Annual Report 2004

ZOOM IN PANTECH

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Profile

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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.

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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.

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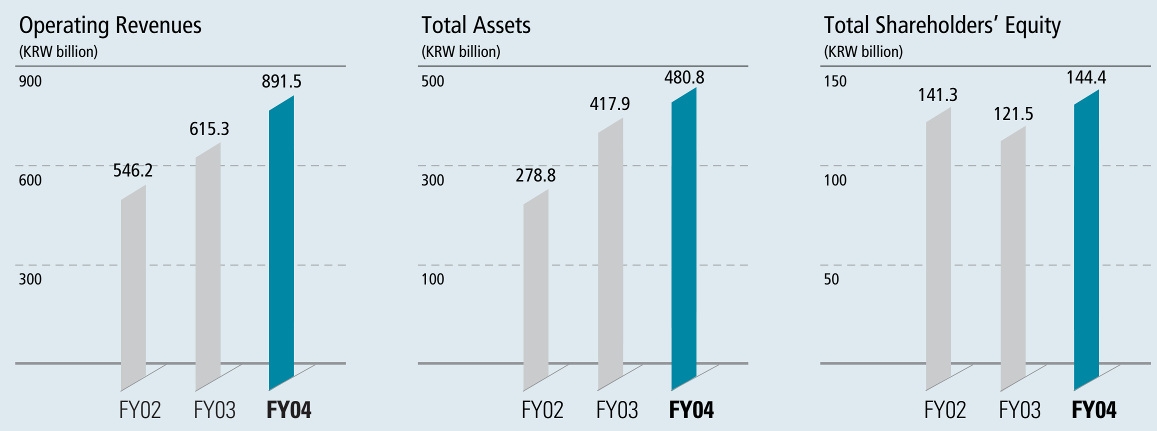
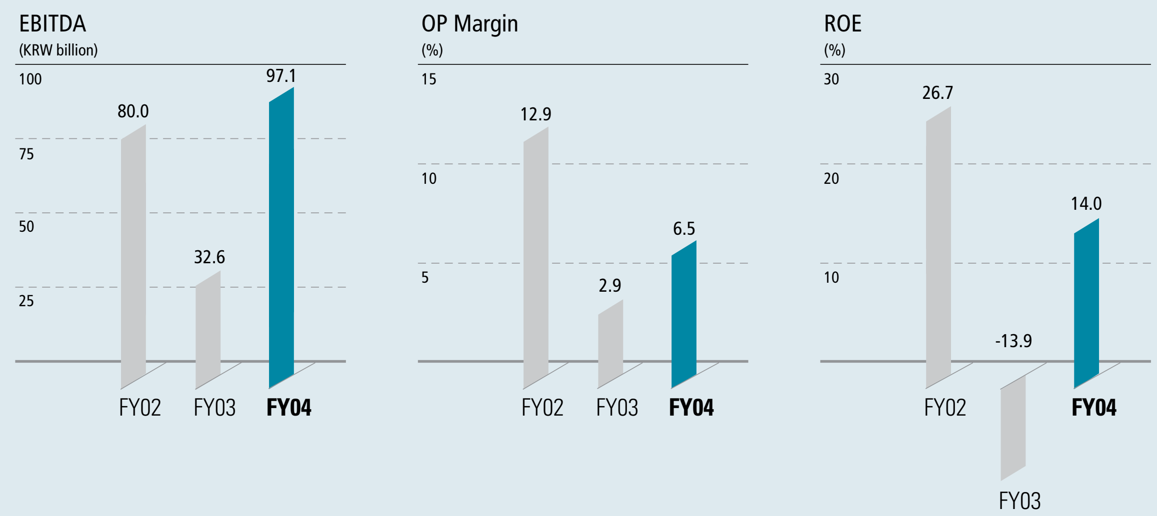
In 2004, one of the company's key strategies was to shift its business model from ODM and cultivate brand identity. With proper and effective execution of marketing & sales strategies, the "Pantech" brand has gained wider recognition in Eastern Europe and Latin America. Pantech will rigorously reinforce 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.

Financial Highlights

(KRW billion)

	FY02	FY03	FY04	Change
Operating Revenues	546.2	615.3	891.5	44.9%
EBITDA	80.0	32.6	97.1	197.4%
Net Profit	29.4	-18.3	18.6	TIB
Earnings per Share (Won)	1,224	-750	767	TIB
Total Assets	278.8	417.9	480.8	15.1%
Total Liabilities	137.5	296.4	336.4	13.5%
Total Shareholders' Equity	141.3	121.5	144.4	18.8%
Current Ratio (%)	123.6	109.8	109.1	-0.7%p
Total Liabilities-to-Equity Ratio (%)	97.3	243.9	232.9	-11.0%p
Debt-to-Equity Ratio (%)	55.4	138.9	145.4	6.5%p
OP Margin (%)	12.9	2.9	6.5	3.6%p
NP Margin (%)	5.4	-3.0	2.1	5.1%p
ROE (%)	26.7	-13.9	14.0	27.9%p
ROA (%)	11.1	-5.3	4.1	9.4%p
EBITDA Margin (%)	14.6	5.3	10.9	5.6%p
Total Assets Turnover (X)	2.1	1.8	2.0	-
Inventories Turnover (X)	8.6	6.0	6.0	-
Fixed Assets Turnover (X)	3.7	3.6	4.6	-





Letter to the Shareholders

Pantech is pursuing 'speed management' in product development and decision-making. This priority is to ensure competitiveness in the ever-changing mobile handset market, empower the Company to solidify its corporate image as a technology innovator and gain an edge in the race for speed.

Dear Fellow Shareholders:

Looking back with gratification on the past year, I am encouraged by Pantech's performance in this tough economy and excited about our future growth prospects.

2004 was a challenging year for the global handset industry. Fierce competition, difficult pricing environment and the sluggish global economy raised concerns over the performance of handset manufacturers. Despite these adverse market conditions, Pantech experienced strong growth with sales and operating profits soaring by 45% and 224%, respectively. Total revenue amounted to KRW891.5 billion, and operating income to KRW 58.4 billion, thanks to successful brand penetration and strict risk management.

The acquisition of the GSM license in China is another plus that will allow us to extend our potential to the fullest. Having first introduced the Pantech brand in 2004, we foresee aggressive marketing and sales efforts in China this year, as a licensee for both CDMA and GSM businesses. Moreover, we will be dedicated in pursuing the major handset markets of the US and Western Europe. In the key battlefields, we will bring in groundbreaking innovations and state-of-the-art technology so that the Company will gradually gain brand equity and market share, contributing to a higher margin.

As part of management's marketing strategy to become the industry leader, Pantech is pursuing 'speed management' in product development and decision-making. This priority is to ensure competitiveness in the ever-changing mobile handset market, empower the Company to solidify its corporate image as a technology innovator and gain an edge in the race for speed.

All of us here at Pantech are very much focused on the opportunities ahead. We look forward to building on our momentum, raising our standards for performance, and returning greater values to you, our shareholders.

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

Respectfully yours,

Sung-Kyu Lee
President and CEO I Pantech Co., Ltd.

Awards & Recognitions in 2004

PANTECH CELEBRATED FIRST ANNIVERSARY OF BUSINESS IN IRAN

On March 17, 2004, Pantech started full-scale operations in Iran with the first shipment of 17,000 units that arrived in the country in February. Within just one year, our market share jumped to account for 8% of the total market to emerge as the country's No. 3 mobile phone brand. In celebration of this achievement and the one year anniversary of business commencement in Iran, Pantech hosted a ceremony in Tehran on March 17, 2005 that was attended by over 500 guests including local mobile phone dealers. In the future, Pantech plans to strengthen its brand power by rolling out differentiated products with various features, reinforcing cooperation with major partners, and executing brand marketing tactics.

PANTECH RECEIVED USD500 MILLION EXPORT TOWER ON 41ST TRADE DAY

Pantech received the 'USD500 Million Export Tower' in commemoration of the 41st Trade Day on November 26, 2004. The award was testimony of Pantech's successful profitability-oriented management that led to an increase in exports of in-house brands and high-tech mobile phones.

PANTECH HELD MARKET STRATEGY CONFERENCE WITH LOCAL DEALERS IN MEXICO

On November 11, 2004, Pantech held a market strategy conference to promote the sale of high-end phones in Mexico City. Pantech made a successful entry into Mexico in February 2004 with compelling products and set up a regional office to systemize such business functions as distribution management, after-service and so on. Based on its experience in Mexico, Pantech plans to expand its Latin America exposure into countries such as Brazil and Colombia.

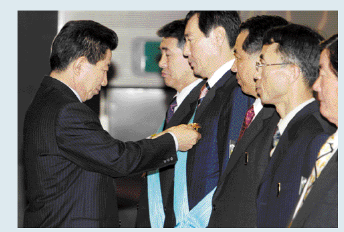
PANTECH TECHNOLOGICAL ABILITIES RECOGNIZED IN RUSSIAN MARKET

The October 2004 issue of Mobile News Review, a mobile industry magazine published in Russia, covered Pantech President & CEO, Sung-Kyu Lee, and the company's fingerprint recognition phone (GI100). The article said that on the back of its superior technology and speed management, Pantech is to emerge as the leading company in the 2005 mobile phone market. The magazine highlighted the fingerprint recognition functions of our GI100 model, comparing it to other company products and favorably rated major functions of GI100, such as the 1.3 megapixel camera, video capabilities and automatic answering function.

In addition, Sotaweek, Russia's mobile phone news website, selected GI100 as the best model and Pantech as a new superior brand. Furthermore, the Mobile News Review pointed out that Pantech's high functional and high-end mobile phones will be well-appreciated by customers in most markets, not only Russia but also Europe, Asia and the Americas. It commented that Pantech would reach No. 5 in the global handset market in the near future.

Snapshots in 2004

Nov. 2004	Awarded USD500 Million Export Tower on 41st Trade Day
Nov. 2004	Acquired CDMA license from Chinese government
Nov. 2004	Established local subsidiary in the Netherlands (Pantech Netherlands B.V.)
Nov. 2004	Held market strategy conference with local dealers in Mexico
Nov. 2004	Participated in capital increase of US local subsidiary (Pantech Wireless, Inc.)
Oct. 2004	Held non-deal road show in Asian region
Oct. 2004	Participated in PT/EXPOComm in China
Sept. 2004	Concluded strategic cooperation MOU with Thailand's TA Orange for long-term supply of mobile phones
Sept. 2004	Iranian Minister of Post, Telegraph and Telephone visited Pantech's Gimpo Factory
Aug 2004	Launched world's first fingerprint recognition mega pixel camera phone (GI100)
July 2004	Held non-deal road show in Asian region
June 2004	Launched world's first optical zoom 2 mega-pixel camera phone (S4)
May 2004	Held market strategy conference with local dealers in Russia
May 2004	Participated in SVIAZ/Expo Comm Moscow 2004 (comprehensive wire & wireless communications exhibition in Russia)
Jan.~Apr. 2004	Held press conference & launching ceremony for product introduction in Russia



ZOOM in PANTECH

New Name on the Block

New Name on the Block

From ODM to global brand

One of Pantech'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 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.

Ambitious but can the brand make the leap?

(Media, HongKong, March 11, 2005)
Pantech can certainly not be accused of thinking too small. In revealing that it aims to become one of the world's top five handset makers in 2005, the brand has demonstrated a laudable, if somewhat lofty, spirit of ambition.

The Pantech Group

Pantech Co., Ltd with its affiliate Pantech&Curitel Communications, Inc., is one of the world's leading handset providers. Both affiliates are collectively better known as the "Pantech Group." Pantech Co., Ltd. was set up in 1991 as a pager manufacturer within a rapidly expanding market. In August 1997, Pantech was listed on the Korea Stock Exchange and moved into the development and production of CDMA and GSM handsets. Pantech&Curitel, which is also publicly traded on the Korea Stock Exchange, has been a pioneer in analog, CDMA, and GSM/GPRS products, since the 1980s.

Pantech, along with its affiliates, has been responsible for a number of innovative breakthroughs in the mobile technology sector, including the introduction of the world's first fingerprint recognition camera phone in 2004, as well as an award winning camcorder and MP3 phone. Staffed with more than 3,500 employees and 15 regional sales offices worldwide, the Pantech group is generating economies of scale with annual shipments of more than 20 million units, which help to achieve cost competitiveness by collectively procuring mobile phone components. In addition, both Pantech and Pantech&Curitel will pursue the global brand 'Pantech' to expand each of their markets, while the Pantech group is poised to branch into wider markets.

The Pantech Group firmly believes that quality and technology is the only path to earn customer satisfaction. In this respect, the Company is striving to secure advanced technology through massive R&D investments every year to become an undisputable leader of the high tech information & telecommunication industry.

Company Name	Industry Classification	Remarks
Pantech&Curitel Communications, Inc.	Manufacturing Wireless Communication Equipment	(Korea Stock Exchange) Listed
Pantech C&I Co., Ltd.	Wholesale & Retail, Data Processing, R&D Services	Non-listed

Note: Pantech Capital Co., Ltd., changed its company name to Pantech C&I Co., Ltd. in December 2004

PANTECH&CURITEL

Pantech&Curitel first entered the mobile handset market in 1983 as a part of 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.

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. 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.

After breaking through the KRW 1 trillion revenue mark in 2003, Pantech&Curitel set another milestone last year with over KRW2 trillion. As a result, the domestic market share has steadfastly increased from 3% in 2002, to 11% in 2003, reaching 15% in 2004. Pantech&Curitel increased its presence in its main market of the North America CDMA market to approximately 11%, and won a 7% share in the global CDMA market through supplying its first mega-pixel camera-phone, selling over 6.3 million units in North America, 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 China.

2005 will mark the year in which the Company makes major strides into the European market beginning with its 3G UMTS products. Meanwhile, Pantech&Curitel will build upon cooperative relationship with service providers in the North American market by expanding our direct sales network and by continuing to showcase innovative products such as 3G EV-DO handsets to further raise our profile as a leading handset producer.

Pantech Corporate Governance

BOARD OF DIRECTORS

Byeong-Yeop Park

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

Sung-Kyu Lee

- CEO and President, Pantech
- R&D Director & Vice President of Telecommunication & Wireless Division, Samsung Electronics
- Leader of Application Technology Section, Samsung Electronics

Young-Sam Cho

- CFO, Pantech
- CFO, Pantech&Curitel
- Chief Planning & Coordinator, Hynix Semiconductor

Byung-Mun Kim

- Outside Director, Pantech
- Secretary for Citizen Life & Government Reform Ministry, Cheong Wa Dae

Kyung-Sun Yu

- Outside Director, Pantech
- CEO, Eugene Corp.

STRUCTURE AND ROLE OF COMMITTEES

As of the end of 2004, the Board of Directors consisted of three standing directors and two non-standing directors. There are no separate committees within Pantech. However, the Board delegates part of its authority to the Management Committee to enhance management efficiency of the company. Pantech operates a board of directors with diverse backgrounds, in-depth experiences, expert knowledge and problem-solving capabilities. Our directors are involved in an array of management activities and offer viable advice with wide ranges of perspectives. Pantech provides every possible support so as to allow all members of the Board to dedicate their time and energy to reinforcing corporate value.

SHAREHOLDER RELATIONS

IR Activities

Pantech's Investor Relations team performs company-wide strategic IR activities. The team's main duty is to accurately communicate the Company's short and long-term vision and business performance to shareholders. These efforts help boost investors' interest and expectations for the Company and allow Pantech to become the Company of Choice to all of our investors.

Major IR Activities in 2004

- Quarterly earnings conference: January, April, July, October
- Overseas road show: July, October, November in Hong Kong and Singapore
- IR conference for domestic institutional investors: conference with fund managers hosted by Bridge Securities in August
- IR forum for overseas investors: IR forum hosted by Lehman Brothers in September
- Discussed various corporate and industry issues, and listened to the suggestions and advice of investors through over 100 one-on-one meetings and conference calls

IR Activities Performance in 2004

- Reinforced management participation in IR activities (participation of CEO & CFO in overseas IR and investor meetings)
- Promoted IR distribution activities (quarterly earnings conferences, overseas IR and investor meetings, etc.)
- Secured credibility of IR message through active communications with investors
- Company-wide IR activities through reinforcement of internal information gathering system
- IR activities linked with public relations (press releases on major management issues)
- Actively provided support for efficient management decision-making by communicating stock market sentiments from company to management

Disclosure Policy and Activities

Under the Financial Supervisory Service's regulation on supervision of disclosure and revised disclosure act, Pantech has set up a systematic disclosure control process by rearranging internal disclosure regulations and guidelines. The Company aims to make accurate disclosures through prior deliberations of quarterly business reports and quarterly operations reports. The Company is making accurate, fair and prompt disclosures of its management activities to our existing and potential shareholders to faithfully satisfy their rights to know.

Pantech Brand & Global Network

BRAND MARKETING

Global Brand "Pantech"

With Pantech focusing its main business on ODM until the early 2000, the brand "Pantech" was virtually unknown to most handset end users around the world. However, we started to take serious initiatives in targeting end users since 2003 and made inroads into such markets as Hong Kong, Taiwan, and Russia with our own brand. In 2004, Pantech pursued more vigorous brand marketing which helped the Company to gradually broaden its brand business portfolio into more regions. We are also working tirelessly to implement diverse brand strategies to fit the lifestyles of customers in each market and improve brand equity.

In particular, Pantech aims to target those who play leading roles in this digital era. That is, the company is making great efforts to identify consumers who are at the forefront of today's digital culture. Because most people categorized in these segments are characteristically creative, passionate and have a strong sense of social awareness, Pantech focused on making phones that would most appeal to these digital aficionados. Once Pantech received a thumbs-up from these opinion leaders, the company was able to make inroads into the rest of the market with mid- to high-end handsets with compelling features such as fingerprint recognition, mega-pixel, bluetooth, and high-quality sound among others. While launching such quality products, Pantech also focused on promoting the "Pantech" brand through press conferences, commercials, exhibitions and other marketing tools. As a result, the company successfully entrenched the "Pantech" brand as being "young and fresh" in markets such as Russia and Mexico.

> Pantech believes that brand differentiation is the only way to survive and prosper in this ever-evolving competitive market. By accurately identifying the needs of our customers and providing more attractive products, we will continue to strive to build our Pantech name as a global brand.

Pantech plans to actively promote its brand to consumers in the Brazilian, Chinese and US markets in 2005. In particular, we will focus on improving both our brand recognition and consumer loyalty. For this purpose, the Company plans to localize production, sales and after services in an effort to step closer to consumers, by establishing an overseas subsidiary network centering on strategic markets.

Pantech believes that brand differentiation is the only way to survive and prosper in this ever-evolving competitive market. By accurately identifying the needs of our customers and providing more attractive products, the company will continue to strive to build our Pantech name as a global brand.

China
Dalian Daxian Pantech Communication, Co., LTD. (Joint venture of Pantech and Daxian)
Address: No. 2, Liaohe East Road, DD Port Hitech Industrial Zone, P.R.C.

Beijing Branch Office
Address: Room 1715 Beijing Silver Tower, No. 2 North Road Dongsanhuan, Chaoyang District, Beijing 100027 Pantech, Co. LTD., Bejing Office

Europe
Pantech Netherlands B.V.
Address: Abbey Business Centres, Sloterdijk, Busitel 1, Orlyplein 85 1043 DS Amsterdam The Netherlands
PO Box 59267, 1040 KG Amsterdam

Moscow Branch Office
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St. Petersberg Branch Office
Address: 17, 2nd Sovetskaya str., 191036, St. Petersburg, Russia

Mexico
Pantech Mobile Mexico, S.A. DE C.V.
Address: Via Gustavo Baz No.2160, Edif.4, Planta Baja, Bodega 2 Fracc. La Loma, Tlalnepantla
C.P.54060, Edo de Mexico, Mexico

Middle East
Dubai Branch Office
Address: Flat No. 1105, Dubai Concord Hotel(Office Building) Al-Maktum Street, Deira-Dubai, U.A.E (112237)

North America
Pantech Wireless, Inc
Address: 11240 Warland Dr., Cypress,CA 90630

OVERSEAS MARKETING STRATEGY & GLOBAL NETWORK

Strategic Step into Emerging Markets

Our strategy for penetrating the global market was initially focused on emerging markets. In the beginning, our target markets were Eastern Europe and Latin America, which are the representative emerging markets responsible for fueling mobile market growth since 2004. Pantech built up a well-balanced portfolio of products based on detailed and accurate surveys of consumer needs. As a result of these efforts, the Company achieved 5~6% market share in the Russian and Mexican markets during the final quarter of 2004 by supplying competitive models to major distributors and service providers. Pantech also established relationships based on trust with business partners on the back of our diverse product lineup and reliable quality.

The Company's success in the Eastern Europe and Central and South America markets serves as an important reference for Pantech's market entry into North America and Western Europe, as service providers and distributors in the region always refer to past track records. In this respect, Pantech plans to succeed in penetrating such markets through rapid product development, high levels of quality and close communication with service providers.

Market Diversification

Pantech will post sustainable sales growth through market diversification, while the selection of strategic markets will maximize the efficiency of internal resources. Since Pantech established a competitive profile in Russia and Mexico in 2004, China and Brazil are considered the major battlefields for 2005. After first introducing the Pantech brand to Chinese consumers in 2004, the company will continue to pursue aggressive marketing and sales efforts in China, as a licensee for both CDMA and GSM phone businesses. Despite fierce competition in China among global mobile phone companies, Pantech is more than ready to generate sales of feature-rich products on the strength of its leading technological expertise. At the same time, close discussions with local major operators are underway in Brazil to generate sales within the near future. Ultimately, Pantech's goal is to build its position as a global handset powerhouse, by penetrating the two major mobile phone markets of North America and Western Europe.

Reinforcement of Global Network

In order to rigorously respond to market changes and triumph as a winner in this heated market, Pantech believes it is crucial to establish a global network system, with the capacity to preemptively respond to customer demands. In this respect, Pantech provides products, services and promotions customized to the diverse needs of each individual market through its subsidiaries and branch offices in Russia, Mexico, the Netherlands, China and Brazil. In particular, the joint venture in China was established in September 2003 with Daxian, a local mobile phone manufacturer. The JV provided a basis for inexpensive manufacturing which in turn led to cost competitiveness for the company. In the future, Pantech plans to establish a stable market portfolio, by reinforcing its global network centering on strategic markets that serve as an outpost for its market expansion.

ZOOM in PANTECH

Speeding Ahead

Speeding Ahead

Strategies and vision for success

"Speed" helps keep a company young and vibrant at all time to function as a living organism and to cope with today's fast changing business environment. Everyone here at Pantech is dedicated to pursuing a corporate culture that moves fast with evolving technology and to launch products in a timely manner with prompt decision-making and judgments."

Another Korean cell-phone power?

(BusinessWeek, US, March 25, 2005)

This year, another Korean - Pantech Co. - tried to grab the spotlight as well. The upstart held its own, offering 29 models with features ranging from TV receivers to a motion sensor that calculates the calories its user burns while walking. "It's time for us to make another leap into the global arena," declares Park Byeong Yeop, Pantech's chairman.

Pantech Vision & Strategy

VISION

Admired Company

Strong Company | Respecting Individual Values | Respecting Customers | Transparent Management

An admired company maintains excellence in all aspects of business performance from managerial achievements, technology, personnel, organization management and corporate culture. An admired company is appreciated by both its employees and customers for its performance and value embodying the spirit to change with integrity.

To attain this vision,

First, the company aspires to become a robust company that always challenges and sustains the No. 1 position and achieves strong business performance based on comparative advantages in technological expertise and R&D manpower.

Secondly, Pantech practices 'people-oriented' management philosophy. Our employees are our most valuable asset and we strive to maximize their value by fostering a creative and innovative working environment.

Thirdly, Pantech is focused on meeting our customer commitments and delivering satisfaction by creating top of the line products with advanced technology.

Lastly, Pantech practices transparent management to provide fair evaluations and distributes the success of our performance to our employees. This helps to promote the culture of ethical and responsible growth for our shareholders.

BUSINESS STRATEGY

In order to achieve its vision of an 'Admired Company,' Pantech pursues the following four strategies:

Transforming business model into brand business
Building up product competitiveness for customer satisfaction
Securing and fostering talented personnel
Solidifying relationships with business partners

First is the establishment of "Pantech" as a global brand. Pantech has long been known as an ODM company. However, the ODM business has become a non-competitive model, in terms of both corporate competitiveness and profitability. As such, the time has come for Pantech to be recognized for its competitiveness in the world under its own brand name. In 2004, products bearing the Pantech brand accounted for 30% of total sales, which is expected to increase to 60~70% in 2005, and 90~100% in 2006, when the Company completes the transformation of its business model. In order to support such quantitative growth in brand business, Pantech will establish a differentiated system for operations of each internal organization (production, sales, marketing and service).

Second is building product competitiveness for customer satisfaction. In this ever-changing technology and market environment, the timely launch of products is becoming increasingly difficult due to shortened product life cycles and further segmented consumer tastes. Therefore, Pantech is engaged in ongoing innovation R&D activities to offer a full range of highly functional products that surpass individual customer requirements. We are closely monitoring the interests and demands of end consumers to roll out products in advance of other players by continuously shortening product development periods.

Third is securing and fostering talented personnel. All strategies are developed and implemented by people. In this respect, Pantech recognizes that its individual employees are an invaluable asset and a major driving force behind creating corporate value. This is why Pantech places the utmost priority on securing and fostering superior talents. The company will focus on developing global leaders through active human resource management and a system that inspires a sense of ownership.

Fourth is solidifying relationships with our business partners. Amidst the ever-changing corporate environment that presents major hurdles in predicting what lies ahead, only companies that promptly respond to rapid technological changes, diverse demands of consumers and digital convergence, can survive the competition. In this respect, Pantech will reinforce close cooperative relationships and achieve a win-win strategy with business partners, by sharing various measures in dealing with such changes.

Pantech Operations

INDUSTRY OVERVIEW

1) World Market

The worldwide handset market demand in 2004 recorded an all time high of 660 million units, growing over 20% over 2003, the highest growth rate subsequent to 1999. The major factor driving such growth in 2004 was replacement demand. In particular, the full-scale implementation of the mobile number portability system in North America in November 2003 and replacement demand deriving from the launch of various camera phones in Western Europe further expanded worldwide demand. New subscriber demand in the emerging markets of Eastern Europe, Latin America, the Middle East, Africa and India, also surged significantly. Continued growth in 2005 is expected with the competition in multi-functional mobile phones, such as MP3, camcorder, TV, DMB and real time video communication phones.

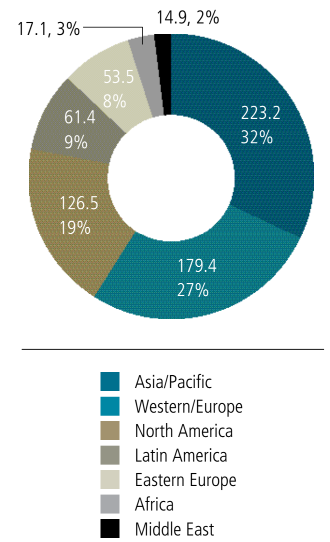
The drastic increase of mobile telecommunication handset shipments in 2004, larger than expected at the beginning of the year, can be attributed to the rapid growth of mobile telecommunications subscribers in emerging markets. The emerging markets possess the characteristics of large national land area and significantly low wireless telecommunications infrastructure construction costs. Those markets are expected to serve as the growth engine in the global market for the time being, in that handset subsidies are actively being offered in most of those regions. Key markets are China, Russia, Central and South America and India, which are showing relatively low mobile phone distribution rate as well as high growth rate.

In 2005, full-scale growth of W-CDMA is expected. The W-CDMA market is projected to become an attractive market, growing at an annual average rate of over 80% up to 2008, from an estimated demand of 38 million units in 2005. While mature markets of Western Europe, North America, Korea and Japan are expected to lead the W-CDMA market in the initial stages, W-CDMA will become more mainstream in markets around the world.

2) Domestic Market

The domestic mobile phone market boomed until the first half of 2004, propelled by the significant increase in the demand for mobile phones with the implementation of 'mobile number portability (MNP)' that started with SK Telecom, which had an oversaturated market. In the second half of the year, the domestic market leveled off as a result of the stabilization of the overheated subscriber market. However, the market shifted once again into a slightly upward trend going into December 2004 and is expected to maintain moderate growth for the time being, as a result of the pseudo-demand generated in response to the final implementation of LG Telecom's MNP in January 2005. Despite the continued economic recession there are signs of improving market conditions. The scope of demand for mobile phones has expanded with the full implementation of MNP, and new demand for satellite DMB is arising with initiation of test services in January 2005. The launch of satellite DMB, terrestrial DMB service and W-CDMA phone is expected to further trigger consumers' desire to purchase mobile phones.

Global Handset Demand by Region in 2004



(Source: IDC, Gartner Dataquest)

3) Characteristics of Changes in Business Cycle

The handset industry's business cycle is relatively regular, fluctuating with evolving wireless technology, operators' new service trends, and the earning patterns of corporations and individuals.

The growth of the global handset market in 2001 slowed as a result of the delay in the introduction of 3G services and overall sluggish world economy. However, market conditions have improved since 2002, due to the expansion of the Chinese market and full-scale introduction of 2.5G handsets, including CDMA-2000 1x and GPRS. In addition, new mobile phones improved user interface features adopting various technologies, such as bluetooth, GPS service, mobile bank and video & audio functions, have acted as a positive factor for market growth.

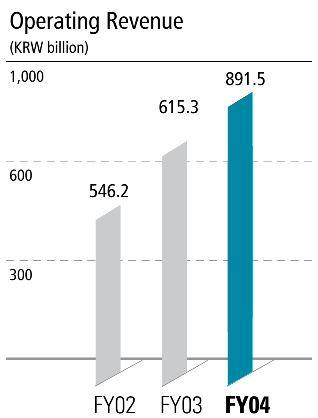
In 2005, the launch of satellite and terrestrial DMB broadcasts coupled with 3G services, including IMT-2000 and W-CDMA, are expected to drive market growth. Other factors facilitating the industry's stable growth are technological advancements, rising income levels that elevate the purchasing power of consumers, and handsets increasingly becoming a trendy fashion statement with the rapid unveiling of new models.

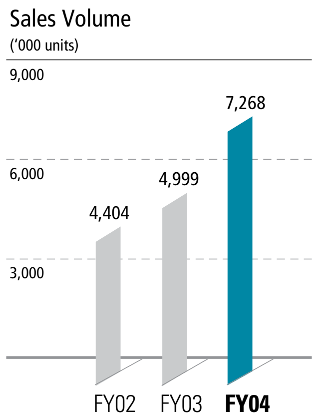
4) Competitive Factors

Major competitive factors of the mobile handset manufacturing industry lie in (1) wireless carriers' service plans, (2) research and product development capabilities to fulfill market needs, (3) quality management and mass production capacities for supplying large volume of handsets applicable to the mobile networks of existing mobile carriers, and (4) marketing capability that can satisfy or stimulate consumer demand according to age and generation brackets.

Korean handset makers possess competitiveness that appeals to the world market with their stable production base, technological expertise stemming from CDMA service commercialization, product competitiveness with the launch of leading high-tech products, and distinctive design power. In particular, domestic manufacturers are leading the world CDMA handset market with the successful development of original technology.

In the future, timely response to diverse consumer needs befitting their work environment and lifestyles, accurate demand forecasts in line with changing trends, and the cutback in development period for a timely rollout of new products, will emerge as the core competitive factors propelling the industry' competitiveness. To achieve this, Pantech as well as other major companies are striving to strengthen R&D and marketing capabilities.





BUSINESS PERFORMANCE IN 2004

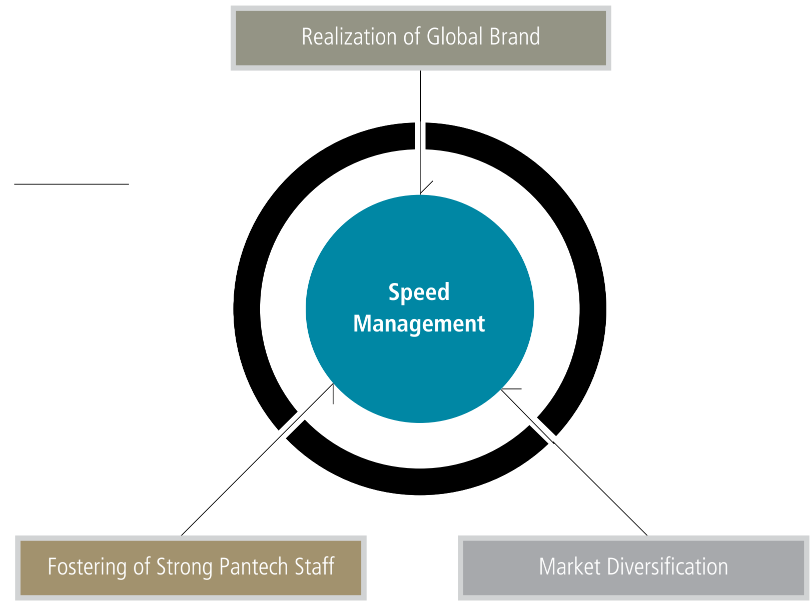
In 2004, Pantech posted a record sales performance and improved its profit structure, despite the appreciation of the Korean won and fierce competition in domestic and overseas markets. The Company has steadily expanded our overseas market share with successful entry into new markets.

Sales posted continuous growth over the past three years. In particular, sales surged 44.9% in 2004 to record KRW891.5 billion, which is more remarkable when taking into account the 20% growth rate of the global mobile phone market in 2004. The results show Pantech's emergence as a world-class company with superior technology, attractive product design, and efficient marketing and distribution at home and abroad.

In addition, the Company has been able to expand sales through a full-scale transformation of its business model, shifting from ODM for major overseas companies to marketing products under its own brand. The reinforced brand marketing helped boost brand sales which increased over ten fold from 96 thousand units in 2003 to 1,373 thousand units in 2004. In the fourth quarter, more than half of total sales revenue was from sales of Pentach's own brand. Furthermore, the domestic market ASP climbed from KRW253,000 in 2003, to KRW270,000 in 2004, as a result of enhanced product mix. Our market timing and product competitiveness also allowed us to increase sales to Motorola by 74%, from 2,615 thousand units in 2003, to 4,576 thousand units in 2004.

In 2005, Pantech will further raise its profile as a major handset company in both domestic and overseas markets and plans to gradually expand its share in major markets such as the Americas and Europe, on the strength of the Company's experience and achievement in 2004.

The Company's success in the Eastern Europe and Central and South America markets serves as an important reference for Pantech's market entry into North America and Western Europe, as service providers and distributors in the region always refer to past track records.



BUSINESS GOAL IN 2005

"Speed Management"

"Speed" helps keep a company young and vibrant at all time to function as a living organism and to cope with today's fast changing business environment. Everyone here at Pantech is dedicated to pursuing a corporate culture that moves fast with evolving technology and to launch products in a timely manner with prompt decision-making and judgments."

Realization of Global Brand

With today's performance we are creating basis for the better future. As our core values focus on becoming an admired company and creating a respected brand, we cannot stay fixed on the current market share or short-term profits. Rather, Pantech is establishing the foundation for future growth by (1) establishing networks between headquarters and subsidiaries and among subsidiaries, (2) presenting a business direction for each subsidiary, and (3) developing the united brand image through advertisements, public relations and events related to the company, in any region of the world. Through integrated brand management, Pantech will maintain consistency in regional marketing activities, while still conforming to the local sentiments of each region.

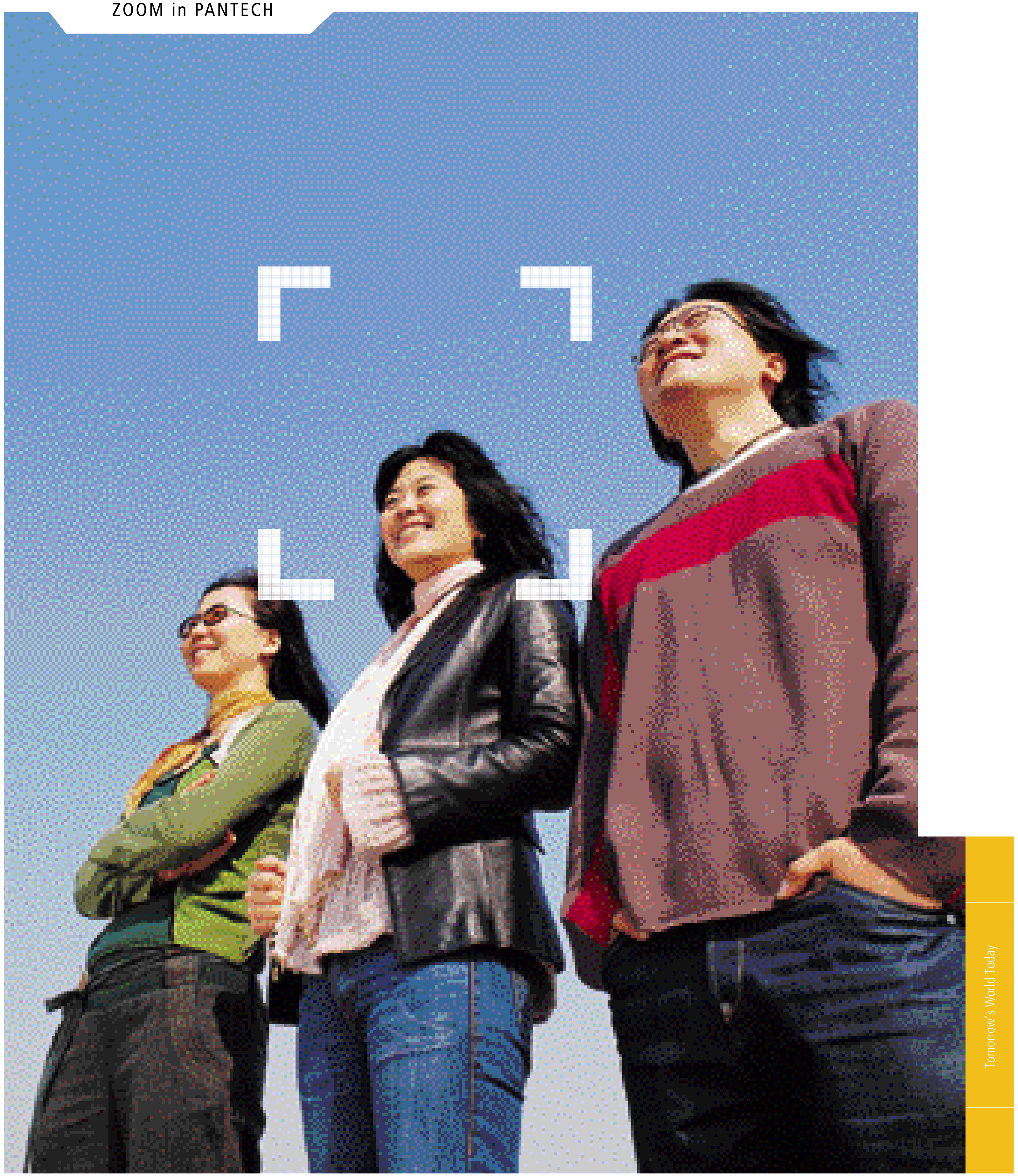
Fostering of Strong Pantech Staff

A strong Pantech staff refers to people with innovative leadership and the ability to actively respond to the rapidly changing market environment. Innovative thinking is a requisite for upgrading work methods, ways of thinking and sense of value. In this respect, Pantech is systemizing the process for securing core superior human resources and fostering regional specialists over the long-term.

Market Diversification

Operation methods need to be systemized by establishing a process in line with increases in the size of overseas sales and operations. In order to respond to shortened market trends and intensified competition, it is essential to continue introducing market leading products and reinforcing target marketing. Therefore, Pantech is doing its best to furnish market-driven hit models with premium features and affordability. Furthermore, to efficiently cope with both focus markets and diversification markets, Pantech is strengthening our internal capacity to maximize and allocate limited resources and abilities.

ZOOM in PANTECH



Tomorrow's World Today

3G and beyond

Pantech continues to make bold investments in R&D to secure leading technology and R&D personnel. All company employees are working to develop advanced technology and lead standardization efforts to expand our presence in the next generation handset market. R&D stands at the center of our drive to becoming 'one of the top 5 global companies' in mobile telecommunications.

The mobile phone revolution

(Joongang Daily, Korea, December 29, 2004)
Mobile phones will continue to evolve. Pantech has recently developed a mobile phone model that acts as a remote control for a comprehensive household network. Soon, we will be seeing mobile phones that have virtual screens and keyboards as big as conventional monitor screens and keyboards.

Pantech People and R&D

RESEARCH & DEVELOPMENT

R&D remains a key to our becoming a truly great company. Our ability to adapt to rapid changes in technology and the market environment, as well as solidifying our position in the mobile telecommunications market all depends on our creativity to find the right solution for customers. To this end, Pantech continues to make bold investments in R&D to secure leading technology and R&D personnel. All company employees are working to develop advanced technology and lead standardization efforts to expand our presence in the next generation handset market. R&D stands at the center of our drive to becoming 'one of the top 5 global companies' in mobile telecommunications.

Research & Development Activities

Pantech developed a total of 20 handset models including 8 CDMA and 12 GSM models in 2004. The development project was a part of R&D investments totaling KRW71.5 billion (8% of total sales), an increase of KRW16 billion over 2003. In particular, the Company demonstrated its superior technological expertise by commercializing differentiated products; the world's first optical zoom 2 mega-pixel camera phone (June 2004), the world's first fingerprint recognition phone (August 2004) and the world's first motion-recognition phone with a six-axis sensor (January 2005). The line-up helped push sales to KRW891.5 billion in value with 7.3 million units shipped to over 20 countries worldwide.

Product plans for 2005 feature development of 26 new models: 14 CDMA, 10 GSM and 2 UMTS models, through R&D investments of KRW88.0 billion.

Intellectual Property Rights

In 2004, Pantech filed a total of 686 applications for intellectual property rights in Korea, up 24.8% over 2003. As of the end of February 2005, the total number of intellectual property rights applications reached 1,959, while overseas applications totaled 211 (38 patents, 3 design rights, 170 trademarks). The goal for 2005 is to submit 720 applications in 2005, an increase of 5% YoY.

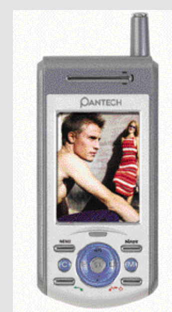
R&D Organization & Human Resources

Pantech's R&D center devotes efforts to developing competitive mobile phones through timely development and quality enhancement, thus securing future engines of growth and key patents. As of the end of February 2005, the R&D center is comprised of over 750 research personnel. In order to effectively answer to the rapidly changing technologies and diverse consumer and market needs, the R&D center continues to build up its technology competitiveness by focusing on training R&D personnel and recruiting more qualified personnel in 2005.

Pantech Products

PH-6
3D Movement Recognition
by 6-axis Sensor, 3D Game Play,
1Mega-pixel CCD Camera

GI100
260K TFT LCD
1.3 Mega-pixel CMOS Camera
Fingerprint Recognition Function
MMS, JAVA



S4
260K TFT QVGA LCD
2 Mega-pixel CCD Camera,
2X Optical Zoom, MP3, GPS

STATE-OF-THE-ART PRODUCTS

Introduction of the World's First Motion-Recognition Phone

In January 2005, Pantech opened the era of motion-recognition handsets with the nationwide launch of its PH-S6500 'sports-leisure' phone equipped with six-axis sensors. The company submitted eight patent applications in October 2004 for the world's first motion-recognition phone. Pantech later unveiled the phone with upgraded software functions at PT/ExpoComm China, the largest communications/IT event in Asia. The PH-S6500 has six-axis sensors (three-axis geomagnetic sensors and three-axis acceleration sensors) to detect up-down, left-right movement. Dubbed a 'sports-leisure'phone, the innovative device offers various functions to promote the user's health, including (1) calorie consumption and distance measurement data when walking or jogging, (2) compass function, and (3) altitude measurement for mountain climbing. PH-S6500 also serves as a high-tech multimedia handset with motion-recognition 3D games, uniquely designed mega-pixel camera that rotates 270 degrees, MP3 and MOD functions, on top of mobile banking and GPS functions..

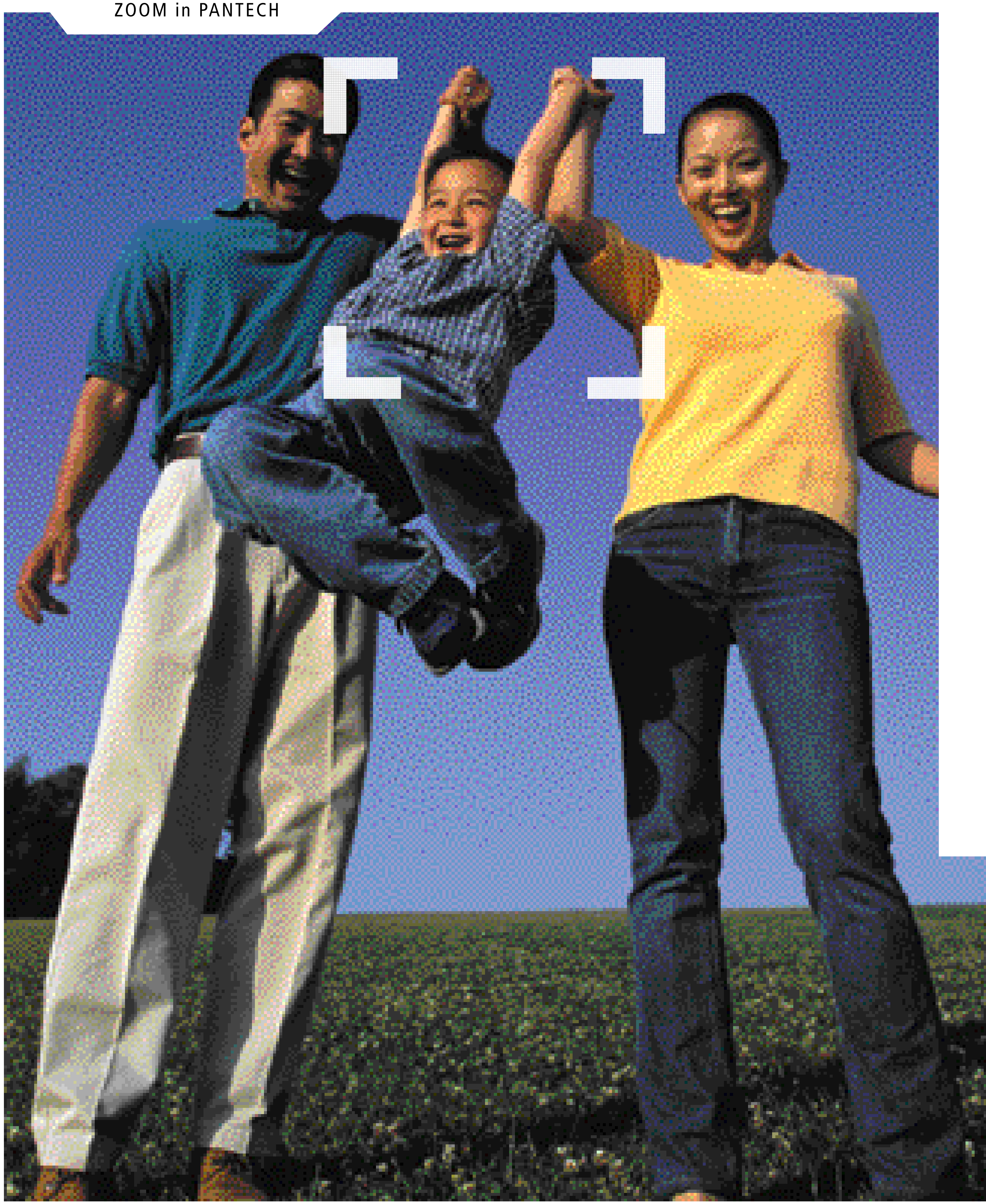
Opening the Era of the World's First Optical Zoom Camera Phone

The S4 model is the world's first 2-mega pixel camera phone with optical zoom, moving picture caller ID features, as well as Korea's first GPS functions based on mobile stations. The S4 model, developed in just seven months, breaks down the boundary between digital cameras and camera phones. 'S4' refers to the four superior functions of the handset (2 mega-pixel, world's first optical zoom, MP3 and QVGA level LCD). Its 2x optical zoom has a camera lens moving towards the photographed subject like a real camera, as opposed to the simple image enlargement of existing digital zooms. In addition, the moving picture caller ID feature enables users to recognize callers through a recorded video of the person on their handset screens.

World's First Fingerprint Recognition Mega-pixel Phone

The GI100 model provides maximum user security with its unique concept of fingerprint recognition. Considering the next-to-impossible likelihood of matching fingerprints among the six billion global population, the fingerprint recognition phone is equipped with various distinctive functions, including (1) advanced security functions that completely protect the privacy of individuals, (2) unique entertainment functions allowing users to access games with a simple sweep of their fingerprint, and (3) advanced dialing functions that automatically connect users with up to ten most frequently used phone numbers.

ZOOM in PANTECH



On-going Contribution

On-going Contribution

For the social relations

Pantech is growing into a major global company with a leading position in advanced IT technology. Based on our management philosophy of 'people & technology-oriented management,' Pantech is equally focused on enriching our society as we continue to pursue innovations in technology and ideas to create value to our customers and Pantech.

For our society

The world's great companies foster prosperity in the communities they serve.
At Pantech, we measure success not just by the business performance, but also by our contributions to society

Pantech Ethical Management

CODE OF ETHICS

For Pantech ethical management is paramount in doing business.
Under the corporate vision of becoming an "Admired Company," Pantech is striving to be "New Leader by Forward Thinking" in all areas of our organization. To be a truly "Admired Company" to our employees, customers, shareholders, business partners and the greater society, each member of the Company is guided by 'ethical management practices.'

Pantech regards 'ethical management practices' as our fundamental guideline in conducting corporate activities. Our definition of ethical management practices is (1) fulfilling our corporate social responsibility, (2) promoting a core strategy to reinforce our corporate competitiveness, (3) meeting international standards, and (4) acknowledging ethical standards as our corporate cultural assets and core intangible asset. In this respect, the Company adopted a code of ethics in 2002, guiding us in upholding our ethical commitment.

Key Ethical Management Practices

First, the Pantech Code of Ethics were introduced 2002 to better guide us in our commitment to lawful and ethical conduct. Seven ethics principles and seven employee pledges were also introduced to detail ethical standards, which include employee behavior rules and impropriety judgment standards.

Second, since July 2003, Pantech has been operating a cyber audit system through the Pantech cyber audit team. The system is part of our efforts to promote greater transparency in company management and spread our ethical corporate management practices to business partners.

Third, the Company has been providing training programs for both new and existing employees every year through Pantech Academy. The program includes separate lectures on ethical practices which helps instill basic ethical awareness in new personnel and continue to spread the philosophy and action plans of ethical management to our people.

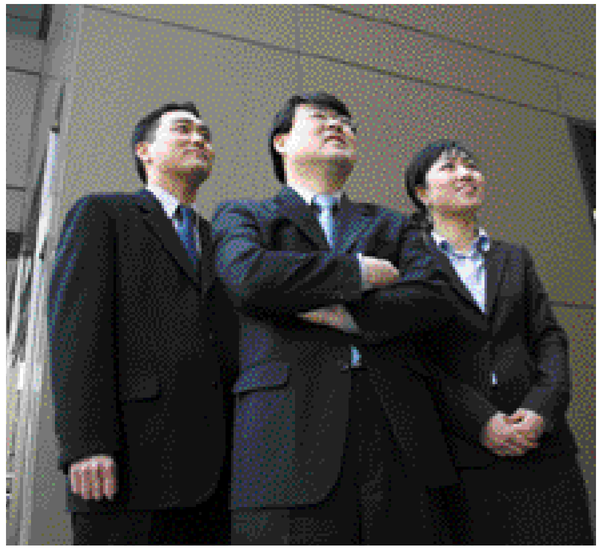
Fourth, Pantech conducts surveys of its business partners every year in order to secure transparency in our ties with partner companies, and to enhance strict ethical awareness in our employees concerning work performance. Based on the findings of the surveys, the Company encourages improvement of business relationships and work duties at a practical level. In addition, the results of the survey are also posted within the cyber audit homepage, so as to continuously show the company's determination to practice business transparency and ethical management to its business partners and the general public.

Fifth, a management audit team inside Pantech conducts regular audit activities all year round. In addition, the Company discourages the practice of giving or taking gifts at Lunar New Year and Korean Thanksgiving holidays.

Future Ethical Management Activity Plan

In the future, Pantech's ethical management activities will focus on (1) diversifying its ethical management practice program based on activities implemented to date, (2) instilling in our stakeholders the firm belief and trust that the company is abiding by our code of ethics, and (3) introducing additional activities for practicing corporate ethics.

Pantech is implementing various cooperative ethical management programs to induce the active participation of its business partners. The Company identifies any adverse factors impeding the 'new leader' program for practicing ethical management and makes corresponding structural changes to facilitate compliance with our guidelines. In addition, the Company has reinforced its 'ethical management practice education' to continue spreading ethical awareness among employees. Furthermore, Pantech is currently supporting evaluation of regular monitoring activities by identifying model cases of ethical management practices and by granting awards to exemplary employees and business partners.



Pantech Social Responsibility

CORPORATE CITIZENSHIP

Since its founding in 1991, Pantech played a vital role in supporting the national economy with technological breakthroughs and growing exports. Today, Pantech is growing into a major global company with a leading position in advanced IT technology. Based on our management philosophy of 'people & technology-oriented management,' Pantech is equally focused on enriching our society as we continue to pursue innovations in technology and ideas to create value to our customers and Pantech.

Through its corporate activities and economic achievements, Pantech is reinforcing national competitiveness, creating jobs and sharing profits with our shareholders and employees. The Company is also taking the initiative to resolve larger social problems and improve the quality of life for our society.

Pantech has been partnering with our neighboring communities to fulfill its role as a community leader in both spirit and contributions; providing financial aid for students, participating in local charities and assisting social welfare institutions.

Since 2004, the Company has been devoting its efforts to develop strategic corporate community involvement programs with various social welfare and civic groups, while our employees volunteer their time in a number of organizational activities. As a respected member of our community, Pantech will continue to conduct company-wide social contribution activities to help build a better world by giving back and reaching out to strengthen the communities where we live and work.

Program	Main Projects	Content
Scholarship Program	Investment in local communities and the future through fostering of talents	- University students: Students nominated by public institutions and for Hoseo University students - Local high school students: Students nominated by local governments and 6 high schools in the Gimpo region
Cultural & Sports Program	Support and participation in cultural & sports events	- Cultural event support in local community - Hosting youth festivals - Academic research support for Gimpo development - Operation of "Beautiful Shop"
Welfare Program	Fulfillment of local community responsibilities through support to the needy and proliferation of human respect corporate culture into social awareness	- Welfare group sponsorship: Paju Childcare Center, Banghwa Welfare Center, Nangok Nursing Home, etc. - Sponsorship to facilities for the disabled: Seokam Childcare Center, Beautiful Foundation, etc. - Continuous support for households in poverty: Support for youth-headed families, meal support for elementary school children in need, 'We Start' Village construction campaign support
Other Programs	Provision of quality administrative service to local community citizens through support to government organizations in the Gimpo region	- Local government events and volunteer activities - Local commerce & industry activities - Public benefit advertisement support in local press

Labor & Management Relations

WELFARE BENEFIT PROGRAMS

The background and philosophy behind Pantech's pursuit of the best welfare benefit program in Korea can easily be seen in its management philosophy of 'people-oriented management.' Pantech recognizes our employees are essential in realizing our goal of "New leader by forward thinking," and indeed, our future success. In this respect, Pantech's welfare benefit program provides an optimum environment for employees to display their abilities to the fullest extent.

Our benefits can be divided into four programs: financial support; cultural, leisure & self-development support; transportation support and employee education program.

Financial Support

Pantech strives to create an environment where employees can focus on their work by providing financial support in the form of housing loans, medical expense support, interim payment of retirement allowances, and congratulatory & condolence support..

Cultural, Leisure & Self-Development Support

Pantech encourages employees to engage in various cultural, leisure and self-development activities by providing support for foreign language education costs and in-house hobby club operations.

Transportation Support

Pantech provides bus commuting services in the Seoul, Incheon, Gimpo and Ilsan areas for workers at the Gimpo factory. The Company also offers bus services for employees heading home to the Chungcheon, Honam and Yeongnam regions during the Lunar New Year and Korean Thanksgiving holidays.

Employee Education Program

Pantech Academy was launched in October 2002 to provide an opportunity to share a unified corporate culture and philosophy. The program is also designed to foster the best human resources by providing global knowledge. To this end, Pantech Academy develops and operates segmented and specialized training courses tailored to the characteristics of the Company, so as to foster talents suitable to the business environment of the 21st century in addition to maximizing employees' sense of belonging and job satisfaction.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION & ANALYSIS

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Management's Discussion & Analysis

In the 2004 Annual Report, Management's Discussion and Analysis may contain forward-looking statements that are provided to assist in the understanding of anticipated financial performance. Words such as 'plans,' 'anticipates,' 'expects', and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed in such statements. The term 'the Company' used here without any other qualifying description will refer to 'Pantech.'

Executive Summary

Pantech had an outstanding year in 2004 with a remarkable sales growth of 44.9% over the previous year coupled with dramatic improvements in our profit structure amid a fiercely-competitive environment and deterioration of overall business conditions. We succeeded in gaining momentum on many fronts on the strength of our strict profit-oriented management and aggressive brand business.

During the course of the past couple of years, Pantech has faced many challenges; in particular intense pressure from the Chinese market to slash prices and the low margin of ODM business. Upon recognizing these challenges, management responded quickly by decreasing Chinese ODM dependence and streamlining revenue diversification. Accordingly, Pantech expanded its market presence into more than 20 countries. Consequently, the move led to a decline in the proportion of Chinese ODM sales from 50% in 2003 to 15% in 2004, boosting profitability and stabilizing sales growth. In addition, we successfully positioned our brand "Pantech" in emerging markets, especially in Russia and Mexico, by supplying high-end feature-rich handsets on the back of our strong R&D capabilities. Our success in making inroads into emerging markets will drive profit growth with increased brand power.

However, Pantech is not content with current achievements. In 2005, the company targets total sales to reach more than KRW 1.1 trillion, a 23% YoY increase propelled by market diversification and growth in brand business. Pantech will also continue to fortify R&D capabilities and increase design power to boost sales and enhance profitability. We are confident that 2005 will be the year in which we step up as a new leader in the global mobile industry.

Analysis of Operating Results

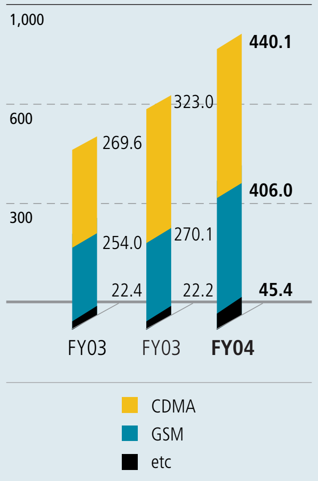
In 2004, Pantech succeeded in a drastic turnaround to report net profit of KRW 18.6 billion, compared to a net loss of KRW 18.3 billion in the previous year, on the back of buoyant sales growth, supply chain centralization, and better management efficiencies. The gross profit margin gained 4.2 percentage points to 18.1% in 2004, while operating and net profit margins also expanded to 6.5% and 2.1%, respectively. EBITDA, a good indicator for operating cash flow, surged by KRW 64.4 billion to KRW 97.1 billion in 2004 with an EBITDA margin of 10.9%.

Summary Income Statement

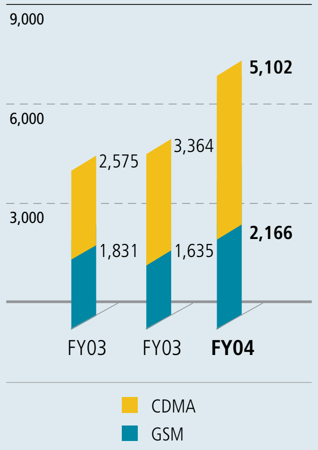
(KRW billion)	FY02	FY03	FY04	Change
Operating Revenue	546.2	615.3	891.5	44.9%
Operating profit	70.2	18.0	58.4	224.0%
EBITDA	80.0	32.6	97.1	197.4%
Net profit	29.4	-18.3	18.6	TIB
Gross profit margin (%)	21.2	13.9	18.1	4.2%p
Operating profit margin (%)	12.9	2.9	6.5	3.6%p
Net profit margin (%)	5.4	-3.0	2.1	5.1%p
Return on Equity (%)	26.7	-13.9	14.0	27.9%p
Return on Assets (%)	11.1	-5.3	4.1	9.4%p
EBITDA Margin (%)	14.6	5.3	10.9	5.6%p
OR growth (% YoY)	41.4	12.7	44.9	-
OP growth (% YoY)	190.2	-74.3	224.0	-
NP growth	283.6	TIR	TIB	-

Meanwhile, both growth and profit structures in 2004 recovered substantially. The top line growth, which recorded 41.4% in 2002, slowed down to 12.7%, in 2003 but resurged to 44.9% in 2004. The company also successfully diversified its overseas customer base, which were previously limited to China and Motorola until 2003, to emerging GSM markets such as Russia, Mexico and the Middle East. In terms of profitability, operating profits more than tripled in tandem with the successful transition of business model into the brand marketing, from the original design manufacturer (ODM).

Sales by product
(KRW billion)



Sales volume by product
('000 units)



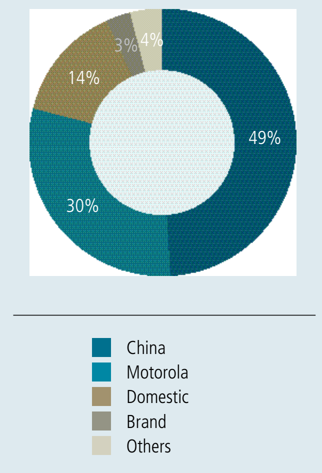
Operating Revenues

2004 was the year for taking the first step towards the business model, making a transition into brand marketing from the previous ODM. In order to stabilize the brand business, the Company strategically expanded into emerging GSM markets with high growth potential, including Russia, Mexico and the Middle East, and achieved a notable performance. In particular, the Company unfolded aggressive marketing activities for various high-end products in the Russian market so as to gain the trust of prominent distributors. In Mexico, 'Pantech' is recognized for its superior product quality by local mobile service providers in its first entry into the market. In addition, the Company was successful in promoting the 'Pantech' brand in the Middle East and Southeast Asia region, with competitive multi-functional handsets with sophisticated designs. As a result, the sales volume soared by 45.4% in 2004, to 7.3 million units, while operating revenues increased by 44.9%, to reach KRW 891.5 billion. Brand sales also skyrocketed to KRW 278.7 billion (1.4 million units), from a mere KRW 18.6 billion (96 thousand units) in 2003, comprising 31% of total revenue. In the fourth quarter alone, brand sales reached 53.3% of operating revenues, as evidence of the Company's substantial growth potential in the brand business.

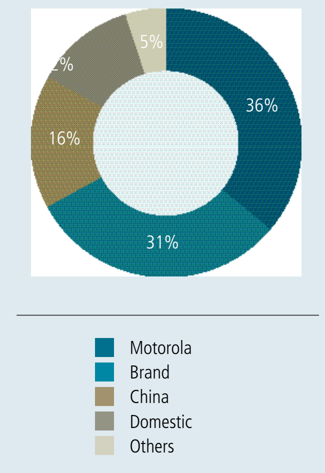
With regard to the ODM business through Motorola, the Company was able to attain sales of over 4.5 million units in 2004, by punctually delivering price-competitive CDMA products with quality. In the ODM supply to the domestic market through its subsidiary, Pantech&Curitel, the Company was able to reaffirm its superior R&D capabilities by launching 2-mega-pixel camera phones with optical zoom and various multimedia-functional phones. As such, Pantech is utilizing the domestic market as a test bed for product & technology development.

In 2004, Pantech secured a balanced sales portfolio between CDMA and GSM technologies through its brand marketing toward GSM markets. In this respect, the Company demonstrated to the world its competencies to develop competitive products suitable to any mobile network environment of the globe. Based on such well-poised technology mix, the Company will emerge as a global figure by actively adopting new technologies and developing compelling products oriented toward end users.

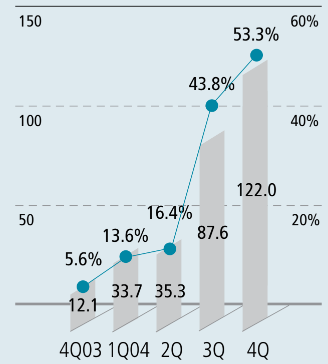
Sales breakdown by region
(2003)



Sales breakdown by region
(2004)



Brand sales and the contribution to operating revenues
(KRW billion, %))



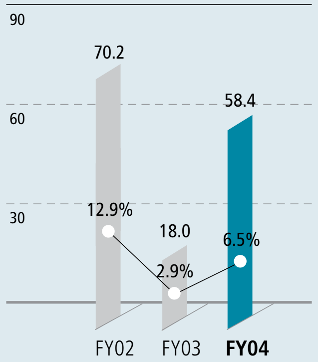
Sales expansion through market diversification became more notable in 2004 vis-a-vis 2003. In 2003, sales to China and Motorola made up 80% of operating revenues with the dependency on the single market, China, reaching 50%. However, in line with the company's market diversification efforts, sales contributions from each customer and market becomes relatively even. In particular, the company improved business relationships with local distributors and mobile service providers, and expanded brand sales in the Russian and Mexican markets through diverse product lineups. Furthermore, the company minimized market risk by reducing its ODM business in China, while expanding brand sales up to 31%. As such, Pantech is continuing to devote its efforts in market diversification to solidify brand business infrastructure.

Operating Cost

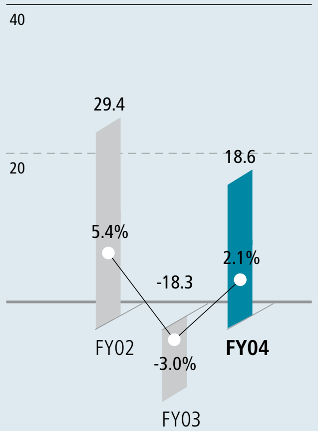
The gross profit margin increased by 4.2 percentage points over 2003, to 18.1% in 2004, powered by a soaring sales growth and falling unit production costs with the economies of scale. Cost of goods sold (COGS) totaled KRW 730.0 billion, increasing 37.7% YoY from KRW 529.9 billion in 2003, and in turn, gross profits surged by 89.2% over the previous year to record KRW 161.6 billion in 2004.

Selling & general administrative (SG&A) expenses jumped 53.1% YoY to KRW 103.2 billion as a result of the rise in salaries, advertising expenses and amortization expenses. In particular, advertising expenses increased significantly over 2003, reaching KRW 19.6 due to the active brand business. However, such

Operating profit
(KRW billion, %))



Net profit
(KRW billion, %))



expenditure drove top line growth and enhanced brand recognition so as to enhance operating profit margin by 3.6 percentage points to 6.5% in 2004 from 2.9% in 2003. Also the management is striving to maximize the efficiency of marketing cost limiting the amount to 5~6% out of brand sales.

Non-operating items & Net Profit

Non-operating incomes skyrocketed 82.5% YoY to KRW 32.1 billion thanks to effective foreign exchange risk management as gains on foreign currency transactions surged by 73.1%. Meanwhile, non-operating expenses increased by only 15.1%, as interest expense and R&D write-down grew 19.3% and 37.4% YoY, respectively. The Company posted recurring profits of KRW 20.6 billion in 2004, turning around from recurring losses of KRW 25.2 billion in the previous year.

The effective corporate tax rate in 2004 reached 9.7%, due to the partial deferment of income tax savings from net losses in 2003. As such, the Company recorded net profits of KRW 18.6 billion. Accordingly, the net profit margin recorded 2.1%, a gain of 5.1 percentage points over 2003, while ROE reached 14.0%.

Analysis of Financial Condition

In line with a strong sale growth and a turnaround in profitability, the Company's balance sheet remained solid. Total assets, total liabilities, and total shareholders' equity increased 15.1%, 13.5%, and 18.8% YoY, respectively, while book value per share rose by 22.0% to KRW 2,486. Pantech made every effort to make wise investment decisions and efficiently manage working capital, thereby generating a stable operating cash flow.

Summary Balance Sheet

(KRW billion)	FY02	FY03	FY04	Change
Assets				
Current assets	128.4	228.6	278.9	22.0%
Quick assets	68.4	113.3	152.6	34.7%
Inventories	60.0	115.3	126.2	9.5%
Fixed assets	150.4	189.3	201.9	6.7%
Investment assets	33.8	54.4	47.0	-13.7%
Tangible assets	70.6	78.1	83.4	6.8%
Intangible assets	46.0	56.7	71.5	26.1%
Total assets	278.8	417.9	480.8	15.1%
Liabilities and Equity				
Current liabilities	103.8	208.1	255.6	22.8%
Long-term liabilities	33.7	88.2	80.8	-8.4%
Total Liabilities	137.5	296.4	336.4	13.5%
Paid-in-capital	12.4	12.4	12.5	0.8%
Capital surplus	91.0	93.6	95.0	1.4%
Retained earnings	40.3	20.8	39.4	89.4%
Capital adjustments	-2.4	-5.3	-2.4	-54.3%
Total shareholders' equity	141.3	121.5	144.4	18.8%
Total liabilities and shareholders' equity	278.8	417.9	480.8	15.1%

Cash & Working Capital

Current assets in 2004 increased 22.0% YoY to KRW 278.9 billion, from KRW 228.6 billion in 2003. In particular, cash assets (sum of cash and cash equivalents, short-term financial instruments and marketable securities) surged by KRW 32.2 billion over 2003 to KRW 51.0 billion, so as to expand its contribution to total asset from 5% in 2003, to 11% in 2004. Considering that the balance of cash assets accounted for approximately 40% of short-term borrowings, the company secures adequate in-house liquidity to ward off any unexpected future financial risk.

	FY02	FY03	FY04	Change
Cash & cash equivalents	6,115	7,204	43,411	502.6%
Short-term financial instruments	14,000	9,000	6,960	-22.7%
Short-term borrowings	32,360	45,343	119,070	162,6%

Working capital refers to short-term financial requirements for running day-to-day operations of a firm. The Company strictly manages trade receivables, trade payables and inventories to generate cash to improve profitability and financial soundness. While higher operating revenues nudged up working capital from KRW 83.7 billion in 2003, to KRW 117.6 billion in 2004, the ratio of working capital to sales remained stable at a range of around 13%.

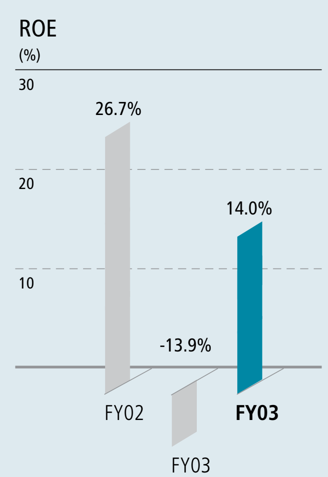
(KRW billion)	FY02	FY03	FY04	Change
Trade receivables and inventories	99.2	190.3	207.1	8.8%
Trade payables	39.8	106.7	89.5	-16.1%
Working capital	59.4	83.7	117.6	40.5%

Fixed Assets

Fixed assets increased slightly by KRW 12.6 billion over 2003, to KRW 201.9 billion in 2004. The Company's investment assets declined by KRW 7.4 billion YoY to KRW 47.0 billion, while tangible assets increased 6.8% to reach KRW 83.4 billion, as a result of investment of KRW 11.1 billion in metallic molding, due to the development of new products. In addition, intangible assets increased 26.1% to KRW 71.5 billion, owing to various R&D activities requiring industrial property rights and development costs.

As a result of the Company's efforts to enhance asset efficiency, total assets turnover and fixed assets turnover showed notable improvements to 2.0 times and 4.6 times, respectively, in 2004.

(times)	FY02	FY03	FY04
Total assets turnover	2.1	1.8	2.0
Fixed assets turnover	3.7	3.6	4.6



Liabilities & Interest-bearing Debt

In 2004, current liabilities totaled KRW 255.6 billion, up 22.8% from the previous year. Meanwhile, long-term liabilities declined by 8.4% over 2003 to KRW 80.8 billion. The Company finances R&D investment and working capital requirement associated with sales growth through operating cash flow and interest-bearing debts. As such, interest-bearing debts increased to KRW 209.9 billion, including KRW 53.9 billion in corporate bonds, from KRW 168.9 billion in 2003. With the exercise of conversion rights of US$ 1.5 million in April 2004, among KRW 29.8 billion in overseas convertible bonds (CBs) issued on December 2003, the company's outstanding shares increased by 206,262 to 25,042,537, while the remainder was redeemed early in December 2004. The total liabilities to equity ratio declined 11.0%p from 2003, to 232.9%, while its debt-to-equity ratio increased 6.5%p to record 145.4% in 2004.

	FY02	FY03	FY04	Change
Current liabilities	103.8	208.1	255.6	22.8%
trade payables	39.8	106.7	89.5	-16.1%
short-term borrowings	32.4	45.3	119.1	162.6%
Other payables	7.0	12.9	21.7	68.2%
Long-term liabilities	33.7	88.2	80.8	-8.4%
Corporate bonds	19.6	34.4	53.9	56.8%
Long-term borrowings	10.8	22.3	17.3	-22.1%
Total liabilities to equity ratio (%)	97.3	243.9	232.9	-11.0%p
Debt-to-equity ratio(%)	55.4	138.9	145.4	6.5%p

Shareholders' Equity

Total shareholders' equity rose by 18.8% to KRW 144.4 billion in 2004 from KRW 121.5 billion in 2003. Paid-in capital and capital surplus slightly increased, due to the partial conversion of the Company's outstanding overseas CBs. Meanwhile, retained earnings surged by 89.4% over 2003, to KRW 39.4 billion since the Company's net profit turned into the black in 2004. Return on equity improved significantly from -13.9% in 2003 to 14.0% in 2004.

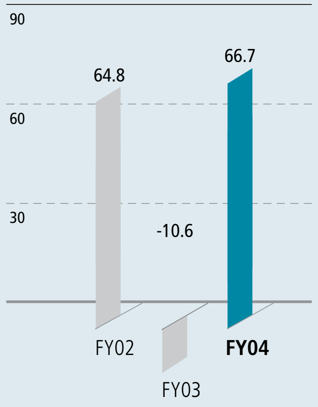
Analysis of Cash Flow

The Company, over the past three years, has generated cash flow reaching approximately KRW 120.9 billion through operating activities. In 2004, net cash increase amounted to KRW 36.2 billion, due mainly to improvement in operating cash flow backed by a turnaround in net profit. As a result, the balance of cash and cash equivalents reached KRW 43.4 billion as of the end of 2004.

(KRW billion)	FY02	FY03	FY04	Change
Cash flow from operating activities	64.8	-10.6	66.7	TIB
Cash flow from investing activities	-43.6	-74.1	-80.6	-
Cash flow from financing activities	-25.3	85.8	50.1	-41.6%

Cash flow from oprating activities

(KRW billion)

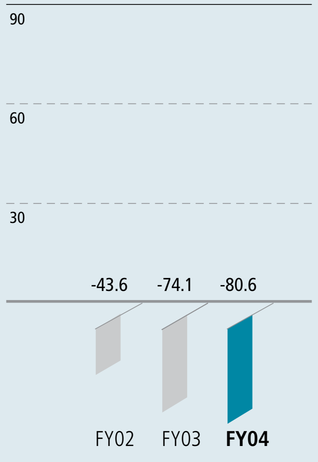


Cash Flow from Operating Activities

Cash inflow from operating activities increased by KRW 77.3 billion over 2003, to KRW 66.7 billion in 2004. This can be attributed to the successful turnaround in net income from a loss of KRW 18.3 billion in 2003, to a gain of KRW 18.6 billion in 2004, and also the increase of KRW 14.4 billion in non-cash accounting expenses including depreciation, amortization and impairment loss on development costs. The Company succeeded in improving operating cash flow through profitability improvement, efficient working capital management and minimization of short-term operating capital burden.

Cash flow from investing activities

(KRW billion)



Cash Flow from Investing Activities

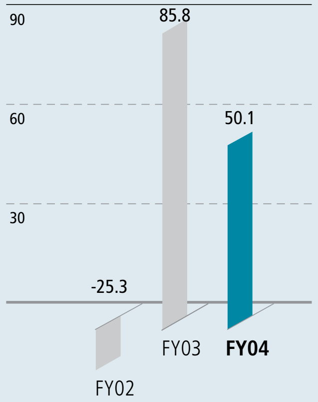
Cash inflow from investing activities slightly declined over 2003, to KRW 162.3 billion with inflow of KRW 145.0 billion from maturity of short-term financial instruments, KRW 11.2 billion from recovery of long-term loans and KRW 3.8 billion from the disposition of short-term investment assets. On the other hand, cash outflow from investing activities reached KRW 242.9 billion, owing to the increase in short-term financial instruments, acquisition of metallic molding and increase in development costs. Net cash outflow from investing activities in 2004 increased to KRW 80.6 billion, from KRW 74.1 billion in 2003.

Cash Flow from Financing Activities

Cash inflow from financing activities increased by KRW28.8 billion over 2003, to KRW 455.5 billion, primarily due to the increase in short-term borrowings. Meanwhile, cash outflow from financing activities also rose by KRW64.5 billion YoY to KRW405.4 billion, for repaying a current portion of long-term debts and convertible bonds. Accordingly, the Company's net cash inflow from financing activities recorded KRW 50.1 billion in 2004.

Cash flow from Financing activities

(KRW billion)



2005 Business Outlook & Issues

2005 will be a banner year for Pantech in which we achieve both quantitative and qualitative growth. We will persevere in our efforts to transform our business model through the expansion of brand business. Pantech is also committed to actively exploiting emerging markets, such as China and Brazil, solidifying our position in the Russian and Mexican markets, and creating inroads into the attractive and major markets of North America and Western Europe. These efforts will help us attain our goal of recording a sales volume of 8.5 million units and operating revenue of KRW 1.1 trillion. Moreover, these commitments coupled with the Company's emphasis on brand marketing will help expand the contribution of brand sales to operating revenues of over 60% in 2005, from 31% in 2004.

Our management goal for 2005 includes boosting the "Pantech" name as a global brand by reinforcing our global network in each market. Meanwhile, securing solid revenues and a sound financial structure will facilitate the management of risk factors generated from the expansion of the brand business.

We here at Pantech believe that technology and innovation are the keys to our future growth. To go beyond the results achieved last year and solidify our hold on the market, we will fortify our R&D capabilities through continued investments for a timely introduction of high-end products.

REPORT OF INDEPENDENT AUDITORS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Pantech Co., Ltd.

We have audited the accompanying balance sheets of Pantech Co., Ltd. (the "Company") as of December 31, 2004 and 2003, and the related statements of operations, appropriations of retained earnings and cash flows for the years then ended, all 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 generally accepted auditing standards 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 the Company as of December 31, 2004 and 2003, and the results of its operations, changes in its retained earnings and its cash flows for the years then ended, in conformity with financial accounting standards in the Republic of Korea (see Note 2).

As explained in Note 2, the Company prepared its 2004 financial statements in accordance with the Statements of Korea Accounting Standards ("SKAS") No.10, No. 12 and No.13, which are effective from January 1, 2004. As prescribed in SKAS No.10- "Inventories", the Company changed the accounting method for normal loss on valuation of inventories from non-operating expenses to cost of sales. As a result, the cost of sales increased and non-operating expenses decreased by £ 6,476,872 thousand in 2004, compared with the results based on previous method. In addition, the Company adopted early the SKAS No.15- "Equity method", which is effective from January 1, 2005. This change of accounting principles decreased valuation loss using the equity method and increased investment securities accounted for using the equity method by £ 212,115 thousand in 2004, compared with the results based on previous method.

As explained in Note 21, for the years ended December 31, 2004 and 2003, the Company's sales transactions with Motorola Inc. and other affiliated companies amount to £ 405,270,409 thousand and £ 280,640,819 thousand, respectively, and purchase transactions with related parties amount to £ 24,554,148 thousand and £ 9,191,238 thousand, respectively. As of December 31, 2004 and 2003, the related receivables were £ 40,048,132 thousand and £ 49,922,239 thousand, respectively, and the related payables were £ 10,029,721 thousand and £ 409,127 thousand, respectively.

As explained in Notes 2 and 17, the Company computes total compensation expense for stock options granted to employees and directors in 2004 by "the fair value method" " instead of "the minimum value method", which was applied to stock options granted before 2004, according to the revised interpretation 39-35 of Korea Financial Accounting Standards ("KFAS"). This change of accounting principle increased compensation expense and capital adjustments for stock options by £ 869,341 thousand, compared with the results based on previous method.

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

Anjin Deloitte LLC

Anjin Deloitte LLC

Seoul, Korea
January 26, 2005

Notice to Readers

This report is effective as of January 26, 2005, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

				Korean won
		2004		2003
				(In thousands)
ASSETS				
Current assets:				
Cash and cash equivalents (Note 13)	£	43,410,712	£	7,204,397
Short-term financial instruments		6,960,000		9,000,000
Short-term investment securities (Note 4)		644,556		2,583,508
Trade receivables, net of allowance for doubtful accounts of £ 1,490,221 thousand in 2004 and £ 1,961,904 thousand in 2003 (Notes 13, 21 and 22)		80,838,893		75,100,264
Short-term loans, net of allowance for doubtful accounts of £ 1,497,678 thousand in 2004 and £ 3,800,788 thousand in 2003 (Note 21)		298,005		-
Accounts receivable-other, net of allowance for the doubtful accounts of £ 1,062,996 thousand in 2004 and £ 1,686,283 thousand in 2003 (Notes 13 and 21)		2,213,864		3,441,927
Inventories (Notes 6, 7 and 11)		126,237,663		115,269,294
Prepaid expenses		7,091,479		5,560,112
Derivatives (Note 18)		283,138		-
Prepayments and other current assets		10,877,501		10,418,060
Total current assets		278,855,811		228,577,562
Non-current assets:				
Long-term financial instruments (Note 3)		56,000		6,786,000
Long-term investment securities (Note 4)		3,619,892		1,601,177
Investment securities accounted for using the equity method (Note 5)		2,358,106		2,469,511
Long-term loans		8,071,459		12,748,213
Long-term prepaid expenses		3,011,636		5,822,127
Deferred income tax assets (Note 19)		15,715,826		15,037,692
Guarantee deposits		10,253,848		6,490,978
Tangible assets, net of accumulated depreciation of £ 71,579,578 thousand including accumulated impairment loss in 2004 and £ 51,891,830 thousand in 2003 (Notes 7, 8, 10 and 12)		83,430,122		78,124,080
Intangibles, net (Note 9)		71,499,963		56,711,223
Others		3,906,354		3,487,078
Total non - current assets		201,923,206		189,278,079
TOTAL ASSETS	£	**480,779,017**	£	**417,855,641**

continued;

BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

				Korean won
		2004		2003
				(In thousands)
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Trade payables (Notes 13 and 21)	£	89,461,254	£	106,686,171
Short-term borrowings (Notes 11 and 13)		119,069,241		45,343,100
Current maturities of long-term borrowings and debentures (Notes 8, 10, 12 and 13)		19,625,309		39,154,402
Accounts payable-other (Note 13)		21,735,231		12,924,587
Advanced receipts (Note 21)		238,212		325,810
Withholdings		1,633,650		1,259,772
Accrued expenses		943,284		731,844
Income tax payable		885,803		-
Provisions for product warranties		1,770,157		1,631,841
Derivatives (Note 18)		198,402		-
Other current liabilities		-		73,767
Total current liabilities		255,560,543		208,131,294
Long-term liabilities:				
Long-term borrowings, net (Notes 12 and 13)		17,347,224		22,274,122
Debentures (Notes 12 and 13)		53,902,854		62,047,242
Long-term account payable-other		1,184,682		-
Accrued severance benefits, net of individual severance insurance deposits of £ 12,559,626 thousand in 2004 and £ 5,880,101 thousand in 2003, and National Pension paid for employees of £ 37,312 thousand in 2004 and £ 45,379 thousand in 2003		8,381,717		3,901,403
Total long-term liabilities		80,816,477		88,222,767
TOTAL LIABILITIES		336,377,020		296,354,061
Commitments and contingencies (Note 22)				
Shareholders' equity:				
Capital stock (Note 14)	£	12,521,269	£	12,418,138
Capital surplus (Note 15)		94,961,118		93,641,996
Retained earnings (Net income of £ 18,581,039 thousand in 2004 and net loss of £ 18,299,282 thousand in 2003) (Note 16)		39,355,077		20,774,037
Capital adjustments (Notes 4 and 17)		(2,435,467)		(5,332,591)
Total shareholders' equity		144,401,997		121,501,580
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	£	**480,779,017**	£	**417,855,641**

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won 2004	Korean won 2003
	(In thousands, except per share amounts)	
SALES (Notes 21 and 23)	£ 891,544,395	£ 615,338,882
COST OF SALES (Note 21)	729,971,808	529,943,293
GROSS PROFIT	161,572,587	85,395,589
SELLING AND ADMINISTRATIVE EXPENSES (Note 20)	103,180,297	67,373,862
OPERATING INCOME	58,392,290	18,021,727
NON OPERATING INCOME (EXPENSES):		
Interest expense, net	(10,773,965)	(6,450,049)
Loss on foreign currency transactions, net	(247,208)	(4,626,894)
Gain (Loss) on foreign currency translation, net	169,727	(325,831)
Gain on disposal of investment securities, net	214,149	261,127
Loss on valuation of investments accounted for using the equity method (Note 5)	(624,239)	(984,202)
Impairment loss on investment securities (Note 4)	(121,000)	(760,517)
Impairment loss on tangible assets	(2,845,267)	-
Gain (loss) on disposal of tangible assets, net	80,501	(707,642)
Impairment loss on development costs (Note 9)	(31,637,301)	(23,025,962)
Loss on valuation of inventories	-	(5,807,467)
Loss on disposal of inventories	(2,493,862)	(2,858,552)
Other bad debt expense	(286,767)	(636,322)
Commissions	6,550,702	1,828,557
Others, net	4,187,280	909,172
	(37,827,250)	(43,184,582)

continued;

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won 2004	Korean won 2003
	(In thousands, except per share amounts)	
ORDINARY INCOME (LOSS)	£ 20,565,040	£ (25,162,855)
EXTRAORDINARY ITEM	-	-
INCOME (LOSS) BEFORE INCOME TAX	20,565,040	(25,162,855)
INCOME TAX EXPENSE (BENEFITS) (Note 19)	1,984,001	(6,863,573)
NET INCOME (LOSS)	£ **18,581,039**	£ **(18,299,282)**
ORDINARY INCOME (LOSS) PER SHARE (Note 2)	£ **767**	£ **(750)**
NET INCOME (LOSS) PER SHARE (Note 2)	£ **767**	**(750)**
DILUTED ORDINARY INCOME (LOSS) PER SHARE (Note 2)	£ **766**	£ **(750)**
DILUTED NET INCOME (LOSS) PER SHARE (Note 2)	£ **766**	£ **(750)**

See accompanying notes to financial statements.

STATEMENTS OF APPROPRIATION OF RETAINED EARNING

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
		Korean won
		(In thousands)
RETAINED EARNINGS BEFORE APPROPRIATIONS (ACCUMULATED DEFICIT BEFORE DISPOSITIONS):		
Retained earnings carried over from prior years	£ 361,713	£ 913,471
Net income (loss)	18,581,039	(18,299,282)
	18,942,752	(17,385,811)
TRANSFER FROM RESERVES:		
Reserve for small and medium-sized company investment	747,523	-
APPROPRIATIONS:		
Reserve for R&D investment	16,000,000	-
DISPOSITIONS:		
Transfer from reserve for small and medium-sized company investment	-	747,524
Transfer from reserve for R&D investment	-	17,000,000
	-	17,747,524
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	£ **3,690,275**	£ **361,713**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
		Korean won
		(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	£ 18,581,039	£ (18,299,282)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt expense	218,298	60,677
Depreciation	19,673,921	17,929,093
Amortization of intangibles	14,399,751	10,386,737
Loss on valuation of inventories and others	8,970,734	8,666,019
Amortization of discount on debentures, net	2,359,878	699,485
Loss (gain) on disposal of tangible assets, net	(80,501)	707,642
Gain on disposal of investment securities, net	(214,149)	(261,127)
Provision for severance benefits	11,015,705	5,409,516
Loss (gain) on foreign currency translation, net	(2,181,564)	232,266
Loss on valuation of investments accounted for using the equity method	624,239	984,202
Impairment loss on investment securities	121,000	760,517
Impairment loss on tangible assets	2,845,267	-
Impairment loss on development costs	31,637,301	23,025,962
Other bad debt expense	286,767	636,322
Others	1,192,255	1,442,701
Changes in assets and liabilities resulting from operations:		
Increase in trade receivables	(7,314,027)	(36,446,283)
Decrease (Increase) in accounts receivable-other	941,317	(1,145,603)
Increase in inventories	(19,939,103)	(63,955,744)
Decrease in prepaid expenses	1,707,268	735,514
Increase in prepayments and other current assets	(459,440)	(8,642,910)
Increase in long-term prepaid expenses	(428,144)	(8,492,099)
Increase in deferred income tax assets	(678,134)	(6,863,573)
Increase (Decrease) in trade payables	(9,107,406)	67,159,456
Increase (Decrease) in accounts payable-other	(2,248,132)	5,950,770
Increase (Decrease) in advanced receipts	(87,598)	1,191
Increase in accrued expenses	211,440	265,953
Increase (Decrease) in income tax payable	885,803	(6,927,415)
Increase (Decrease) in withholdings	373,878	(27,667)
Payment of severance benefits	(2,632,069)	(1,710,360)
Decrease in other current liabilities	(3,977,092)	(2,878,575)
	48,117,463	7,702,667
	66,698,502	(10,596,615)

continued;

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

		Korean won
	2004	2003
		(In thousands)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Withdrawal of short-term financial instruments	£ 145,000,000	£ 156,900,000
Withdrawal of long-term financial instruments	1,250,000	500,000
Proceeds from disposal of short-term investment securities	3,767,325	996,205
Proceeds from disposal of long-term investment securities	-	100,000
Collection of long-term loans	11,180,832	2,960,634
Proceeds from disposal of tangible assets	251,671	1,326,084
Refund of guarantee deposits	873,632	986,956
	162,323,460	163,769,879
Cash outflows from investing activities:		
Acquisition of short-term financial instruments	(136,000,000)	(151,900,000)
Acquisition of long-term financial instruments	(1,480,000)	(1,440,000)
Acquisition of long-term investment securities	(2,136,194)	(1,412,556)
Acquisition of investment securities accounted for using the equity method	(880,725)	(2,659,575)
Extension of long-term loans	(6,790,170)	(6,377,335)
Acquisition of tangible assets	(27,996,400)	(27,505,635)
Acquisition of intangibles	(60,825,792)	(44,141,891)
Increase in other non-current assets	(6,801,635)	(2,454,668)
	(242,910,916)	(237,891,660)
	(80,587,456)	(74,121,781)

continued;

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

		Korean won
	2004	2003
		(In thousands)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	£ 416,364,619	£ 330,476,182
Proceeds from long-term borrowings	-	31,904,455
Proceeds from issuances of debentures	34,044,000	34,360,000
Proceeds from issuances of convertible debentures	-	29,357,925
Increase in long-term account payable-other	4,791,844	-
Disposition of treasury stock	325,000	-
Proceeds from issuances of common stock	-	649,000
	455,525,463	426,747,562
Cash outflows from financing activities:		
Payment of short-term borrowings	(340,360,703)	(317,581,122)
Payment of current maturities of long-term borrowings and debentures	(39,230,089)	(17,071,470)
Redemption of convertible bonds	(25,839,402)	-
Acquisition of treasury stock	-	(5,068,082)
Payment of cash dividends	-	(1,218,840)
	(405,430,194)	(340,939,514)
	50,095,269	85,808,048
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,206,315	1,089,652
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR	7,204,397	6,114,745
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	£ **43,410,712**	£ **7,204,397**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

1.GENERAL:

Pantech Co., Ltd. (the “Company”) was incorporated on March 29, 1991, under the laws of the Republic of Korea to manufacture and sell wireless apparatus and application equipment. The Company is now mainly manufacturing and selling wireless mobile handsets.

The shares of the Company were listed on the Korea Stock Exchange on August 27, 1997. As of December 31, 2004, 19.36 percent and 6.02 percent of the Company’s common stock is owned by the president of the Company and Curitel Communications Inc., respectively.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these 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 (with certain expanded descriptions) from the Korean language financial statements. Certain information included in 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.

The Company prepared its 2004 financial statements in accordance with the Statements of Korea Accounting Standards (“SKAS”) No. 10, No. 12, No. 13 and the revised interpretation 39-35 of Korea Financial Accounting Standards (“KFAS”), which are effective from January 1, 2004. In addition, the Company adopted early the SKAS No.15 - “Equity method”, which is effective from January 1, 2005.

Major changes compared with the standards applied in preparing the 2003 financial statements are as follows:

SKAS	Major changes
No. 10 Inventories	Recording of loss on valuation of inventories as cost of sales
No. 15 Equity Method	Amendment on investment securities accounted for using the equity method
	- The limit of application
	- The elimination of inter-company transactions
Revised interpretation 39-35 of KFAS	Computation of total compensation expense only by the fair value method

The Company’s accounting policies have not been changed since the preparation of the financial statements as of December 31, 2003, except for changes due to the application of additional SKAS and revised interpretation of KFAS. The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

NOTES TO FINANCIAL STATEMENTS

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Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimated loss of uncollectible accounts.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the weighted average method (merchandise, finished goods and work in process) and the specific identification method (goods in transit).

As SKAS No.10 was applied, cost of sales increased and non-operating expenses decreased by £ 6,476,872 thousand in 2004, compared with the results based on previous method.

In addition, the Company plans to change the inventory valuation method from gross average method to moving average method from January 1, 2005.

Investments Securities

At acquisition, the Company classifies securities into one of the three categories; trading, held-to-maturity, available-for-sale or investment securities accounted for using the equity method. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as short-term investment securities, whereas available-for-sale and held-to-maturity securities are classified as long-term investment securities, except for those whose maturity dates or whose likelihood of being disposed of are within one year from balance sheet date, which are classified as short-term investment securities.

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized gains or losses included in capital adjustments, until the securities are sold or if the securities are determined to be impaired, the lump-sum cumulative amount of capital adjustments are included in current operations. However, available-for-sales securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at the balance sheet date. The fair value of non-marketable debt securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security.

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

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to- maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in capital adjustments. Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in capital adjustments and amortized over the remaining term of the securities using the effective interest method.

In addition, the Company adopted early SKAS No.15- "Equity Method", which is effective from January 1, 2005. This change of accounting principle decreased valuation loss using the equity method and increased investment securities accounted for using the equity method by £ 212,115 thousand, compared with the results based on previous method.

Tangible Assets and Related Depreciation

Tangible assets are stated at cost. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful of the assets are capitalized.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Depreciation is computed using the straight-line method based on the estimated economic useful lives of the assets as follows:

	Useful lives
Buildings and structures	40
Machinery and equipment	5
Dies and molds	5
Vehicles	5
Tools	5
Furniture and other	5

The Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount, as a result of technological obsolescence, rapid declines in market value or other causes of impairment. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

Intangible Assets

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the estimated economic useful lives of related assets. Development costs are amortized over the estimated economic useful life (5 years) from the date of usage of the related products. Ordinary development and research expenses are charged to current operations. Industrial property rights and other intangibles are amortized over the period between five and ten years. If the recoverable amount of an intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is treated as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

Discount on Debentures

Discount on debentures is amortized over the redemption period of the related debentures with the effective interest rate method and included in interest expense.

Accrued Severance Benefits

Directors and employees with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign are £ 20,978,655 thousand and £ 9,826,883 thousand as of December 31, 2004 and 2003, respectively. Actual payments of severance indemnities amounted to £ 2,632,069 thousand and £ 1,710,360 thousand during 2004 and 2003, respectively.

Accrued severance benefits are funded approximately 60 percent as of December 31, 2004 and 2003, respectively, through individual severance insurance plan. Individual severance insurance deposits in Kyobo Life Insurance Co., Ltd., of which beneficiary is respective employee and are presented as a deduction from accrued severance benefits.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by offsetting the receivable against the severance payment. Such receivables, totaling £ 37,312 thousand and £ 45,379 thousand as of December 31, 2004 and 2003, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and its employees each pay 4.5 percent of monthly pay to the Fund.

Accounting for Foreign Currency Transactions and Translation

~~The Company~~ maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing exchange rates on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Basic Rate announced by Seoul Money Brokerage Services, Ltd., which was £ 1,043.80 and £ 1,197.80 to US$1.00 at December 31, 2004 and 2003, respectively, and the translation gains or losses are reflected in current operations.

Accounting for Lease Contracts

~~Lease contra~~cts that prohibit the Company from canceling the contract during the lease period are classified as financial leases in case the ownership of the lease asset is transferred to the Company. Other lease contracts are classified as operating leases.

The basic lease payments under operating lease contracts are charged to expenses at the amount evenly distributed throughout the lease period. In the case of financial lease, total lease payments less the interest portion after the lease starting date are recorded as assets and liabilities, respectively, and those assets are depreciated with the same method as the Company's tangible assets.

Forward Contracts

~~The Company~~ accounts for a forward contract as a hedge to the extent that it is designated and effective. Gains and losses from changes in fair value of forward contracts, which are designated as hedges of exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, are recorded in current operations. The effective portion of gains and losses on valuation of cash flow hedging instruments, which are designated as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted future transaction, are recognized as a capital adjustment with the ineffective portion of gains and losses recorded in current operations. In the case of a derivative instrument that is not designated as a hedge, the Company accounts for the gains and losses from changes in fair value of the derivative in current operations.

Stock Options

~~The Company~~ computes total compensation expense for stock options, which are granted to employees and directors from 2001 to 2003 by "the minimum value method". Starting from 2004, the Company has used "the fair value method", according to revised interpretation 39-35 of Korea Financial Accounting Standards ("KFAS"). This change of accounting principle increased compensation expense and capital adjustments for stock options by £ 869,341 thousand, compared with the results based on previous method. The compensation expense has been accounted for as a charge to current operations and a credit to capital adjustment from the grant date using the straight-line method.

Income Tax Expense

~~The Company~~ recognizes deferred income taxes arising from temporary differences between pretax accounting income and taxable income. Accordingly, income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax debits (credits). Deferred income taxes are recalculated based on the actual tax rate in effect at each balance sheet date.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Ordinary Income (Loss) per Share and Net Income (Loss) per Share

~~Ordinary inc~~ome (loss) per share and net income (loss) per share are computed by dividing ordinary income (loss) (after deduction on tax effect) and net income (loss), respectively, by the weighted average number of common shares outstanding during the year (24,224,856 shares and 24,404,187 shares in 2004 and 2003, respectively). Net income (loss) per diluted share is computed by dividing net income (loss), after addition of the effect of expenses related to diluted securities on net income (loss), by the weighted average number of common shares plus the diluted potential common shares (24,271,132 shares and 24,828,269 shares in 2004 and 2003, respectively).

3.RESTRICTED FINANCIAL INSTRUMENTS:

Restricted financial instruments as of December 31, 2004 and 2003 are as follows:

	Korean won		
Account	2004	2003	Remarks
	(In thousands)		
Long-term financial instruments:	£ 16,000	£ 16,000	Guarantee deposits for checking accounts

4.SHORT-TERM AND LONG-TERM INVESTMENT SECURITIES:

(1) Short-term investment securities as of December 31, 2004, which are all available-for-sale securities, consist of the following:

	Korean won	
Description	2004	2003
		(In thousand)
Beneficiary certificate	£ -	£ 2,188,925
Listed stocks	597,286	394,583
Held-to-maturity securities	47,270	-
	£ **644,556**	£ **2,583,508**

The disposal of short-term investment securities decreased gain on valuation of available-for-sale securities amounting to £ 322,423 thousand. In addition, available-for-sale securities in short-term investment securities are stated at fair value with the resulting gain on valuation of available-for-sale securities amounting to £ 202,703 thousand recorded in capital adjustments as of December 31, 2004.

(2) Long-term investment securities as of December 31, 2004 consist of available-for-sale securities of £ 2,239,989 thousand and held-to-maturity securities of £ 1,379,903 thousand. Held-to-maturity securities are all subordinated bonds and available-for-sale securities in long-term

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

investment securities consist of the following:

Description	2004	2003
		(In thousands)
Equity securities stated at fair value	£ 35,352	£ 35,902
Equity securities stated at acquisition cost	1,944,194	129,000
Beneficiary certificates	60,443	56,372
Subordinated bonds	-	1,300,000
Charitable trust	200,000	-
	£ 2,239,989	**£ 1,521,274**

Equity securities stated at fair value as of December 31, 2004 consist of the following:

		2004		
		(In thousands)		
Company	Ownership percentage	Beginning balance	Book value	Valuation loss
hanarotelecom Inc.	0.0024%	£ 35,902	£ 35,352	£ (550)

Equity securities stated at fair value in long-term investment securities are stated at fair value with the resulting loss on valuation of available-for-sale securities amounting to £ 550 thousand recorded in capital adjustments as of December 31, 2004. In addition, beneficiary certificates in long-term investment securities are also stated at fair value with the resulting gain on valuation of available-for-sale securities amounting to £ 4,071 thousand recorded in capital adjustments as of December 31, 2004.

Equity securities stated at acquisition cost as of December 31, 2004 consist of the following:

		2004			
		(In thousands)			
Company	Ownership percentage	Acquisition cost	Net asset value	Book value	Valuation loss
Real Telecom Corporation	0.14%	£ 121,000	£ -	£ -	£ (121,000)
P&C Communication Inc.	25.00%	1,786,644	1,588,646	1,786,644	-
Pantech Netherlands B.V	70.00%	149,550	149,550	149,550	-
Hoseo Angel Club and others		8,000	8,000	8,000	-
		£ 2,065,194	**£ 1,746,196**	**£ 1,944,194**	**£ (121,000)**

Impairment loss on available- for-sale securities amounting to £ 121,000 thousand is recorded in non-operating expenses for the year ended December 31,2004.

In addition, although the ratio of shareholding of P&C Communication Inc. and Pantech Netherlands B.V exceeds 20 percent as of December 31, 2004, the Company has not applied the equity method since total assets are under £ 7,000,000 thousand and the fluctuation of net assets is insignificant.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

5.INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

Investment securities accounted for using the equity method as of December 31, 2004 and 2003 consist of the following:

	2004			2003	
Company	Ownership percentage(%)	Acquisition cost	Book value	Acquisition cost	Book value
			(In thousands)		(In thousands)
Pantech Net Co., Ltd.	-	£ -	£ -	£ 1,239,995	£ -
Pantech Media Co., Ltd.	96.19%	4,847,230	-	4,847,230	-
Dalian Daxian Pantech Communication Co., Ltd.	30.00%	3,540,300	2,358,106	2,659,575	2,469,511
		£ 8,387,530	**£ 2,358,106**	**£ 8,746,800**	**£ 2,469,511**

Securities of Dalian Daxian Pantech Communication Co. Ltd. increased by £ 880,725 thousand due to additional acquisition and changes in capital adjustments of investee as of December 31, 2004 and 2003 are £ (367,891) thousand and £ 31,918 thousand, respectively.

The use of the equity method was stopped since Pantech Net Co., Ltd. was liquidated and investment on Pantech Media Co., Ltd. is less than zero due to accumulated deficit.

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) over 5 years, using the straight-line method. The unamortized balance of goodwill as of December 31, 2004 and 2003 is nil, respectively.

According SKAS no. 15 - "Equity Method", the shareholding's portion of unrealized profits amounting to £ 90,907 thousand was reflected as gain (loss) on valuation of investments accounted for using the equity method even if significant unrealized profits of £ 303,022 thousand occurred in the transactions with investees.

Equity securities accounted for using the equity method as of December 31, 2004 and 2003 are valued based on the financial statements of the investees as of the same balance sheet date, which were neither audited nor reviewed by an external auditor.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

The valuation of the investment securities accounted for using the equity method as of December 31, 2004 is as follows (In thousands):

Company	Beginning balance	Loss on valuation	Other net increase	Ending balance
Dalian Daxian Pantech Communication Co., Ltd.	£ 2,469,511	£ 624,239	£ 512,834	£ 2,358,106

The valuation of the investment securities accounted for using the equity method as of December 31, 2003 is as follows (In thousands):

Company	Beginning balance	Loss on valuation	Other net increase	Ending balance
Pantech Net Co., Ltd.	£ 762,236	£ 762,236	£ -	£ -
Dalian Daxian Pantech Communication Co. Ltd.	2,659,575	221,966	31,902	2,469,511
	£ 3,421,811	**£ 984,202**	**£ 31,902**	**£ 2,469,511**

6.INVENTORIES:

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

	Korean won	
	2004	2003
		(In thousands)
Raw materials	£ 71,339,655	£ 65,999,757
Work-in-process	25,354,138	33,919,511
Finished goods	25,018,761	6,006,324
Goods in transit	4,525,109	9,343,702
	£ 126,237,663	**£ 115,269,294**

7.INSURED ASSETS:

As of December 31, 2004, inventories and tangible assets of the Company are insured for £ 260,534,205 thousand with Hyundai Fire & Marine Insurance Co. and others. In addition, the Company carries general insurance for vehicles and workers' compensation and casualty insurance for employees and others.

8. TANGIBLE ASSETS:

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

	Korean won	
	2004	2003
		(In thousands)
Land	£ 14,429,055	£ 3,707,259
Building and structures	24,474,845	24,474,844
Machinery and equipment	68,649,733	67,794,892
Dyes and molds	25,320,880	14,213,012
Vehicles	485,239	603,041
Tools	2,248,201	2,181,862
Furniture and other	16,844,764	14,279,386
Construction in progress	2,556,983	2,761,614
	155,009,700	130,015,910
Less: Accumulated depreciation	68,734,310	51,891,830
Accumulated impairment loss	2,845,268	-
	£ 83,430,122	**£ 78,124,080**

The changes in tangible assets for the year ended December 31, 2004 are as follows:

	2004 (In thousands)				
Acquisition cost	Beginning of period	Acquisition	Disposal	Transfer	End of period
Land	£ 3,707,259	£ 1,325,239	£ -	£ 9,396,557	£ 14,429,055
Buildings and structures	24,474,844	-	-	-	24,474,844
Machinery and equipment	67,794,892	3,555,745	2,700,903	-	68,649,734
Dyes and molds	14,213,012	11,107,868	-	-	25,320,880
Vehicles	603,041	36,991	154,793	-	485,239
Tools	2,181,862	192,320	125,981	-	2,248,201
Furniture and other	14,279,386	2,586,312	20,934	-	16,844,764
Construction in progress	2,761,614	9,191,926	-	(9,396,557)	2,556,983
	£ 130,015,910	**£ 27,996,401**	**£ 3,002,611**	£ -	**£ 155,009,700**
Buildings and structures	£ 2,729,192	£ 611,751	£ -	£ -	£ 3,340,943
Machinery and equipment	37,171,830	11,966,685	2,591,833	-	46,546,682
Dyes and molds(*)	2,631,670	6,986,180	-	-	9,617,850
Vehicles	272,855	103,512	127,014	-	249,353
Tools	942,496	435,729	98,685	-	1,279,540
Furniture and other	8,143,787	2,415,334	13,911	-	10,545,210
	51,891,830	**£ 22,519,191**	**£ 2,831,443**	£ -	71,579,578
Book value	**£ 78,124,080**				**£ 83,430,122**

(*)£ 6,986,180 is the sum of depreciation and impairment loss on dyes and molds

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

The Company-owned land, buildings and machinery have been pledged as collateral for borrowings from Korea Development Bank (amounting to £ 3,700,000 thousand and US$8,423,000) and Kookmin Bank (amounting to £ 12,220,000 thousand).

The value of the Company-owned land (30,269 sq. meters) totals £ 3,137,873 thousand (book value: £ 6,034,718 thousand) in terms of land prices officially announced by the Korean government as of December 31, 2004.

9. INTANGIBLES:

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

	Korean won 2004	2003
	(In thousands)	
Development costs	£ 65,224,447	£ 52,117,924
Others	6,275,516	4,593,299
	£ 71,499,963	**£ 56,711,223**

The changes in intangibles for the year ended December 31, 2004 are as follows:

	2004 (In thousands)				
	Industrial property Rights	Electrical utility Rights	Development costs	Others	Total
Beginning of period	£ 40,200	£ 1,795	£ 52,117,924	£ 4,551,304	£ 56,711,223
Addition	100,908	-	57,373,810	3,351,074	60,825,792
	141,108	1,795	109,491,734	7,902,378	117,537,015
Amortization	(18,209)	(898)	(12,629,986)	(1,750,658)	(14,399,751)
Impairment loss	-	-	(31,637,301)	-	(31,637,301)
End of period	**£ 122,899**	**£ 897**	**£ 65,224,447**	**£ 6,151,720**	**£ 71,499,963**

The changes in development costs for the year ended December 31, 2003 are as follows:

	Korea won (In thousands) 2003
Beginning of the year	£ 42,478,705
Increase during the year	41,955,234
Amortization	9,290,053
Impairment loss	23,025,962
End of the year	**£ 52,117,924**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

10. LEASED ASSETS:

The Company has entered into operating lease agreements with Hyundai Capital Services Inc. for 34 vehicles lease contracts. The lease payment schedule is as follows:

Year	Lease payment
	(In thousands)
2005	£ 628,593
2006	239,108
2007	1,715
	£ 869,416

The Company has entered into financial lease agreements with Yonhap Capital Co., Ltd. and other lease companies for CDMA Test Set and other lease contracts. The lease payment schedule is as follows
(In thousands):

Year	Lease payment	Unexpired interest	Principal
2005	3,395,930	170,717	3,225,213
2006	676,586	23,297	653,289
	£ 4,072,516	**£ 194,014**	**£ 3,878,502**

The acquired fixed assets through financial lease agreements as of December 31, 2004 are as follows (In thousands):

Account	Acquisition cost	Accumulated depreciation	Book value
Machinery and equipment	£ 31,768,192	£ 21,668,872	£ 10,099,320

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

11.SHORT-TERM BORROWINGS:

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

Description	Lender	Annual interest rate (%) 2004	Korean won 2004	Korean won 2003
				(In thousands)
Local currency loans				
Operating loans	Kookmin Bank and others	5.45~6.70	£ 21,000,000	£ 23,000,000
Turnover borrowings	Hana Bank	6.90	12,000,000	3,500,000
Export loans	Korea First Bank and others	5.46~5.91	28,087,800	9,260,700
			61,087,800	35,760,700
Foreign currency loans				
Comprehensive limit loans	The Export-Import Bank of Korea	3.30	8,350,400	9,582,400
USANCE	Kookmin Bank and others	2.07~3.06	49,631,041	-
			57,981,441	9,582,400
			£ 119,069,241	**£ 45,343,100**

The Company has pledged its inventories as transfer collateral for short-term borrowings in foreign currency from the Export-Import Bank of Korea.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

12.LONG-TERM BORROWINGS:

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

Description	Lender	Annual interest rate (%) 2004	Korean won 2004	Korean won 2003
				(In thousands)
Local currency loans				
Equipment fund	Kookmin Bank	-	£ -	£ 2,014,286
Information Structuringfund	Chohung Bank	5.75	790,400	1,922,700
General loans	Korea Development Bank	7.90	15,000,000	15,000,000
			15,790,400	18,936,986
Less: Current maturities			(632,320)	(3,146,586)
			15,158,080	15,790,400
Foreign currency loans				
Equipment fund	Korea Development Bank	Variable rate	2,303,631	3,667,005
Less: Current maturities			(767,776)	(1,064,788)
			1,535,855	2,602,217
Financial lease Local currency lease	Yonhap Capital Co., Ltd. and others	5.48~10.30	3,878,502	8,897,217
Less: Current maturities			(3,225,213)	(5,015,712)
			653,289	3,881,505
			£ 17,347,224	**£ 22,274,122**

In connection with above short-term borrowings and long-term borrowings, the Company's land, buildings and machinery are pledged to the lenders as collateral (See Note 8) and the Company's president has provided guarantees of £ 211,700,000 thousand and US$142,231 thousand to the Company. In addition, 3 blank notes are pledged to the lenders as collateral for the borrowings and 3 blank checks are pledged to the lease companies as collateral for the financial lease.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

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

Privately	Issuance date	Maturity date	Annual interest rate(%)	Korean won 2004	Korean won 2003
					(In thousands)
The 3rd unguaranteed debentures	Aug. 17, 2001	Aug. 17, 2004	10.57	£ -	£ 20,000,000
The 6th unguaranteed debentures	March 5, 2003	March 5, 2004	6.83	-	10,000,000
The 7th unguaranteed debentures	April 25, 2003	April 25, 2005	6.17	10,000,000	10,000,000
The 8th unguaranteed debentures	Sep. 23, 2003	March 23, 2005	6.35	5,000,000	5,000,000
The 9th unguaranteed debentures	Nov. 10, 2003	Nov. 10, 2006	6.40	20,000,000	20,000,000
The 11th unguaranteed debentures	Sep. 07, 2004	Sep. 07, 2007	7.50	10,000,000	-
The 12th unguaranteed debentures	Sep. 21, 2004	Sep. 21, 2007	5.88	10,000,000	-
The 13th unguaranteed debentures	Nov. 16, 2004	Nov. 16, 2007	5.69	15,000,000	-
10th Oversea convertible debentures	Dec. 10, 2003	Dec. 10, 2006	4.50	-	29,805,000
				70,000,000	94,805,000
Discount on debentures				(1,097,146)	(1,125,201)
Other				-	(1,705,241)
				68,902,854	91,974,558
Less Current maturities				(15,000,000)	(29,927,316)
				£ 53,902,854	**£ 62,047,242**

The interest rate of the oversea convertible debentures above is 0% and effective interest rate is 4.5%.
In addition, debenture holders will have the right to exercise put option in the first and second year after the issuance of debentures. The exercise currency exchange rate is £ 1,192.20/$ and the exercise price is £ 8,890. However, the exercise price could be adjusted based on the contract of the debentures and is adjusted to £ 6,223 on July 10, 2004. The exercise period is between January 10, 2004 and November 10, 2006.

The oversea convertible debentures of US$ 1,500,000 have been exercised on April 23, 2004 and 206,262 shares have been issued as of December 31, 2004. In addition, the remaining US$ 23,500,000 have been redeemed early on December 9, 2004 and as a result of advanced redemption, gain on redemption of debentures amounting to £ 1,939,052 thousand is recorded

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

The payment schedule of the long-term borrowings as of December 31, 2004 is as follows:

Year	Local currency loans	Foreign currency loans	Financial lease
			(In thousands)
Jan.1.2006 ~ Dec.31.2006	£ 15,158,080	£ 767,776	£ 653,289
Jan.1.2007 ~ Dec.31.2007	-	624,045	-
Jan.1.2008 ~	-	144,034	-
	£ 15,158,080	**£ 1,535,855**	**£ 653,289**

The above debentures are all scheduled to be paid at maturity date.

13.ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Assets and liabilities denominated in foreign currencies as of December 31, 2004 and 2003 are as follows:

Accounts	2004 Foreign currencies	2004 Korean won	2003 Foreign currencies	2003 Korean won
	(Won in thousands)		(Won in thousands)	
Assets				
Cash and cash equivalents	US$ 9,133,515	£ 9,533,564	US$ 5,090,663	£ 6,097,596
	EUR 3,959,739	5,634,551	EUR54,121	81,321
	JPY 30,614,781	309,843		-
		15,477,958		6,178,917
Trade receivables	US$ 39,658,053	41,395,076	US$ 53,296,505	63,838,554
	EUR 22,437,258	31,927,321	EUR 182,520	274,251
		73,322,397		64,112,805
Accounts receivable-other	US$798,270	833,234	US$214,302	256,691
		£ 89,633,589		**£ 70,548,413**
Liabilities				
Trade payables	US$16,867,221	£ 17,606,005	US$17,116,193	£ 20,501,776
	JPY390,820,202	3,955,374	JPY85,732,599	9,524,802
	EUR245,466	349,288	EUR449,700	675,710
		21,910,667		30,702,288
Accounts payable-other	US$3,546,402	3,701,735	US$1,881,594	2,253,773
	JPY2,544,000	25,747		-
	EUR474,936	675,815		-
		4,403,297		2,253,773

continued;

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Short-term borrowings	US$34,728,187	36,249,282	US$8,000,000	9,582,400
	JPY2,147,298,017	21,732,159		-
		57,981,441		9,582,400
Current maturities of long-term borrowings	US$440,800	460,107	US$604,800	724,430
	JPY30,400,000	307,669	JPY30,400,000	340,358
		767,776		1,064,788
Long-term borrowings	US$808,200	843,599	US$1,249,000	1,496,052
	JPY68,400,000	692,256	JPY98,800,000	1,106,165
		1,535,855		2,602,217
		£ **86,599,036**		£ **46,205,466**

14.CAPITAL STOCK:

Capital stock as of December 31, 2004 consists of the following:

Description	Authorized	Outstanding	Par value	Korean won
				(In thousands)
Common stock	120,000,000 shares	25,042,537 shares	£ 500	£ 12,521,269

Capital stock as of December 31, 2003 consists of the following:

Description	Authorized	Outstanding	Par value	Korean won
				(In thousands)
Common stock	120,000,000 shares	24,836,275 shares	£ 500	£ 12,418,138

Changes in capital stock and paid-in-capital in excess of par value during 2004 and 2003 are summarized below.

Description	Shares issued	Increased capital	Increased capital surplus
			(In thousands)
2003			
Exercise of warrants	117,693 shares	£ 58,847	£ 844,562
2004			
Conversion of convertible debentures	**206,262 shares**	£ **103,131**	£ **1,702,740**

15.CAPITAL SURPLUS:

Capital surplus consists of paid-in excess of par value as of December 31, 2004, which may only be transferred to capital stock or offset against any deficit in the future.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

16.RETAINED EARNINGS:

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

Description	Korean won 2004	Korean won 2003
		(In thousands)
Appropriated:		
Legal reserve	£ 661,884	£ 661,884
Reserve for business rationalization	3,459,776	3,459,776
Reserve for improvement of financial structure	543,142	543,142
Reserve for small and medium size business investment	747,523	1,495,046
Reserve for research and development investment	15,000,000	32,000,000
	20,412,325	38,159,848
Before appropriation	18,942,752	(17,385,811)
	£ **39,355,077**	£ **20,774,037**

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit.

17.CAPITAL ADJUSTMENTS:

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

	Korean won 2004	Korean won 2003
		(In thousands)
Treasury stock	£ (8,209,131)	£ (8,851,044)
Gain (loss) on valuation of investment securities accounted for using the equity securities	(335,990)	31,902
Gain on valuation of available-for-sale securities	23,819	140,018
Stock option cost	6,085,835	3,346,533
	£ **(2,435,467)**	£ **(5,332,591)**

Treasury stock

The Company has 799,284 common shares of treasury stock amounting to £ 8,209,131 thousand as of December 31, 2004.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Stock option cost

The Company granted stock options to employees on March 14, 2003, March 22, 2002 and March 23, 2001. Stock options as of December 31, 2004 can be exercised and consist of the following:

Description	2004	2003	2002	2001
Total stock options granted	840,700 shares	480,000 shares	573,700 shares	330,000 shares
Exercise price	£ 8,600	£ 12,300	£ 13,200	£ 5,200

The Company calculated the compensation expense per share based on the minimum value approach method in case of stock options granted in 2001,2002 and 2003, and on the fair value method in case of stock options granted in 2004, and the total compensation expense is £ 9,705,552 thousand (2004 portion: £ 3,960,736 thousand, 2003 portion: £ 854,408 thousand, 2002 portion: £ 4,626,412 thousand, and 2001 portion: £ 263,996 thousand). The Company has recognized compensation expense and capital adjustment amounting to £ 2,781,340 thousand (2004 portion: £ 1,067,048 thousand, 2003 portion: £ 267,050 thousand, 2002 portion: £ 1,429,339 thousand, and 2001 portion: £ 17,903 thousand, which is accounted for as a charge to current operations and a credit to capital adjustment over the required period of service (three years) from the grant date using the straight-line method.

In case the Company calculates the compensation expense per share based on the fair value approach method for stock options granted in 2001, 2002 and 2003, the total compensation expense is £ 16,279,096 thousand (2004 portion: £ 3,960,736 thousand 2003 portion: £ 3,565,222 thousand, 2002 portion: £ 7,472,495 thousand, and 2001 portion: £ 1,280,643 thousand) and current compensation expense is £ 4,576,867 thousand (2004 portion: £ 1,067,048 thousand, 2003 portion: £ 1,114,330 thousand, 2002 portion: £ 2,308,642 thousand, and 2001 portion: £ 86,847 thousand).

18.DERIVATIVES:

The Company entered into foreign exchange forward as a hedge and the unsettled foreign exchange forward contracts are stated at fair value with the resulting gain (loss) on valuation of derivatives amounting to £ 283,138 thousand and £ (198,402) thousand, respectively, as of December 31, 2004. In addition, gain (loss) on transaction of derivatives, which are settled, amounts to £ 1,889,640 thousand and £ (432,105) thousand, respectively, for the year ended December 31, 2004.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

The unsettled forwards exchange contracts as of December 31, 2004 are as follows:

Bank	Contracts on currency forwards	Contract date	Due date	Settlement rate	Contract amount	Contract currency
Korea First Bank	sold	2004-10-26	2005-01-28	1,455.47	EUR2,000,000	EUR/KRW
Korea First Bank	purchased	2004-12-01	2005-01-04	136.52	JPY136,518,921	EUR/JPY
Korea First Bank	purchased	2004-12-01	2005-02-03	136.28	JPY136,276,194	EUR/JPY
Korea First Bank	purchased	2004-12-01	2005-03-03	136.05	JPY136,047,157	EUR/JPY
Chohung Bank	sold	2004-10-22	2005-01-07	1,443.71	EUR2,000,000	EUR/KRW
Chohung Bank	sold	2004-12-14	2005-04-15	1,410.18	EUR1,000,000	EUR/KRW
Chohung Bank	sold	2004-12-14	2005-05-16	1,410.87	EUR1,000,000	EUR/KRW
Chohung Bank	sold	2004-12-14	2005-06-16	1,411.78	EUR1,000,000	EUR/KRW
Chohung Bank	sold	2004-11-26	2005-01-25	1,046.82	USD3,000,000	USD/KRW
Chohung Bank	sold	2004-11-26	2005-02-25	1,047.12	USD4,000,000	USD/KRW
Chohung Bank	sold	2004-12-14	2005-04-15	1,058.37	USD1,000,000	USD/KRW
Chohung Bank	sold	2004-12-14	2005-05-16	1,058.33	USD1,000,000	USD/KRW
Chohung Bank	sold	2004-12-14	2005-06-16	1,058.30	USD1,000,000	USD/KRW
Chohung Bank	sold	2004-12-29	2005-04-28	1,041.61	USD1,000,000	USD/KRW
Chohung Bank	sold	2004-12-29	2005-05-31	1,041.50	USD1,000,000	USD/KRW
Chohung Bank	sold	2004-12-29	2005-06-30	1,041.40	USD1,000,000	USD/KRW
Chohung Bank	purchased	2004-12-13	2005-02-15	104.43	JPY313,275,000	USD/JPY
Chohung Bank	purchased	2004-12-13	2005-03-15	104.22	JPY208,440,000	USD/JPY
Chohung Bank	purchased	2004-12-29	2005-04-28	102.34	JPY102,340,000	USD/JPY
Chohung Bank	purchased	2004-12-29	2005-05-31	102.08	JPY102,080,000	USD/JPY
Chohung Bank	purchased	2004-12-29	2005-06-30	101.83	JPY101,830,000	USD/JPY
Chohung Bank	purchased	2004-12-30	2005-03-22	103.16	JPY103,160,000	USD/JPY
Chohung Bank	purchased	2004-12-30	2005-04-21	102.92	JPY102,920,000	USD/JPY
Chohung Bank	purchased	2004-12-30	2005-05-20	102.68	JPY102,680,000	USD/JPY
Chohung Bank	purchased	2004-12-30	2005-03-22	103.18	JPY140,640,000	USD/JPY
Chohung Bank	purchased	2004-12-30	2005-04-21	102.94	JPY140,390,000	USD/JPY
Chohung Bank	purchased	2004-12-30	2005-05-20	102.70	JPY140,130,000	USD/JPY
Chohung Bank	purchased	2004-12-30	2005-03-22	1.36305	USD1,363,050	EUR/USD
Chohung Bank	purchased	2004-12-30	2005-04-21	1.36381	USD1,363,810	EUR/USD
Chohung Bank	purchased	2004-12-30	2005-05-20	1.36446	USD1,364,460	EUR/USD
Chohung Bank	purchased	2004-12-03	2005-01-07	10.138	JPY300,000,000	KRW/JPY
Chohung Bank	purchased	2004-12-07	2005-01-07	10.158	JPY300,000,000	KRW/JPY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

19.INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense (benefits) for the years ended December 31, 2004 and 2003 are computed as follows:

Description		Korean won
	2004	2003
		(In thousands)
Income tax payable	£ 2,662,135	£ -
Changes in deferred income taxes from temporary differences	(678,134)	(6,863,573)
Income tax expense (benefits)	**£ 1,984,001**	**£ (6,863,573)**

In 2004 and 2003, the differences between income before income tax expense in financial accounting and taxable income pursuant to the Corporate Income Tax Law of Korea are as follows:

Description		Amount
	2004	2003
	(In thousands)	
Income (loss) before income tax expense	£ 20,565,040	£ (25,162,855)
Permanent difference	3,937,541	9,429,060
Temporary difference	482,635	14,191,059
Taxable income (loss)	**£ 24,985,216**	**£ (1,542,736)**

Deferred income tax assets as of December 31, 2004 are computed as follows:

Description	Korea won
	(In thousands)
Accumulated deductible temporary difference, net	£ 20,489,792
Tax rate (%)	¡¿ 27.5%
	£ 5,634,692
Carried over tax credit	10,081,134
Deferred income tax assets	**£ 15,715,826**

(*) After 2005, the expected corporate tax rate will be revised to 27.5 percent. Therefore, the Company used 27.5 percent for the temporary difference expected to be realized from 2005.

As of December 31, 2004, the Company believes the deductible temporary difference of £ 5,634,692 thousand and carried over tax credit of £ 10,081,134 thousand can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. Accordingly, the Company has recognized deferred income tax assets as of December 31, 2004

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

20.SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses in 2004 and 2003 consist of the following:

Description		Korean won
	2004	2003
		(In thousand)
Salaries	£ 14,751,902	£ 9,388,257
Provision for severance benefits	5,129,296	2,431,915
Employee benefits	1,984,839	1,351,874
Ordinary research and development	13,979,051	13,523,247
Fees and charges	3,310,096	3,604,847
Technology royalty fees	9,430,529	7,323,650
Depreciation	926,574	801,263
Amortization of intangibles	14,399,751	10,386,737
Bad debt	218,298	60,677
Traveling expenses	2,170,621	1,525,459
Advertising	19,554,028	2,088,168
Rent	1,779,803	1,091,073
Transportation	5,738,880	933,066
Stock option cost	2,117,772	1,459,441
Warranty repairs	2,421,472	6,458,577
Other	5,267,385	4,945,611
Total	**£ 103,180,297**	**£ 67,373,862**

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

DECEMBER 31, 2004 AND 2003

21.RELATED PARTY TRANSACTIONS:

(1) Significant transactions with related parties during 2004 and 2003 are as follows:

Company	2004		2003	
	Sales	Purchases	Sales	Purchases
	(In thousands)	(In thousands)		
Motorola Korea Inc.	£ 33,911	£ 4,243,044	£ 231,802	£ 812,112
Motorola Inc.	75,052,918	-	62,423,300	-
Curitel Communication Inc.	144,836,866	5,649,025	87,982,793	2,239,967
Motorola China Electronics Ltd.	-	-	4,054,940	2,731,101
Motorola Brazil	-	-	-	6,317
Motorola Industrial Ltda.	181,174,030	-	104,622,677	-
Motorola Mexico	1,798	-	5,609	-
Motorola Trading Centre	-	14,377,087	-	-
Motorola (SPS)	-	-	-	275,479
Motorola (ESG)	-	-	-	7,539

Company	2004		2003	
	Sales	Purchases	Sales	Purchases
		(In thousands)		(In thousands)
AMK-Singapore Motorola Electronics Pte. Ltd.	£ (807,558)	£ -	£ 5,512,611	£ -
Motorola Puerto Rico	5,024	-	695,743	-
Motorola Venezuela	7,644	-	4,227	-
Maintech Inc.	-	-	2,491	-
Motorola Electronic Pte Ltd.	76,647	-	-	-
Motorola India	-	-	9,366	-
Motorola India Pvt Limited	4,868,375	-	15,095,260	-
Motorola Korea (ESG)	-	-	-	3,118,723
Dalian Daxian-Pantech Communications	14,967	284,992	-	-
Others	5,787	-	-	-
	£ 405,270,409	**£ 24,554,148**	**£ 280,640,819**	**£ 9,191,238**

In addition to the sales and purchases transaction above, in 2004, there was significant transactions with Motorola Korea Inc. in relation to warranty repair expense amounting to £ 61,366 thousand.

(2) Significant balances with related parties as of December 31, 2004 and 2003 are as follows:

Company	2004		2003	
	Trade receivables	Trade payables	Trade receivables	Trade payables
		(In thousands)		(In thousands)
Motorola Korea Inc.	£ -	£ 1,011,000	£ 2,969	£ 356,346
Motorola Inc.	14,091,221	2,425	10,321,758	-
Curitel Communications Inc.	8,026,581	3,515,742	10,121,187	36,846
Motorola Industrial Ltda.	16,652,679	-	25,774,033	-
Motorola Mexico S.A.	-	-	2,126	-
Motorola de Puerto Rico Inc.	-	-	35,521	-
Motorola China(Hangzhou)	8,323	-	73,515	-
Motorola China Electronics Ltd.	-	10,251	-	11,763
AMK'spore Motorola Electronics Pte Ltd.	-	-	850,678	-
Pantech Media Co., Ltd.	853,767	-	1,792,167	-
Mirinae Software Co. Ltd.	94,874	-	94,874	-
Motorola Trading Centre	-	5,451,440	-	-
Motorola India Pte Limited	-	-	853,052	-
Dalian Daxian-Pantech Communications	-	35,228	-	-
Others	320,687	3,635	359	4,172
	£ 40,048,132	**£ 10,029,721**	**£ 49,922,239**	**£ 409,127**

(3) Significant balances with related parties other than trade receivables and trade payables above as of December 31, 2004 and 2003 are as follows:

Company	Account	Amount	
		2004	2003
			(In thousands)
Pantech Electronics Co., Ltd.	Short-term loans	£ -	£ 2,173,110
	Accounts receivable-other	-	711,351
Pantech Data Communication Co., Ltd.	Short-term loans	-	130,000
	Accounts receivable-other	-	71,878
Mirinae Software Co. Ltd.	Short-term loans	1,432,673	1,432,673
	Accounts receivable-other	1,013,471	884,177
Curitel Communications Inc.	Accounts receivable-other	60,539	54,266
Pantech Netherlands B.V	Short-term loans	11,913	-
Motorola Industrial Ltda.	Accounts receivable-other	44,681	-
Motorola Inc.	Accounts receivable-other	743,982	-
Advanced receipts		4,468	192,985
		£ 3,311,727	**£ 5,650,440**

The Company has fully provided for allowance for doubtful accounts related to Mirinae Software Co. Ltd.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

22.CONTINGENCIES AND COMMITMENTS:

a) As of December 31, 2004, the outstanding balance of accounts receivable discounted with recourse amounts to £ 9,640,678 thousand.

b) The Company has paid technical royalty fees to Qualcomm, Tegic Communications Inc. and others for product sales. The Company has recognized technical royalty fees, which had been provided to Qualcomm Inc., Tegic Communications Inc. and others, amounting to £ 9,430,529 thousand in 2004.

c) The Company has been provided payment guarantee for L/C from Korea First Bank up to US$43,070,813, JPY 3,001,888,320 and EUR 437,520 as of December 31, 2004.

d) The Company has provided guarantee of £ 24,000,000 thousand to Hana Bank for employees' housing loans.

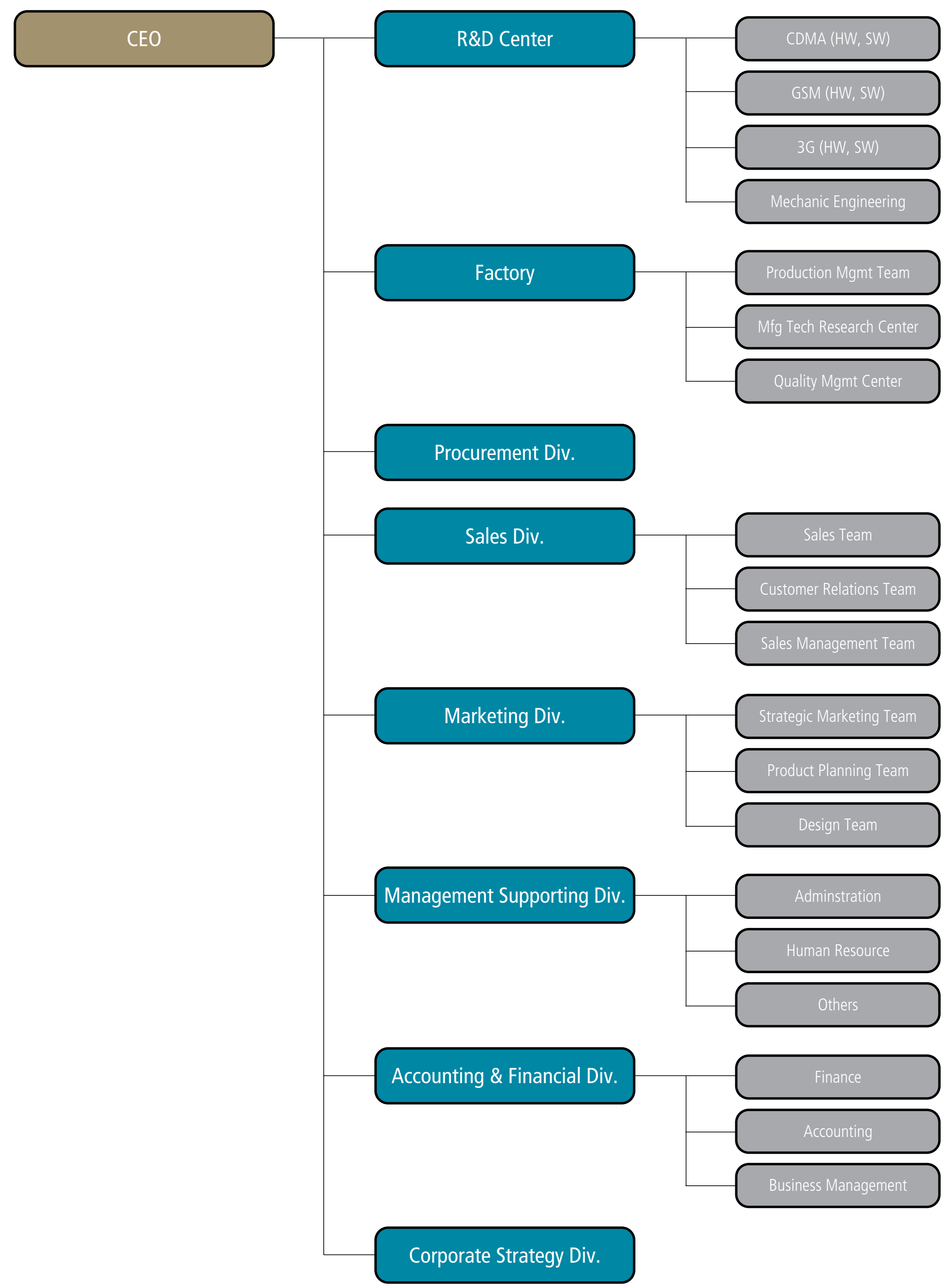
23.REGIONAL SALES INFORMATION:

Sales by region for the year ended December 31, 2004 are as follows (In thousands):

	Amount	Ratio (%)
Domestic	£ 146,248,118	16.4%
Asia & Pacific	212,476,430	23.8%
North America	109,304,118	12.3%
Central and South America	290,887,920	32.6%
Europe	132,517,225	14.9%
Other	110,584	0.0%
Total sales	**£ 891,544,395**	**100.0%**

Company Informations

ORGANIZATION CHART



Company Informations

SHARE INFORMATION

Paid-in-Capital

KRW 12.5 billion

Number of Shares

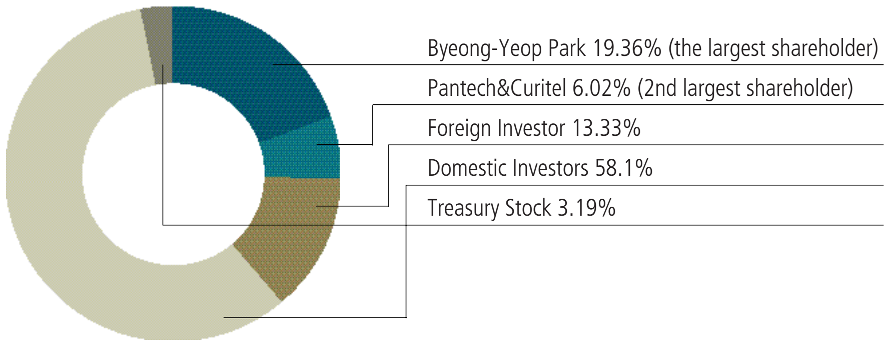
Authorized: 120.00 million shares

Issued: 25.04 million shares

Listing

August 1997

Ownership Structure (As of the end of December 31, 2004)



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.

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