal of property, plant and equipment 1,213 7 Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts 266 Gain on currency forward transactions 14,019 1,08 Gain on currency forward valuation (Note 13) 4,936 90,386 33,31 Non-operating expenses 90,386 33,31 Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36			
Gross profit 372,653 291,26 Selling and administrative expenses (Note 20) 315,630 222,79 Operating income 57,023 68,47 Non-operating income 8,183 5,17 Interest income 8,183 5,17 Gain on dividend 952 19,54 Gain on foreign currency transactions 46,322 19,54 Gain on foreign currency translation 9,569 1,90 Gain on disposal of property, plant and equipment 1,213 7 Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts 266 2 Gain on currency forward transactions 14,019 1,08 Gain on currency forward valuation (Note 13) 4,936 3,331 Non-operating expenses 90,386 33,31 Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 <t< td=""><td>Sales (Notes 21 and 24)</td><td>€ 2,024,331</td><td>£ 1,385,84</td></t<>	Sales (Notes 21 and 24)	€ 2,024,331	£ 1,385,84
Selling and administrative expenses (Note 20) 315,630 222,79 Operating income 57,023 68,47 Non-operating income 8,183 5,17 Interest income 8,183 5,17 Gain on dividend 952 19,54 Gain on foreign currency transactions 46,322 19,54 Gain on foreign currency translation 9,569 1,90 Gain on disposal of property, plant and equipment 1,213 7 Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts 266 2 Gain on currency forward transactions 14,019 1,08 Gain on currency forward valuation (Note 13) 4,936 4,655 5,25 Mon-operating expenses 90,386 33,31 33,31 Non-operating expenses 11,101 4,182 4 Loss on disposal of inventories 4,182 4 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 Loss on impairment of in	Cost of sales (Note 21)	1,651,678	1,094,58
Operating income Non-operating income Interest income Interest income Gain on dividend Gain on foreign currency transactions Gain on foreign currency translation Gain on disposal of property, plant and equipment Recovery of negative goodwill Reversal of allowance for doubtful accounts Gain on currency forward transactions Gain on currency forward valuation (Note 13) Others Non-operating expenses Interest expense Loss on disposal of inventories Loss on foreign currency translation Loss on foreign currency translation Loss on disposal of property, plant and equipment Loss on disposal of property, plant and equipment Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Gross profit	372,653	291,26
Non-operating income Interest income 8,183 5,17 Gain on dividend 952 Gain on foreign currency transactions 46,322 19,54 Gain on foreign currency translation 9,569 1,90 Gain on disposal of property, plant and equipment 1,213 7 Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts 266 Gain on currency forward transactions 14,019 1,08 Gain on currency forward valuation (Note 13) 4,936 Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense Loss on disposal of inventories 4,182 4 Loss on foreign currency translation 2,836 2,06 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 Loss on disposal of property, plant and equipment 541 Loss on impairment of intangible assets (Note 8) 60,992 12,38 Loss on impairment of property, plant and equipment (Note 7) 2,130 Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Selling and administrative expenses (Note 20)	315,630	222,79
Interest income Gain on dividend Gain on foreign currency transactions Gain on foreign currency translation Gain on disposal of property, plant and equipment Recovery of negative goodwill Recovery of negative go	Operating income	57,023	68,47
Gain on dividend Gain on foreign currency transactions Gain on foreign currency translation Gain on foreign currency translation Gain on disposal of property, plant and equipment Recovery of negative goodwill Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts Gain on currency forward transactions H,019 1,08 Gain on currency forward valuation (Note 13) Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense Loss on disposal of inventories 4,182 4 Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Non-operating income		
Gain on foreign currency transactions Gain on foreign currency translation Gain on disposal of property, plant and equipment Recovery of negative goodwill Reversal of allowance for doubtful accounts Gain on currency forward transactions Gain on currency forward valuation (Note 13) Others 14,019 1,08 Gain on currency forward valuation (Note 13) Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense Loss on disposal of inventories 4,182 4,183 7,74 1,236 1,236 1,236 1,236 1,236 1,236 1,236 1,236 1,236 1,236 1,238 1,23	Interest income	8,183	5,17
Gain on foreign currency translation 9,569 1,90 Gain on disposal of property, plant and equipment 1,213 7 Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts 266 Gain on currency forward transactions 14,019 1,08 Gain on currency forward valuation (Note 13) 4,936 Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 Loss on disposal of property, plant and equipment 541 Loss on impairment of intangible assets (Note 8) 60,992 12,38 Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Gain on dividend	952	
Gain on disposal of property, plant and equipment Recovery of negative goodwill Reversal of allowance for doubtful accounts Gain on currency forward transactions Gain on currency forward valuation (Note 13) Others 4,936 Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense Loss on disposal of inventories Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation Loss on disposal of trade accounts receivable Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Gain on foreign currency transactions	46,322	19,54
Recovery of negative goodwill 271 27 Reversal of allowance for doubtful accounts 266 Gain on currency forward transactions 14,019 1,08 Gain on currency forward valuation (Note 13) 4,936 Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 Loss on disposal of property, plant and equipment 541 Loss on impairment of intangible assets (Note 8) 60,992 12,38 Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Gain on foreign currency translation	9,569	1,90
Reversal of allowance for doubtful accounts Gain on currency forward transactions Gain on currency forward valuation (Note 13) Others 4,936 Others 90,386 33,31 Non-operating expenses Interest expense Loss on disposal of inventories 4,182 4 4182 4 42 4 4 4182 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	Gain on disposal of property, plant and equipment	1,213	7
Gain on currency forward transactions Gain on currency forward valuation (Note 13) Others 4,936 Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense Loss on disposal of inventories 4,182 4 Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Recovery of negative goodwill	271	27
Gain on currency forward valuation (Note 13) Others 4,936 90,386 33,31 Non-operating expenses Interest expense Loss on disposal of inventories 4,182	Reversal of allowance for doubtful accounts	266	
Others 4,655 5,25 90,386 33,31 Non-operating expenses Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 Loss on disposal of property, plant and equipment 541 Loss on impairment of intangible assets (Note 8) 60,992 12,38 Loss on impairment of property, plant and equipment (Note 7) 2,130 Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Gain on currency forward transactions	14,019	1,08
Non-operating expenses Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 Loss on disposal of property, plant and equipment 541 Loss on impairment of intangible assets (Note 8) 60,992 12,38 Loss on impairment of property, plant and equipment (Note 7) 2,130 Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Gain on currency forward valuation (Note 13)	4,936	
Interest expense Loss on disposal of inventories Loss on foreign currency transactions Loss on foreign currency translation Loss on disposal of trade accounts receivable Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) Loss on currency forward valuation (Note 13) 5,82 4,182 4,182 4,182 4,182 4,182 4,182 2,836 2,06 3,674 2,36 5,82 4,182 4,182 4 4,182 4 4 4 4 4 4 4 4 4 4 4 4 4	Others	4,655	5,25
Interest expense 9,293 5,82 Loss on disposal of inventories 4,182 4 Loss on foreign currency transactions 19,633 24,61 Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable 3,674 2,36 Loss on disposal of property, plant and equipment 541 Loss on impairment of intangible assets (Note 8) 60,992 12,38 Loss on impairment of property, plant and equipment (Note 7) 2,130 Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06		90,386	33,31
Loss on disposal of inventories Loss on foreign currency transactions Loss on foreign currency translation Loss on disposal of trade accounts receivable Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) Loss on currency forward valuation (Note 13)	Non-operating expenses		
Loss on foreign currency transactions Loss on foreign currency translation 2,836 2,06 Loss on disposal of trade accounts receivable Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13)	Interest expense	9,293	5,82
Loss on foreign currency translation Loss on disposal of trade accounts receivable Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) Loss on currency forward valuation (Note 13) 2,836 2,06 2,36 2,36 2,36 60,992 12,38 12,38 12,130 13,06	Loss on disposal of inventories	4,182	4
Loss on disposal of trade accounts receivable Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) Loss on currency forward valuation (Note 13) 3,674 2,36 60,992 12,38 2,130 1,418 3,77 1,418 3,77	Loss on foreign currency transactions	19,633	24,61
Loss on disposal of property, plant and equipment Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) Loss on currency forward valuation (Note 13) 541 60,992 12,38 2,130 1,418 3,77 Loss on currency forward valuation (Note 13)	Loss on foreign currency translation	2,836	2,06
Loss on impairment of intangible assets (Note 8) Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) Loss on currency forward valuation (Note 13) 99 1,06	Loss on disposal of trade accounts receivable	3,674	2,36
Loss on impairment of property, plant and equipment (Note 7) Loss on valuation of investment securities using the equity method (Note 6) Loss on currency forward valuation (Note 13) 2,130 1,418 3,77 499 1,06	Loss on disposal of property, plant and equipment	541	
Loss on valuation of investment securities using the equity method (Note 6) 1,418 3,77 Loss on currency forward valuation (Note 13) 99 1,06	Loss on impairment of intangible assets (Note 8)	60,992	12,38
Loss on currency forward valuation (Note 13) 99 1,06	Loss on impairment of property, plant and equipment (Note 7)	2,130	
	Loss on valuation of investment securities using the equity method (Note 6)	1,418	3,77
continue	Loss on currency forward valuation (Note 13)	99	1,06
continue			
			continue

STATEMENTS OF INCOME



Years Ended December 31, 2004 and 2003

2004 1,590 2,612 109,000		2003 50 5,143
1,590 2,612		50
2,612		
-		5,143
109,000		
		57,346
38,409		44,440
(8,060)		2,701
46,469	£	41,739
321	£	349
321	£	349
	(8,060) 46,469 321	(8,060) 46,469 £ 321 £

statements of appropriations of Retained Earnings



Years Ended December 31, 2004 and 2003

ate of Appropriations: March 25, 2005 and March 12, 2004 the years ended December 31, 2004 and 2003, respectively)				
(in millions of Korean won)		2004	_	2003
Retained earning before appropriations				
Unappropriated retained earnings carried over from prior year	£	98	£	59
Net income		46,469		41,739
		46,567		41,798
Appropriations of retained earnings				
Voluntary reserves		46,500		41,700
Unappropriated retained earnings carried forward to subsequent year	£	67	£	98

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS



Years Ended December 31, 2004 and 2003

(in millions of Korean won)	2004	4 2003
Cash flows from operating activities		
Net income	£ 46,469	£ 41,739
Adjustments to reconcile net income to net cash provided by operating activities		
Stock options expense	1,843	3,181
Provision for severance benefits	8,36	6,361
Depreciation	21,260	18,207
Amortization of intangible assets	31,565	16,156
Loss on valuation of inventories	3,805	2,314
Loss (gain) on foreign currency translation	(6,733) 876
Loss on disposal of trade accounts receivable	3,674	2,362
Loss (gain) on disposal of property, plant and equipment	(672	(74)
Loss on impairment of intangible assets	60,992	12,389
Loss on valuation of investment securities using the equity method	1,418	3,779
Loss on currency forward valuation	(4,837) 1,067
Recovery of negative goodwill	(271) (271)
Others	4,138	3 (2,538)
	£ 171,012	£ 105,548

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2004 and 2003

			_	
n millions of Korean won)		2004	_	200
10.100				
hanges in operating assets and liabilities		20.752		/06.753
Decrease (increase) in trade accounts receivable	£	30,752	£	(86,753
Increase in other accounts receivable		(2,725)		(352
Increase in accrued income		(22)		(596
Increase in advance payments		(615)		(2,593
Decrease in prepaid expenses		6,381		2,64
Increase in prepaid value added tax		(5,951)		
Increase in prepaid income tax		(1,005)		(7,095
Increase in inventories		(84,762)		(93,693
Increase in deferred income tax assets		(11,553)		
Increase (decrease) in trade accounts payable		(29,625)		111,12
Increase (decrease) in other accounts payable		17,759		(15,074
Increase (decrease) in other advances received		3,610		(2,096
Increase (decrease) in unearned income		326		(95
Increase in accrued expenses		18,156		26,73
Cash dividend received		-		7
Decrease in withholdings		(234)		(2,927
Decrease in warranty reserve		(777)		(42
Decrease in currency forward		(1,067)		
Decrease in income taxes payable		(6,017)		(5,032
Decrease in deferred income tax liabilities		(756)		(6,862
Accrued severance benefits, net		(7,983)		(4,240
		(76,108)		(86,867
	£	94,904	£	18,68

STATEMENTS OF CASH FLOWS



Years Ended December 31, 2004 and 2003

in millions of Korean won)	2004	200
III IIIIIIOIIS OI KOIEAII WOII)	2004	
Cash flows from investing activities		
Disposal of short-term financial instruments	£ 34,300	£ 27,30
Proceeds from short-term loans receivable	309	1,39
Disposal of short-term investment securities	42,701	16,97
Proceeds from long-term loans receivable	6,465	20,55
Disposal of long-term investment securities	2,082	1,47
Proceeds from guarantee deposits	169	19
Disposal of property, plant and equipment	2,821	9
Acquisition of short-term financial instruments	(19,800)	(47,000
Acquisition of short-term investment securities	-	(55,552
Short-term loans receivable provided	(18)	(53
Acquisition of long-term financial instruments	-	(500
Acquisition of long-term investment securities	(110,185)	(6,72
Payment of guarantee deposits	(4,117)	(2,036
Long-term loans receivable provided	(3,457)	(15,194
Acquisition of property, plant and equipment	(32,759)	(27,49
Acquisition of intangible assets	(104,567)	(81,862
Payment of leasehold deposits	(24)	3)
Net cash used in investing activities	£ (186,080)	£ (168,427

STATEMENTS OF CASH FLOWS



Years Ended December 31, 2004 and 2003

(in millions of Korean won)		2004		200
Cash flows from financing activities				
Proceeds from short-term borrowings	£	761,051	£	574,11
Issuance of debentures		59,751		20,00
Proceeds from long-term borrowings		-		20,55
Proceeds from stock option rights		69		
Issuance of additional capital stock		-		109,91
Disposal of treasury stock		661		
Increase in other capital adjustments		20		
Repayment of short-term borrowings		(737,446)		(466,27
Repayment of long-term borrowings		(5,385)		
Acquisition of treasury stock		(27,250)		
Repayment of cost of stock issuance		(2)		(2,97
Net cash provided by financing activities		51,469		255,33
Net increase(decrease) in cash and cash equivalents		(39,707)		105,59
Cash and cash equivalents				
Beginning of year		113,494		7,90
End of year	£	73,787	£	113,49

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

OANTECH & CURITEL

NOTES TO FINANCIAL STATEMENTS



December 31, 2004 and 2003

1. THE COMPANY

Curitel Communications, Inc. (the "Company") was incorporated on April 9, 2001 under the Commercial Code of the Republic of Korea to engage in the manufacturing and marketing of cellular and digital mobile handsets, and fixed wireless terminal ("FWT") based on code division multiple access ("CDMA") technology. On May 1, 2001, the Company acquired the handset business unit and the wireless local loop ("WLL") business unit from Hynix Semiconductor, Inc. ("HSI"). The Company's main office is located in Seocho-Gu, Seoul and its factory is in Kim-Po, Kyungido.

On March 29, 2002, the Company changed its name from Hyundai Curitel, Inc. to Curitel Communications, Inc.

On September 17, 2003, the Company listed its shares on the Korean Stock Exchange.

The Company's capital stock increased up to € 74,938 million as of December 31, 2004 through additional issuances of common shares.

The Company's shareholders as of December 31, 2004, are as follows:

	Number of shares owned	Percentage of ownership(%)
Pantech C&I Co., Ltd.	43,087,804	28.7
Treasury stocks	11,678,000	7.8
Others	95,110,361	63.5
	149,876,165	100.0

Mr. B. Y. Park, one of the co-CEO's and a former majority shareholder of the Company, divested himself of all his shareholdings in the Company in December 2004. Consequently, as of December 31, 2004, Pantech C & I Co., Ltd. became the new majority shareholder with 28.7% ownership in the Company. The aforementioned Mr. B. Y. Park owns 100% of Pantech C & I Co., Ltd.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below:

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles

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December 31, 2004 and 2003

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 financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying financial statements.

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Cash and Cash Equivalents, and Short-Term Financial instruments

Cash and cash equivalents include cash on hand, cash in banks, and highly liquid temporary cash investments with original maturities of three months or less. Investments which are readily convertible into cash within four to 12 months of purchase are classified in the balance sheet as short-term financial instruments. The carrying amount of these investments approximate fair value.

Revenue Recognition

Sales of manufactured products and goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the receivables.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the moving-average method, except for materials-in-transit which are stated at actual cost determined using the specific identification method. If the net realizable value of inventory is less than its cost, a contra inventory account representing the valuation loss, is presented to reduce the inventory to its net realizable value. The said valuation loss is recorded as cost of sales. If, however, the circumstances which caused the valuation loss ceased to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The said reversal is a deduction from cost of sales.

OANTECH & CURITEL

NOTES TO FINANCIAL STATEMENTS



December 31, 2004 and 2003

Investments in Affiliates and Other Investments

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, Investments in Securities. This statement requires investments in equity and debt securities to be classified into one of three categories: trading, available-for-sale and held-to-maturity. Securities are initially carried at cost, including incidental expenses, with cost being determined using the moving average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings provided by independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are recorded as a capital adjustment, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the income statement when the recoverable amounts are less than the acquisition cost of securities or adjusted cost of debt securities for the amortization of discounts or premiums.

Investments in equity securities of companies, over which the Company exercises significant control or influence (controlled investees), are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee. The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share in the accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Company's initial proportionate shares in the net book value of the investee are amortized over five years using the straight-line method.

Unrealized profit arising from sales by the Company to equity-method investees is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity-method investees to the Company or sales between equity-method investees is also eliminated.

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December 31, 2004 and 2003

Foreign currency financial statements of equity method investees are translated into Korean won using the basic exchange rates in effect as of the balance sheet date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustment account, a component of shareholders' equity.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as described below:

Estimated useful lives

Buildings 40 years

Machinery, vehicles, transportation equipment, tools and instruments

4 years

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals, enhancing the value of the assets over the recently appraised value of the assets, are capitalized.

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value. However, any recovery of the impaired asset is recorded in current operations and should not exceed the carrying amount of the asset before impairment.

Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets as described below.

OANTECH & CURITEL

NOTES TO FINANCIAL STATEMENTS



December 31, 2004 and 2003

	Estimated useful lives
Industrial property rights	5 ~ 10 years
Development costs	2 years
Others	5 years
Negative goodwill	3.4 years

Ordinary research and development costs are charged to current operations when incurred, and are included in operating expenses. Development costs directly relating to a new technology or new products of which the estimated future benefits are probable, are capitalized as intangible assets. Amortization of development costs is computed using the straight-line method over two years from the commencement of commercial production of the related products or use of the related technology.

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the asset, net of accumulated amortization before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Warranty Reserve

The Company accrued warranty reserves for the estimated costs of future repairs and recalls, based on the past experience and the expectation of future repairs. Estimated costs of product warranties are charged to cost at the time of sale.

Lease Transactions

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreement. Machinery and equipment, acquired under capital lease agreements, are recorded at cost as property, plant and equipment, and depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as obligations under capital leases, net of accrued interest. Accrued interest is amortized over the lease period using the effective interest rate method.

Machinery and equipment acquired under operating lease agreements are not included in property, plant and equipment. The related lease rentals are charged to expense when incurred.

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December 31, 2004 and 2003

Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has made deposits to the National Pension Fund in accordance with the National Pension Funds Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of this deposit.

Accrued severance benefits are funded through a group severance insurance plan, and are presented as a deduction from accrued severance benefits.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the basic rates in effect at the balance sheet date (€ 1,043.8 : US\$1 as of December 31, 2004; € 1,197.8 : US\$1 as of December 31, 2003), and the resulting translation gains and losses are recognized in current operations.

Stock Options

Compensation costs for stock options granted to employees and executives are recognized on the basis of fair value or the minimum value.

Compensation costs for stock option plans are determined using an option-pricing model in which the Company assumes that there is no volatility in the underlying stock prices at grant dates and recognizes an equal amount of compensation expense over the vesting period.

Derivatives Instruments

Derivative financial instruments for trading or hedging purpose are valued at estimated market price with the resulting unrealized gains or losses recognized in the current operations, except for the effective portion of derivative transactions entered into for the purpose of cash-flow hedges, which is recorded as an adjustment to shareholders' equity.

Income Taxes

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed

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on such temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred tax assets are recognized when it is more likely that such deferred tax assets will be realized. The total income tax provision includes the current tax expense under applicable tax regulations, and the change in the balance of deferred tax assets and liabilities during the year.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 2 through 9 became applicable to the Company on January 1, 2003, the Company adopted these Standards in its financial statements covering periods beginning on or after this date. And as SKFAS Nos. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements as of and for the year ended December 31, 2004.

Reclassification of prior year financial statement presentation

Certain amounts in the financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the December 31, 2004 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

3. CASH AND CASH EQUIVALENTS AND FINANCIAL INSTRUMENTS

Cash and cash equivalents and financial instruments as of December 31, 2004 and 2003, consist of the following:

Annual interest rates (%) as of

(in millions of Korean won)	December 31, 2004	2004	2003
Cash and cash equivalents			
Checking accounts	-	£ 1,646	£ 2,270
Passbook accounts	0.2	127	79
Money market fund	3.1 ~ 3.3	11,000	4,000
Money market deposit account	2.6 ~ 2.8	3,014	-
Time deposits (local currency)	2.8 ~ 3.5	42,000	41,022
Time deposits (foreign currency)	-	-	41,123
Repurchase agreements	3.4 ~ 3.5	16,000	15,000
Certificates of deposits	-	-	10,000
		£ 73,787	£ 113,494

continued;



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	Annual interest rates (%) as of								
(in millions of Korean won)	December 31, 2004		2004		2003				
Short-term financial instruments									
Time deposits	3.3 ~ 3.9	£	11,900	£	22,000				
Commercial papers	4.5		21,000		25,000				
Other deposits	-		-		400				
		£	32,900	£	47,400				
Long-term financial instruments									
Key money for checking accounts	-		£3		£3				
Others	5.0		500		500				
		£	503	£	503				

As of December 31, 2004, key money for checking accounts of £ 3 million is subject to withdrawal restrictions. Time deposits account of £ 11,500 million out of the foregoing short-term financial instruments are restricted to withdraw in relation to loans to employees for purchasing stock of the Company from Korea Exchange Bank and others (Note 13), and the other time deposits amounting to £ 400 million out of short-term financial instruments are restricted to withdraw in relation to borrowings, opening of letters of credit and others (Note 9).

4. TRADE ACCOUNTS RECEIVABLE

The Company's trade accounts receivable, as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	Gr	ross amount	Allowance for doubt	Carrying value		
2004	£	80,506	£	(1,030)	£	79,476
2003	£	115,312	£	(1,296)	£	114,016

5. INVENTORIES

Inventories as of December 31, 2004 and 2003, consist of the following:

		2004	
(in millions of Korean won)	Gross amount	Allowance for valuation	Carrying value
Merchandise	£ 4,801	£ -	£ 4,801
Finished products	67,771	(2,678)	65,093
Work-in-process	127,050	-	127,050
Raw materials	88,431	(6,046)	82,385
			continued:

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		2004	
(in millions of Korean won)	Gross amount	Allowance for valuation	Carrying value
Supplies	2,423	-	2,423
Materials-in-transit	141	-	141
	£ 290,617	£ (8,724)	£ 281,893
		2003	
(in millions of Korean won)	Gross amount	Allowance for valuation	Carrying value
Merchandise	£ 166	£ -	£ 166
Finished products	37,813	(929)	36,884
Work-in-process	98,485	-	98,485
Raw materials	73,214	(3,990)	69,224
Supplies	126	-	126
Materials-in-transit	232	-	232
	£ 210,036	£ (4,919)	£ 205,117

As of December 31, 2004, £ 20,000 million of the Company's beneficiary right of insurance policies for inventories is pledged in relation to borrowings from Korea Development Bank.

6. INVESTMENT SECURITIES

Investment securities as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)		2004		2003
Long-term investment securities				
Marketable equity securities	£	91,609	£	-
Non-marketable equity securities		11,394		2,357
Debt securities		4,600		5,000
	£	107,603	£	7,357
Equity method investment securities	£	13,856	£	15,084

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Equity Securities (Excluding equity-method investments)

Equity securities classified as available-for-sale as of December 31, 2004 and 2003, consist of the following:

			200)4			2003
	No. of	Percentage	5				
	shares	of ownersh	ip	Market or			
	owned by	(%)as of	Acquisition	net	Valuation	Carrying	Carrying
(in millions of Korean won)	the	December	cost	asset value	gain (loss)	value	value
Non-Marketable							
Investment Securities							
P&C Communication, Inc.	3,297,724	75.00	£ 4,980	£ 4,766	£ -	£ 4,980	£ 1,222
P&C Japan, Inc.	600	100.00	322	299	-	322	108
Pantech Netheland, Inc.	450	30.00	65	65	-	65	-
KTB investment fund	100	1.67	1,000	1,037	-	1,000	1,000
TU Media Corp.	1,000,000	4.11	5,000	4,435	-	5,000	-
Spread Telecom, Inc.	15,778	5.00	267	38	-	27	27
			£ 11,634	£ 10,640	£ -	£ 11,394	£ 2,357
Marketable							
Investment Securities							
SK Co., Ltd.	1,610,000	1.26	£ 99,549	€ 91,609	€ (7,940)	£ 91,609	£ -

Investments in P&C Communications, Inc., Pantech Netheland, Inc., and P&C Japan, Inc. whose total assets as of the previous year end are less than \pounds 7,000 million were excluded from the application of the equity method in accordance with accounting principles generally accepted in the republic of Korea.

Non-marketable investment securities, excluding Spread Telecom, Inc. recognized as impairment, are carried at their acquisition cost.

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Debt Securities

Debt securities classified as available-for-sale as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)			2004				2003
	Maturity date	Acquisiti	ion cost	Carryi	ng value	Carryi	ing value
Korea Exchange Bank	Dec. 28, 2014	£	1,000	£	1,000	£	-
Korea Exchange Bank	Dec. 28, 2008		2,000		2,000		2,000
Korea Exchange Bank	May 28, 2008		-		-		2,000
Korea First Bank	Apr. 28, 2009		1,000		1,000		1,000
Korea Credit Guarantee Fund Partners	Mar. 23, 2008		300		300		-
Korea Credit Guarantee Fund Partners	Dec. 17, 2007		300		300		-
		£	4,600	£	4,600	£	5,000

Investments in debt securities issued by Korea Credit Guarantee Fund Partners("KCGFP") are pledged as collateral in relation to a certain portion of debentures issued by the Company in 2004 (Note 10).

Components of Equity Method Investment

The Company's ownership status in an investee as of December 31, 2004 and 2003, consist of the following:

			2004			2003
	Number of	Percentage of	Acquisition	Market or	Carrying	Carrying
(in millions of Korean won)	shares	ownership (%)	cost	net asset value	value	value
Pantech Co., Ltd.	1,508,000	6.02	£ 18,818	£ 8,695	£ 13,856	£ 15,084

Although the Company only holds 6.02% of the above investee company, such investment is accounted for under the equity method because a majority shareholder of the Company also acts as the chief executive officer of the investee company. Therefore, the Company has significant influence over the management of the investee company.

The amortization of the difference between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee company for the year ended December 31, 2004, are as follows:

(in millions of Korean won)	Beginning balance	Increase	Amortization	Carryingvalue
Pantech Co., Ltd.	€ 7,782	£ -	£ 2,594	£ 5,188

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The Company has amortized the difference between the initial purchase price and the Company's initial proportionate share in the net book value of the investee over five years. In addition, the elimination of unrealized profit resulting from intercompany transactions under the equity method amounted to £ 27 million as of December 31, 2004.

Details of equity-method investment valuations for the year ended December 31, 2004, consist of the following:

	Beginning	Loss on valuation using	Capital	Carrying
(in millions of Korean won)	balance	the equity method	adjustments	value
Pantech Co., Ltd.	£ 15,084	£ (1,418)	£ 190	£ 13,856

7. PROPERTY, PLANT AND EQUIPMENT

Changes in the property, plant and equipment for the years ended of December 31, 2004 and 2003, consist of the following:

							2004					
(in millions of Korean won)		Land	Bui	ldings		Machinery	Vehicles		Others		Total	
Balance as of January 1, 2004	£	615	£	652	£	26,562	65	£	20,435	£	48,329	
Acquisition		-		-		8,871	-		23,887		32,758	
Disposal /Replacement		-		-		(1,643)	(4)		(502)		(2,149)	
Depreciation		-		(16)		(13,461)	(34)		(7,749)		(21,260)	
Impairment		-		-		-	-		(2,130)		(2,130)	
Balance as of December 31, 2004	£	615	£	636	£	20,329	27	£	33,941	£	55,548	
Accumulated depreciation	£	-	£	(35)	£	(39,375)	(99)	£	(14,439)	£	(53,948)	
Accumulated impairment	£	-	£	-	£	-	-	£	(2,130)	£	(2,130)	

		2004								
(in millions of Korean won)		Land	Bui	ldings	Machinery	Vehicles		Others		Total
Balance as of January 1, 2003	£	615	£	668	£ 28,687	82	£	9,013	£	39,065
Acquisition		-		-	11,609	38		15,843		27,490
Disposal /Replacement		-		-	(3)	(16)		-		(19)
Depreciation		-		(16)	(13,731)	(39)		(4,421)		(18,207)
Impairment		-		-	-	-		-		-
Balance as of December 31, 2003	£	615	£	652	£ 26,562	65	£	20,435	£	48,329
Accumulated depreciation	£	-	£	(19)	€ (33,941)	(84)	£	(7,649)	£	(41,693)

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As of December 31, 2004, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately £ 324 million (2003: £ 233 million).

The Company has pledged its machinery and equipment amounting to \pounds 4,760 million as collateral for borrowings from Korea Development Bank.

Insurance coverage as of December 31, 2004, is summarized as follows:

(in millions of Korean won, thousands of US dollar)

Туре	Description	Insurance coverage		Insurance company
Package insurance	Inventory/Property, plant and equipment	£	162,728	
Business interruption insurance	-		30,000	
Product liability insurance	-	US\$	6,000	Hyundai
Product recall insurance	-	US\$	250	Marine &
Fire insurance	Machinery and equipment	£	4,704	Fire Insurance
Directors and officers liability insuranee	Directors and officers	£	5,000	Co., Ltd. etc.
Others	-	£	2,155	

In addition, the Company's vehicles are covered with automobile insurance.

8. INTANGIBLE ASSETS

Changes in intangible assets for the years ended December 31, 2004 and 2003, consist of the following:

 \cap	0	
 U	U	4

		Industrial Development		Negative						
(in millions of Korean won)	prope	erty rights		costs		Others	go	odwill		Total
Balance as of January 1, 2004	£	2,403	£	85,430	£	2,709	£	(271)	£	90,271
Acquisition during the year		600		101,273		2,694		-		104,567
Amortization		(403)		(29,907)		(1,255)		271		(31,294)
Impairment		-		(60,992)		-		-		(60,992)
Balance as of December 31, 2004	£	2,600	£	95,804	£	4,148	£	-	£	102,552
Accumulated amortization	£	(1,109)	£	(49,114)	£	(2,969)	£	926	£	(52,266)
Accumulated impairment	£	-	£	(81,467)	£	-	£	-	£	(81,467)

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	2003										
	lr	ndustrial	De	evelopment				Negative			
(in millions of Korean won)	proper	ty rights		costs		Others		goodwill		Total	
Balance as of January 1, 2003	£	1,904	£	31,733	£	3,588	£	(542)	£	36,683	
Acquisition during the year		829		81,358		5		-		82,192	
Amortization		(330)		(15,272)		(884)		271		(16,215)	
Impairment		-		(12,389)		-		-		(12,389)	
Balance as of December 31, 2003	£	2,403	£	85,430	£	2,709	£	(271)	£	90,271	
Accumulated amortization	£	(706)	£	(19,207)	£	(1,714)	£	655	£	(20,972)	
Accumulated impairment	£	-	£	(20,475)	£	-	£	-	£	(20,475)	

Ordinary research and development cost incurred for the years ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)		2004		2003
Cost of sales	£	275	£	291
Selling and administrative expenses		17,197		13,343
	£	17,472	£	13,634

9. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2004 and 2003, consist of the following:

	Annual interest								
(in millions of Korean won)		rates (%) as of							
Туре	Creditor	December 31, 2004		2004		2003			
General loans	Korea Exim Bank and others	4.96 ~ 5.26	£	13,500	£	8,500			
Usance	Korea Exchange Bank and others	3M Libor+0.35 ~ 0.80		100,372		104,757			
Short-term debenture	Korea First Bank	-		-		20,000			
Commercial paper	Seoul Securities Co., Ltd.	4.88 ~ 4.90		40,000		-			
			£	153,872	£	133,257			

As of December 31, 2004, the Company has pledged its financial instruments amounting to \pounds 400 million as collateral with respect to the short-term borrowings from Korea Exchange Bank. The Company has also pledged its beneficiary right of

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insurance policies for inventories of \pounds 20,000 million, and machinery and equipment of \pounds 4,760 million (net book value) as collateral with respect to the short-term borrowings from Korea Development Bank (Notes 3, 5 and 7).

In addition, Mr. B. Y. Park, one of co-CEO's of the Company, has provided guarantees for the repayment of above borrowings.

10. LONG-TERM DEBTS

Long-term borrowings as of December 31, 2004 and 2003, consist of the following:

	Annual interest								
(in millions of Korean won)		rates (%) as of							
Туре	Creditor	December 31, 2004		2004		2003			
Equipment purchases	Korea Development Bank	6.40 ~ 6.60	£	7,315	£	12,700			
Special purposes	Korea Development Bank	8.10		12,000		12,000			
Others	Korea Exchange Bank	3.53		2,000		2,000			
Less: Current r		(2,207)		(385)					
			£	19,108	£	26,315			

As of December 31, 2004, the Company has pledged a portion of machinery, plant and equipment as collateral with respect to the long-term borrowings related to Korea Development Bank.

Mr. B. Y. Park, one of co-CEO's of the Company, has also provided guarantees for the repayment of borrowings (Notes 5 and 7).

Debentures as of December 31, 2004 and 2003, consist of the following:

	Annual interest								
	rates (%) as of								
(in millions of Korean won)	December 31, 2004		2004		2003				
Non-guaranted debentures	5.08 ~ 7.30	£	60,000	£	-				
Less : Discounts on debentures			(192)		-				
		£	59,808	£	-				

As of December 31, 2004, the Company has pledged its debt securities issued by KCGFP as collateral with regard to a certain portion of debentures (Note 6).

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The aggregate annual maturities of long-term debts outstanding as of December 31, 2004, are as follows:

(in millions of Korean won)

For the year ended December 31	Long-term borrowing	s Debentures		Total
2006	£ 14,207	7 £ -	£	14,207
2007	2,206	60,000		62,206
2008	1,540	-		1,540
2009	1,155	-		1,155
	€ 19.108	B £ 60.000	£	79.108

11. ACCRUED SEVERANCE BENEFITS

Accrued severance benefits as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Balance at the beginning of the year	£ 11,212	£ 6,130
Actual severance payments	(5,509)	(1,353)
Provision for severance benefits ¹	8,491	6,435
	14,194	11,212
Cumulative deposits to the National Pension Fund	(30)	(51)
Severance insurance deposit	(9,289)	(6,795)
Balance at the end of the year	£ 4,875	£ 4,366

¹ Provision for severance benefits in 2004 included the transfer-in from the related company amounting to € 130 million.

The severance benefits are funded at approximately 65.4% as December 31, 2004 (2003: 60.6%), through a severance insurance deposit for the payment of severance benefits, and the account is deducted from accrued severance benefit liabilities. The beneficiaries of the severance insurance deposit are the Company's employees.

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12. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

As of December 31, 2004 and 2003, monetary assets and liabilities denominated in foreign currencies are as follows: (in millions of Korean won, thousands of US dollar, Japanese yen, Euro, Indian rupee and New Zealand dollar, etc.)

		200	2003					
			Eq	uivalent in			Eq	uivalent in
	Foreig	n currency	Korean won		Foreig	n currency	Ko	orean won
Assets								
Cash and cash equivalent	US\$	-	£	-	US\$	34,332	£	41,123
Trade accounts receivable	US\$	9,136		9,536	US\$	33,273		39,854
	NZD	34		25				
			£	£ 9,561			£	80,977
Liabilities								
Trade accounts payable	US\$	49,740	£	51,919	US\$	34,601	£	41,445
	JP;″	855,366		8,657	JP; ″	2,495,243		27,937
	EUR	42		59	EUR	301		451
Short-term borrowings	US\$	55,943		58,394	US\$	36,872		44,165
	GBP	100		201	GBP	-		-
	JP;″	4,123,879		41,736	JP;″	5,371,819		60,143
	EUR	29		41	EUR	299		449
Other accounts payable	US\$	367		383	US\$	307		367
	JP;″	12,025		122	JP; "	55,650		623
	INR	-		-	INR	33		1
	AUD	4		3	AUD	-		-
	CAD	3		3	CAD	-		-
	GBP	1		3	GBP	-		-
	EUR	2		4	EUR	-		-
	THB	-		-	THB	525		16
Accrued expenses	US\$	47,406		49,482	US\$	39,043		46,766
	JP;″	3,020		31	JP;″	2,808		31
	EUR	441		628	EUR	2		3
			£	211,666			£	222,397

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13. COMMITMENTS AND CONTINGENCIES

Note Discounting Agreements

The Company has entered into note discounting agreements up to £ 129,000 million with several banks. The outstanding notes receivable discounted or endorsed but not yet matured as of December 31, 2004, amounted to £ 20,138 million (2003: £ 49,853 million).

As of December 31, 2004, the outstanding balance of export trade accounts receivable, sold at a discount to Korea Exchange Bank, amounted to US\$ 1,495 thousand.

Commitment Related to the Opening of Letters of Credit (L/C)

As of December 31, 2004, the Company has entered into contracts for the opening of letters of credit and others with financial institutions as follows:

(in millions of Korean won, in thousands of US dollars)

		Ou	tstanding			
Туре	Financial institution		Amount		balance	
At-sight L/C	Korea Exchange Bank and others	US\$	32,000	US\$	66	
Usance L/C	Korea Exchange Bank and others	US\$	205,000	US\$	84,863	
		£	75,000	£	11,792	
Currency forward	Korea Exchange Bank and others	US\$	193,755	US\$	181,765	
Local L/C	Korea Exchange Bank and others	£	15,000	£	603	
B2B loan	Korea Exchange Bank and others	£	48,650	£	21,398	

Royalty Contracts

The Company has entered into technical assistance agreements with certain foreign companies, including Qualcomm, Inc., under which the Company pays royalties or technical assistance fees. With respect to the agreements, the royalties that the Company paid for the year ended December 31, 2004 amounted to £ 113,733 million (2003: £ 77,071 million).

Derivatives

The Company has entered into foreign currency forward contracts with Korea Development Bank and others up to a maximum of US\$ 193,755 thousand, to manage its exposure to changes in currency exchanges rates. The Company has related outstanding balance amounting to US\$181,765 thousand as of December 31, 2004.

As a result of the foreign currency forward contract transactions, the Company recorded unrealized gains of £ 4,936 million

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and unrealized losses of £ 99 million for year ended December 31, 2004.

Operating Lease

The Company leases vehicles under operating leases expiring in various years through 2007.

Details of future minimum lease payments under non-cancellable operationg lease having remaining terms in excess of one year as of December 31, 2004, for each of the next three years are:

(in millions of Korean won)		Amount
Year ended December 31		
2005	£	501
2006		289
2007		22
Total future minimum rental payments	£	812

Contingent Liabilities Related to the Business Transfer

On May 20, 2002, the Company entered into a business acquisition agreement with Hynix Semiconductors, Inc.("HSI"), where the Company takes over HSI's business as user of handset technologies which patents originally belonged to Motorola, Inc., Nortel Networks, Inc., and Lucent Technologies, Inc. In accordance with the conditions of the said agreement, the Company assumes the potential liabilities of HSI amounting to \pounds 65,000 million due to the aforementioned companies at the time of the business transfer. Further, the difference between the \pounds 65,000 million and actual royalty payments is shared on a 25%-75% basis for the Company and HSI, respectively.

The Company reduced its long-term accrued expenses by £ 54,090 million after the settlement of negotiations with Lucent Technologies Inc. and Motorola Inc. with respect to the use of technologies in the past. Furthermore, regarding the cases involving Nortel Networks Inc. and Telular Corporation, the Company concluded that there will be no future license claims. Accordingly, the Company transferred 75% of the total related long-term accrued expenses amounting to £ 8,183 million to the other accounts payable for HSI. Consequently, the remaining balance of the other accounts payable is £ 6,833 million as of December 31, 2004.

Guarantees

Mr. B. Y. Park, one of co-CEO's of the Company, provided guarantees for the repayment of borrowings. The Company also provided guarantees amounting to \pounds 24,334 million and \pounds 6,641 million for the repayment of the borrowings of its employees from Hana Bank and Korea Exchange Bank, respectively.

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Employees' Borrowings from Financial Institutions for Purchasing of Stock of the Company

Employees purchased shares of the Company's common stock through financing form Korea Exchange Bank and National Agricultural Cooperative Federation. In connection with those borrowings, the Company opened time deposits to protect the lending financial institutions from possible defaults made by employees by granting the right of indemnifying to those financial institutions.

As of December 31, 2004, time deposit balances of Korea Exchange Bank and National Agricultural Cooperative Federation are £ 10,000 million and £ 1,500 million with remaining loans to employees amounting to £ 8,000 million and £ 840 million, respectively.

Pending Lawsuits

As of December 31, 2004, the Company is a defendant in a lawsuit involving £ 48 million in damages. It has no pending legal case as a plaintiff.

14. CAPITAL SURPLUS

Capital surplus as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)		2004		2003
Additional paid-in capital	£	91,044	£	90,553
Other capital surplus		424		-
	£	91,468	£	90,553

For the year ended December 31, 2004, 126,500 shares of common stock were issued at £ 500 and £ 600 per share arising from the exercise of stock options. As a result of this issuances of common stock, the Company recorded for additional paid-in capital amounting to £ 491 million.

In 2004, the Company purchased its own common stock of 13,000,000 shares and granted 1,322,000 shares out of 13,000,000 shares to employees for the exercise of stock options right. As a result of the exercise of stock options right, gains on disposal of treasury stock of ε 424 million are recorded as other capital surplus.

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15. RETAINED EARNINGS

Retained earnings as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)		2004		2003
Reserve for research and human resource development	£	31,900	£	31,900
Voluntary reserves		68,250		26,550
Retained earning before appropriations		46,567		41,798
	£	146,717	£	100,248

Reserves Pursuant to the Special Tax Treatment Control Law

Pursuant to the Korean tax laws, the Company is allowed to claim the amount in retained earnings appropriated as a reserve for research and human resource development as deductions in determining taxable income. The reserve for research and human resource development used for the specified purposes will be applied under the Korean tax laws.

16. CAPITAL ADJUSTMENTS

Capital adjustments as of December 31, 2004 and 2003, are as follows:

(in millions of Korean won)		2004		2003
Stock options right	£	3,068	£	4,425
Treasury stock		(24,479)		-
Loss of valuation of available-for-sale securities		(7,940)		(750)
Gain on valuation of equity method investment securities		929		739
Others		21		1
	£ ((28,401)	£	4,415

As of December 31, 2004, the Company has 11,678,000 shares of common stock held in treasury for the purpose of stock price stabilization and distribution of treasury stock for the exercise of stock options right.

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17. STOCK OPTIONS

The stock options granted to employees as of December 31, 2004 are as follows:

	First grant	First grant Second grant		Fourth grant
			Third grant	
Grant date	August 10, 2001	March 5, 2002	March 26, 2003	March 12, 2004
Evaluation of compensation	Min	imum value method		Fair value method
Туре	Issuance of nev	w share of stock/distribu	tion of treasury stock/c	compensation of the
		differen	ice by cash	
Number of shares(A)	4,643,000	222,000	599,400	876,000
Expired shares(B)	1,132,000	41,750	114,400	35,100
Exercised shares(C)	2,816,000	60,250	-	-
(A)-(B)-(C)	695,000	120,000	485,000	840,900
Exercise price	£ 500	£ 600	€ 2,720	£ 3,830
Risk free interest rate	4.97%	5.93%	4.65%	4.57%
Module of option price		Black-Scholes op	otion pricing model	
Exercise period	Within the per	iod covering two to five	Within the perio	od covering three to
	years after the	grant date	seven years afte	er the grant date
Exercise plan	Exercise less th	nan a half of the options	Exercise grante	d after three
	granted withir	the first exercise year	years from the	grant date
	after two years	s from the grant date,		
	and the remai	nder during the		
	remaining exe	rcise period		

The compensation expenses related to stock options right are as follows:

(in millions of Korean won)	First grant	Second grant	Third grant	Fourth grant	Total
Before 2004	£ 6,273	£ 697	£ 346	£ -	€ 7,316
2004	875	343	387	237	1,843
Exercised	(5,731)	(360)	-	-	(6,091)
	£ 1,417	£ 680	£ 733	£ 237	£ 3,068

The total remaining compensation expenses to be recognized after December 31, 2004 amounts to £ 1,186 million.

Compensation expenses related to first, second and third grant are based on the minimum value method and fourth grant is

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recognized on the basis of fair value.

The Company determined compensation expenses for stock option plans using the Black-Scholes Model and recognized by the following assumptions:

- Expected term of the exercise: 2.5 ~3 years
- Expected forfeiture rate: 9.18%
- Expected volatility of the stock: 0.1~43.4%

18. INCOME TAXES

The income taxes expense for the years ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)		2004		2003
Current income taxes	£	4,428	£	9,562
Deferred income taxes from temporary difference ¹		(12,309)		(6,861)
Tax deduction resulting from the change in capital surplus		(179)		-
Income taxes expense	£	(8,060)	£	2,701

¹ The changes in deferred income tax liabilities for the years ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)		2004		2003
Ending balance of deferred income tax liabilities (assets)	£	(11,553)	£	756
Beginning balance of deferred income tax liabilities		(756)		(7,617)
Change in deferred income tax liabilities	£	(12,309)	£	(6,861)

The reconciliation from income before income taxes to taxable income for the years ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)		2004		2003
Income before income taxes	£	38,409	£	44,440
Loss on valuation of inventories		6,014		(396)
Provision for product warranties		(777)		(42)
Stock options		1,843		3,181
Loss on valuation using the equity method		1,418		3,779
Accrued severance benefits		1,810		3,059

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(in	millions of Korean won)	2004	2003
Im	pairment of development costs	4,927	3,040
Ac	crued income	(22)	(597)
Ga	in on currency forward valuation	(4,936)	-
Ot	hers	2,860	419
Ta	xable income	£ 51,546	£ 56,883

The changes in temporary differences and related tax effects for the year ended December 31, 2004 are as follows:

							Deferr	ed income
		Beginning		Increase		Ending		tax assets
(in millions of Korean won)		balance	(decrease)		balance		(liabilities)
Provision for severance benefits	£	6,676	£	1,810	£	8,486	£	2,334
Provision for product warranties		5,457		(777)		4,680		1,287
Loss on valuation of inventories		2,710		6,014		8,724		2,399
Accrued income		(615)		(22)		(637)		(175)
Severance insurance		(6,676)		(1,810)		(8,486)		(2,334)
Development costs		(510)		5,437		4,927		1,355
Reserves for research and human								
resource development		(31,900)		3,333	((28,567)		(7,856)
Negative goodwill		271		(271)		-		-
Investment securities		12		7,000		7,012		-
Loss on valuation of investment								
securities using the equity method		4,472		1,418		5,890		-
Loss on currency forward valuation		1,067		(968)		99		27
Others		300		(2,423)		2,123		(584)
	£	(18,736)	£	18,741	£	5		(3,547)
				De	ax credit		15,100	
Deferred income tax assets						£	11,553	

Due to the application of the minimum tax law, a certain portion of the tax credit is deferred to the following years in accordance with the Special Tax Treatment Control Law. Accordingly, the resulting tax effects increased deferred income tax assets by \pounds 15,100 million.

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December 31, 2004 and 2003

The statutory income tax rate, including resident tax surcharges, applicable to the Company was approximately 29.7% in 2004, and was amended to 27.5% effective for the fiscal years beginning from January 1, 2005 in accordance with the Corporate Income Tax Law enacted in 2004. The effective tax rate of the Company for the year ended December 31, 2004 is not calculated due to the negative income taxes expense.

19. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Basic ordinary income per share is computed by dividing ordinary income allocated to common stock, which is net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares outstanding during the year.

Basic earnings per share for the years ended December 31, 2004 and 2003, is calculated as follows:

(in won)		2004		2003
Net income	£	46,469,251,796	£	41,739,584,877
Weighted-average number of common stock outstanding ¹		144,695,013		119,690,816
Earnings per share	£	321	£	349

¹ Weighted-average number of common stock outstanding is calculated as follows:

	Number of	Number of days	Weighted number
	shares issued	outstanding	of shares
January 1, 2004	149,749,665	366	54,808,377,390
Issue of new common stocks	126,500	266~357	36,050,000
Acquisition of treasury stock	(13,000,000)	64~220	(2,016,095,310)
Disposal of treasury stock	1,322,000	98~157	130,042,750
			52,958,374,830

Weighted-average number of common share outstanding:

52,958,374,830 shares ; 366 days = 144,695,031 shares

Because there were no extraordinary gains or losses, basic ordinary income per share is the identical to basic earnings per share.

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December 31, 2004 and 2003

In addition, stock options have no diluted effect, diluted earnings per share and diluted ordinary income per share for the year ended December 31, 2004 are identical to basic earnings per share and basic ordinary income per share, respectively.

20. VALUE ADDED INFORMATION

Value added information for the years ended December 31, 2004 and 2003, consist of the followings:

		2004							2003	
		Selling and								
	Manı	ufacturing	adm	inistrative	Dev	elopment				
(in millions of Korean won)		cost		expenses		costs		Total		Total
Salaries	£	8,519	£	21,599	£	43,429	£	73,547	£	67,799
Severance benefits ¹		917		3,678		3,816		8,411		6,439
Other employee benefits		1,293		3,434		4,841		9,568		10,609
Taxes and dues		19		1,680		50		1,749		531
Rent		1,225		2,574		2,875		6,674		6,132
Depreciation		14,592		1,268		5,400		21,260		18,207
Amortization		-		30,888		677		31,565		16,156
	£	26,565	£	65,121	£	61,088	£	152,774	£	125,873

¹ For the year ended December 31, 2004, severance benefits included the payment of severance benefits for employees within one year of service amounting to £ 63 million, as well as replacement to the construction-in-progress amounting to £ 13 million.

21. RELATED PARTY TRANSACTIONS

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2004 and 2003, and the related account balances outstanding as of December 31, 2004 and 2003, are summarized as follows:

(in millions of Korean won)		Sales	Purchases		Re	Receivables		Payables
Pantech Co., Ltd.	£	6,182	£	146,611	£	3,516	£	17,730
P&C Communication, Inc.		1,362		4,954		464		35
P&C Japan, Inc.		-		371		-		-
2004	£	7,544	£	151,936	£	3,980	£	17,765
2003	£	2,417	£	98,799	£	1,837	£	30,295

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December 31, 2004 and 2003

As of December 31, 2004, short-term and long-term loans receivable to employees related to housing assistance and employee stock purchases amounted to £ 310 million and £ 699 million, respectively. Also, the Company provided with guarantees amounting to £ 30,975 million for the repayment of borrowings of its employee from Hana Bank and Korea Exchange bank, and has opened time deposits account of £ 11,500 million from the Korea Exchange bank and others in relation to the debt for employee's acquisition of its stock.

In addition, Mr. B. Y. Park, one of co-CEO's of the Company, has provided guarantees for the repayment of borrowings.

22. SUPPLEMENTAL CASH FLOW INFORMATION

Significant transactions not affecting cash flows for the years ended December 31, 2004 and 2003, are as follows:

(in millions of Korean won)		2004		2003
Transfer from long-term loans to short-term loans	£	402	£	200
Exercise of stock options		2,713		2,891
Reclassification of current maturities of long-term borrowings		2,207		385
Transfer to other accounts from construction-in-progress		1,410		-

23. EMPLOYEES' WELFARE

The Company extends housing and educational loans to employees. Furthermore, the Company provides condominium memberships, gymnasium facilities, and others as part of its employee welfare program.

24. SEGMENT INFORMATION

A summary of general information on the Company's sales by geographic area is as follows:

	Goods and Services	Major customers
Domestic	CDMA	SKN, LG Telecom, KTF, etc.
North America	CDMA	AudioVox, etc.
Others	CDMA,GSM,WILL	BSNL, Huawei, etc.

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December 31, 2004 and 2003

A summary of information on the Company's sales by geographic area for the years ended December 31, 2004 and 2003, are as follows:

(in millions of Korean won)		Sales by geographic area						
		Domestic	North America		Others	Total		
2004	£	765,265	£ 1,093,918	£	165,148	2,024,331		
2003	£	512 174	€ 580 261	£	293 411	£ 1 385 846		

25. OPERATING RESULTS FOR THE FINAL INTERIM PERIOD

Significant operating results for the three-month period ended December 31, 2004 and 2003, are as follows:

(in millions of Korean won, excepting earning per share amount)		2004		2003	
Sales	£	531,751	£	559,744	
Cost of sales		437,102		447,497	
Gross profit		94,649		112,247	
Selling and administrative expenses		89,798		77,216	
Operating income		4,851		35,031	
Net income		6,691		16,261	
Earning per share		48		109	

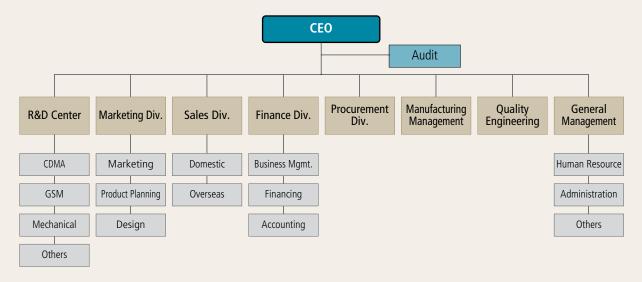
26. APPROVAL OF FINANCIAL STATEMENTS

The December 31, 2004 financial statements will be approved by the Board of Directors on March 3, 2005.

company information



Organization Chart



Share Information

Paid-in-Capital:

KRW 74.9 billion

Number of Shares:

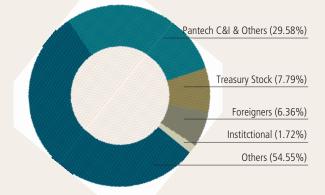
Authorized: 500.00 million shares

Issued: 149.88 million shares

Listing:

September 2003

Ownership structure



company information >>>

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements about the company, including descriptions of plans or objectives of its management for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words 'believe,' 'expect,' 'anticipate,' 'intend,' 'plan,' 'estimate' or words of similar meaning, or future or conditional verbs such as 'will,' 'should,' 'could' or 'may.'

Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors, many of which are beyond the company's control, could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Therefore, forward-looking statements speak only as of the date they are made. The company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events.

OANTECH & CURITEL

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