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Daewoo International Corporation

Non-Consolidated Financial Statements
December 31, 2004 and 2003



Report of Independent Auditors

To the Shareholders and Board of Directors of Daewoo International Corporation

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

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

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

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

As discussed in Note 29 to the non-consolidated financial statements, the Company and the committee of creditor banks entered into a work out agreement on March 15, 2000. Due to the improved operations and financial performance of the Company, the committee of creditor banks decided to terminate the work out agreement on December 30, 2003.

As discussed in Note 14 to the non-consolidated financial statements, Daewoo Engineering & Construction Co., Ltd. and the Company are jointly liable for Daewoo Corporation's outstanding liabilities prior to its split-off, payable to certain financial institutions, including overseas banks, which did not participate in the work out agreement dated March 15, 2000. The Company has been named as a defendant in a number of claims related to Daewoo Corporation's split-off and continues to negotiate with some creditors, which did not participate in the work out agreement regarding Daewoo Corporation's outstanding liabilities prior to the split-off. Therefore, the Company has established a reserve for contingencies based upon the amounts and the probabilities of the potential contingencies. The results of the lawsuits and negotiations may differ from the amount of reserve for contingencies on the non-consolidated interim financial statements.

As discussed in Notes 13 and 24 to the non-consolidated financial statements, the Company's sales to and purchases from affiliated companies, such as Daewoo International America Corporation, amounted to ₩ 776,641 million and ₩ 163,473 million, respectively, for the year ended December 31, 2004. Related receivables and payables amounted to ₩ 174,196 million and ₩ 198,264 million, respectively, as of December 31, 2004. The Company's outstanding payment guarantees for affiliated companies, such as Daewoo Cement (Shanghai) Co., Ltd., as of December 31, 2004, amounted to ₩ 144,342 million, and ₩ 61,232 million of assets the company's are pledged as collateral for such guarantees.

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

The amounts expressed in U.S. dollars are provided solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the non-consolidated financial statements.

Seoul, Korea

February 4, 2005

Samil PricewaterhouseCoopers



This report is effective as of February 4, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the auditor is not responsible for identifying such events or circumstances, if any, that may have to be reflected to correct the impact of such subsequent events or circumstances, if any.

Daewoo International Corporation Annual Report 2004

Non-Consolidated Balance Sheets

	2004	2003	2004	2003
	₩	₩	in thousands of U.S. dollars (Note 3)	
Cash and cash equivalents, net (Notes 9 and 20)	159,310	90,187	\$ 152,825	\$ 86,403
Short-term financial instruments (Notes 4 and 20)	114,525	38,051	109,719	36,454
Short-term investment securities (Note 7)	34	161	33	154
Trade accounts receivable, net (Notes 5, 20 and 24)	295,929	342,332	283,511	327,967
Other accounts receivable, net (Notes 5, 20 and 24)	29,194	37,513	27,969	35,939
Accrued income, net (Note 5)	610	305	584	292
Advance payments, net (Notes 5, 20 and 24)	24,336	41,881	23,316	40,124
Prepaid expenses, net (Note 5)	2,852	4,833	2,732	4,630
Short-term receivable, net (Notes 5, 8 and 20)	468	396	448	379
Currency forwards (Note 14)	5,545	1,907	5,408	1,827
Commodity futures (Note 14)	3,613	2,422	3,461	2,320
Inventories, net (Note 6)	81,582	95,585	78,159	91,574
Long-term financial instruments (Note 4)	718,098	655,573	687,965	628,063
Long-term investment securities (Note 7)	1,415	18	1,356	17
Equity-method investments (Notes 7 and 13)	21,133	25,661	20,265	24,584
Long-term trade accounts receivable, net (Notes 5, 20, 21 and 24)	517,853	493,159	496,123	472,465
Long-term other accounts receivable, net (Notes 5, 20, 21 and 24)	9,629	51,095	9,225	48,951
Guarantee deposits (Note 20)	38,523	11,928	34,991	11,427
Natural resources exploration investment (Note 13)	15,159	27,143	14,523	26,004
Deferred income tax assets (Note 22)	39,907	12,190	38,232	11,678
Property, plant and equipment, net (Notes 9, 13 and 26)	33,664	79,313	32,251	75,985
Intangible assets, net (Notes 10 and 26)	205,165	251,401	196,556	240,852
	24,208	29,170	23,192	27,946
	₩ 1,622,774	₩ 1,638,651	\$ 1,554,679	\$ 1,567,972

Message From the CEO



Dear Shareholders and Customers,

It is my great honor to present these high lights of our achievements during the past year.

In addition to it, I would like to express my heartfelt appreciation on behalf of the whole executives and staff for your unsparing support and fervent encouragement rendered to our company for the whole period of last year.

As you all know well, our company promulgated last year as "A year of cornerstone-strengthening for a second take-off and painstakingly endeavored to successively sew a first button after graduating from a work-out program. In particular, under the external difficult environments such as the worldwide economic depression, soaring oil price and the falling exchange rate, etc., our all executives and staff made every effort to strengthen the business power through the development of new markets and creation of new items and as a result of it, we made a brilliant achievement of posting 5 trillion

won in sales, \$2.8 billion in exports and 96 billion won in operating profit.

Besides, we again rose to a high quality company as it is as proven by sharply reducing debt ratio amounting to 94.0% to 15.9% and receiving a credit rating of investment grade.

I believe that these were attributable to the active support of all shareholders and the credit bankers that had kept an eye on us with never-changing encouragement and interest in spite of pretty much environments and uncertainties at home and abroad and once again I would like to say my gratefulness.

Also, my heart is really full of deep emotion because of paying dividend for the first time in just over 4 years since beginning the business in the name of Daewoo International after being separated from Daewoo International and I deeply thank the shareholders and the persons involved for trusting us and caring about us up to now.

Thank you very much.

Daewoo International will not be satisfied with the current consequences.

I believe that what makes its status solid as "Global Trading & Investment company" that is equipped with the best global competitiveness with the maximization of the corporate capabilities and an increase of the corporate value by making use of the current upbeat momentum is a vision and mission of the customer satisfaction value that Daewoo International envisions.

For the purpose of it, Daewoo International will go forward one step from the past general trading company and will prepare for the future and in order to do so, the following management policies are supposed to be implemented.

The first policy is the diversification of the revenue model for the long-term development of the company.

As you, shareholders know well, the recent business environment has become an era when the past-like business portfolios do not guarantee the sustainable growth possibility of the future due to the appreciation of Korean currency value and the uncertainty of the world business, etc.

In order to further strengthen its status as "Global Trading & Investment Company", Daewoo International will not spare all management resources for securing the business base of the future for the long-term development, like the capturing of the new markets like BRICs, etc., enforcement of the export business of the future's growth engine such as the auto parts and IT products, etc and development of energy resources, one of the company's strong advantages and reinforcement of the overseas investment business, etc.

In particular, taking opportunity of this general meeting of shareholders, I once again announce that because, in case of Myanmar gas field, the work of appraisal well for A-1 is successfully going on and physical prospecting for A-3 and the preparation for exploratory drilling well is being smoothly implemented, the company's extensive transformation and an upgrade through the development of overseas resources is being made well.

The second is the shareholders' value and a customer-focused management.

I will try my best to enhance the corporate value by making regular IRs in order to fairly provide the local and overseas institutional investors with the information relative to the company's business results on basis of the thorough profit-based management. At the same time, I will make assurance doubly sure to be helpful to the investment of the stockholders by providing more upgraded investment information than the company's Web site.

Finally, I will improve the image for the company and Daewoo brand through a lasting implementation of transparent management. Ethical management - Sharing management and going forwarder, strive to make the firm that repays to the state and the public.

Defining this year "A year when strengthens the diversification of revenue models and management capabilities for a sustainable growth development", the entire executives and staff of Daewoo International will make all-out efforts to enlarge the business abilities and develop the overseas markets under the firm belief what makes the company positioned as a superb blue-chip general trader with an unwavering determination that should be more strengthened is an only and single way of reciprocating the shareholders' unsparing support and encouragement.

Your shareholders are also advised to keep an eye on Daewoo International and its executives and staff that take a flying jump to the world with an always invariable affection and interest.

Thank you very much.

March 18, 2005

Tae-Yong, Lee

CEO, Daewoo International

Tae-Yong, Lee

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Daewoo International Corporation

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December 31, 2004 and 2003

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Report of Independent Auditors

To the Shareholders and Board of Directors of
Daewoo International Corporation

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

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

SAMIL PRICEWATERHOUSECOOPERS

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As discussed in Note 14 to the non-consolidated financial statements, Daewoo Corporation, Daewoo Engineering & Construction Co., Ltd. and the Company are jointly liable for Daewoo Corporation's outstanding liabilities prior to its split-off, payable to certain financial institutions, including overseas banks, which did not participate in the work-out agreement dated March 15, 2000. The Company has been named as a defendant in a number of claims related to Daewoo Corporation's split-off and continues to negotiate with some creditors, which did not participate in the work-out agreement regarding Daewoo Corporation's outstanding liabilities prior to the split-off. Therefore, the Company has established a reserve for contingencies based upon the amounts and the probabilities of the potential contingencies. The results of the lawsuits and negotiations may differ from the amount of reserve for contingencies on the non-consolidated interim financial statements.

As discussed in Notes 13 and 24 to the non-consolidated financial statements, the Company's sales to and purchases from affiliated companies, such as Daewoo International America Corporation, amounted to ₩776,641 million and ₩163,473 million, respectively, for the year ended December 31, 2004. Related receivables and payables amounted to ₩174,196 million and ₩198,264 million, respectively, as of December 31, 2004. The Company's outstanding payment guarantees for affiliated companies, such as Daewoo Cement (Shandong) Co., Ltd., as of December 31, 2004, amounted to ₩144,342 million, and ₩61,232 million of assets the company are pledged as collateral for such guarantees.

SAMIL PRICEWATERHOUSECOOPERS

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Seoul, Korea
February 4, 2005

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

Daewoo International Corporation
Non-Consolidated Balance Sheets
December 31, 2004 and 2003

<i>(in millions of Korean won, in thousands of U.S. dollars (Note 3))</i>	2004	2003	2004	2003
Assets				
Current assets				
Cash and cash equivalents, net (Notes 9 and 20)	₩ 159,310	₩ 90,187	\$ 152,625	\$ 86,403
Short-term financial instruments (Notes 4 and 20)	114,525	38,051	109,719	36,454
Short-term investment securities (Note 7)	34	161	33	154
Trade accounts receivable, net (Notes 5, 20 and 24)	295,929	342,332	283,511	327,967
Other accounts receivable, net (Notes 5, 20 and 24)	29,194	37,513	27,969	35,939
Accrued income, net (Note 5)	610	305	584	292
Advance payments, net (Notes 5, 20 and 24)	24,336	41,881	23,316	40,124
Prepaid expenses, net (Note 5)	2,852	4,833	2,732	4,630
Short-term receivable, net (Notes 5, 8 and 20)	468	396	448	379
Currency forwards (Note 14)	5,645	1,907	5,408	1,827
Commodity futures (Note 14)	3,613	2,422	3,461	2,320
Inventories, net (Note 6)	81,582	95,585	78,159	91,574
Total current assets	718,098	655,573	687,965	628,063
Long-term financial instruments (Note 4)	1,415	18	1,356	17
Long-term investment securities (Note 7)	21,153	25,661	20,265	24,584
Equity-method investments (Notes 7 and 13)	517,853	493,159	496,123	472,465
Long-term trade accounts receivable, net (Notes 5, 20, 21 and 24)	9,629	51,095	9,225	48,951
Long-term other accounts receivable, net (Notes 5, 20, 21 and 24)	36,523	11,928	34,991	11,427
Guarantee deposits (Note 20)	15,159	27,143	14,523	26,004
Natural resources exploration investment (Note 13)	39,907	12,190	38,232	11,678
Deferred income tax assets (Note 22)	33,664	79,313	32,251	75,985
Property, plant and equipment, net (Notes 9, 13 and 26)	205,165	251,401	196,556	240,852
Intangible assets, net (Notes 10 and 26)	24,208	29,170	23,192	27,946
		₩1,636,65		
Total assets	₩1,622,774	1	\$ 1,554,679	\$1,567,972

Daewoo International Corporation
Non-Consolidated Balance Sheets
December 31, 2004 and 2003

(in millions of Korean won, in thousands of U.S.dollars (Note 3))

	2004	2003	2004	2003
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts payable (Notes 20 and 24)	₩ 309,975	₩ 320,461	\$ 296,968	\$ 307,014
Short-term borrowings (Notes 11, 13 and 20)	11,230	8,096	10,759	7,756
Other accounts payable (Notes 20 and 24)	72,574	59,285	69,529	56,797
Advances received (Note 24)	24,293	53,029	23,274	50,804
Withholdings (Note 20)	90,028	51,117	86,250	48,972
Accrued expenses (Note 20)	4,641	5,980	4,446	5,729
Current portion of long-term debts, net (Notes 11, 20 and 21)	79,474	75,839	76,139	72,657
Deferred revenue	-	17	-	16
Guarantee deposits received (Note 20)	45	51	43	49
Currency forwards (Note 14)	4,530	1,983	4,340	1,900
Commodity futures (Note 14)	2,933	31,217	2,810	29,907
Total current liabilities	599,723	607,075	574,558	581,601
Corporate bonds, net (Note 12)	-	23,900	-	22,897
Long-term debts, net (Notes 12, 13, 20 and 21)	293,728	381,447	281,403	365,441
Long-term other accounts payable, net (Note 20)	20,591	1,071	19,726	1,026
Long-term accrued expense (Note 15)	135	-	129	-
Long-term guarantee deposits received	7,278	7,483	6,972	7,168
Accrued severance benefits, net (Notes 4 and 16)	-	415	-	398
Reserve for contingencies (Notes 14 and 20)	76,575	93,074	73,363	89,168
Total liabilities	998,030	1,114,465	956,151	1,067,699
Commitments and contingencies (Note 14)				
Shareholders' equity				
Common stock (Notes 1 and 17)	474,944	472,924	455,014	453,079
Capital surplus (Note 17)	16	16	15	15
Retained earnings (Note 18)	129,382	49,772	123,953	47,683
Capital adjustments (Note 19)	20,402	(526)	19,546	(504)
Total shareholders' equity	624,744	522,186	598,528	500,273
Total liabilities and shareholders' equity	₩1,622,774	₩1,636,651	\$ 1,554,679	\$1,567,972

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

Daewoo International Corporation
Non-Consolidated Statements of Income
Years Ended December 31, 2004 and 2003

<i>(in millions of Korean won, in thousands of U.S.dollars (Note 3))</i>	2004	2003	2004	2003
Sales (Notes 24, 26 and 27)	₩5,017,210	₩4,130,698	\$4,806,678	\$3,957,365
Cost of sales (Notes 24 and 27)	4,552,028	3,763,141	4,361,016	3,605,232
Gross profit	465,182	367,557	445,662	352,133
Selling and administrative expenses (Note 25)	369,154	289,547	353,664	277,397
Operating income (Notes 26 and 27)	96,028	78,010	91,998	74,736
Non-operating income				
Interest income	20,826	15,753	19,952	15,092
Dividend income	279	2,247	267	2,153
Rental income	2	3	2	3
Commission income	34	349	33	334
Gain on foreign currency transactions	68,623	188,700	65,743	180,782
Gain on foreign currency translation	72,865	12,765	69,807	12,229
Recovery of allowance for doubtful accounts	1,942	3,741	1,861	3,584
Refund of income taxes	-	450	-	431
Gain on valuation currency forwards (Note 14)	5,645	1,907	5,408	1,827
Gain on valuation commodity futures (Note 14)	3,613	2,422	3,461	2,320
Gain on currency forwards transactions	27,723	-	26,560	-
Gain on commodity options transactions (Note 14)	50	-	48	-
Gain on commodity futures transaction	-	16,139	-	15,462
Gain on disposal of investment assets	8,195	18,285	7,851	17,518
Gain on valuation of equity-method investments (Note 7)	57,988	53,699	55,555	51,446
Gain on disposal of property, plant and equipment	38,550	142	36,932	136
Gain on disposal of intangible assets	-	5	-	5
Recovery of reserve for contingencies	314	489	301	468
Gain on cancellation of debts	-	7,603	-	7,284
Miscellaneous	950	1,665	910	1,595
	307,599	326,364	294,691	312,669

Daewoo International Corporation
Non-Consolidated Statements of Income
Years Ended December 31, 2004 and 2003

<i>(in millions of Korean won, in thousands of U.S. dollars (Note 3))</i>	2004	2003	2004	2003
Non operating expenses				
Interest expense	₩ 35,339	₩ 57,872	\$ 33,856	\$ 55,444
Loss on disposal of trade accounts receivable	17,970	12,067	17,216	11,561
Loss on valuation of inventories	-	3,470	-	3,324
Loss on foreign currency transactions	82,669	190,144	79,200	182,165
Loss on foreign currency translation	60,338	20,332	57,806	19,479
Loss on valuation of currency forwards (Note 14)	4,530	1,983	4,340	1,900
Loss on valuation of commodity futures (Note 14)	2,933	31,217	2,810	29,907
Loss on commodity futures transactions	15,744	25,641	15,083	24,565
Loss on currency forwards transactions (Note 14)	17,555	-	16,818	-
Loss on commodity option transactions	1	-	1	-
Loss from redemption of borrowings	502	902	481	864
Loss on impairment of investment securities (Note 7)	-	2,954	-	2,830
Loss on disposal of investment assets	-	4,362	-	4,179
Loss on disposal of property, plant and equipment	420	966	402	925
Donations	52	34	50	32
Factory transfer expense	6,237	-	5,975	-
Miscellaneous	2,055	1,971	1,969	1,888
	<u>246,345</u>	<u>353,915</u>	<u>236,007</u>	<u>339,063</u>
Ordinary income	157,282	50,459	150,682	48,342
Extraordinary gain	2,131	21,297	2,042	20,403
Income before income taxes	159,413	71,756	152,724	68,745
Income tax expense (Note 22)	45,360	17,279	43,457	16,554
Net income	<u>₩ 114,053</u>	<u>₩ 54,477</u>	<u>\$ 109,267</u>	<u>\$ 52,191</u>
Per share data (In Korean won, US\$)				
Ordinary income per share (Note 23)	₩ 1,180	₩ 399	\$ 1.13	\$ 0.38
Earnings per share (Note 23)	₩ 1,202	₩ 578	\$ 1.15	\$ 0.55
Diluted ordinary income per share (Note 23)	₩ 1,175	₩ 397	\$ 1.13	\$ 0.38
Diluted earnings per share (Note 23)	₩ 1,198	₩ 575	\$ 1.15	\$ 0.55

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

Daewoo International Corporation

Non-Consolidated Statements of Appropriations of Retained Earnings

Years ended December 31, 2004 and 2003

(Dates of Appropriations: March 18, 2005 and March 19, 2004 for the years ended December 31, 2004 and 2003, respectively)

<i>(in millions of Korean won, in thousands of U.S. dollars (Note 3))</i>	2004	2003	2004	2003
Retained earnings before appropriations				
Unappropriated retained earnings carried over from prior year	₩ 9,589	₩ -	\$ 9,186	\$ -
Increase (Decrease) from valuation of equity-method investments (Note 7)	762	(4,705)	730	(4,508)
Net income	<u>114,053</u>	<u>54,477</u>	<u>109,267</u>	<u>52,191</u>
	<u>124,404</u>	<u>49,772</u>	<u>119,183</u>	<u>47,683</u>
Appropriations of retained earnings				
Legal reserve	1,661	-	1,591	-
Reserve for financial structure improvement	11,405	4,978	10,926	4,769
Reserve for business expansion	60,000	-	57,482	-
Discounts on stocks issued below par	33,559	35,205	32,151	33,728
Cash dividends	<u>16,606</u>	<u>-</u>	<u>15,909</u>	<u>-</u>
	<u>123,231</u>	<u>40,183</u>	<u>118,059</u>	<u>38,497</u>
Unappropriated retained earnings carried forward to subsequent year	<u>₩ 1,173</u>	<u>₩ 9,589</u>	<u>\$ 1,124</u>	<u>\$ 9,186</u>

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Daewoo International Corporation
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

(in millions of Korean won, in thousands of U.S.dollars (Note 3))

	2004	2003	2004	2003
Cash flows from operating activities				
Net income	₩ 114,053	₩ 54,477	\$ 109,267	\$ 52,191
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Accrual of severance benefits	10,558	11,252	10,115	10,780
Depreciation	10,623	10,171	10,177	9,744
Amortization	2,503	2,834	2,398	2,715
Interest expense	16,968	25,621	16,256	24,546
Interest income	(675)	(636)	(647)	(609)
Compensation expenses associated with stock option	135	-	129	-
Loss on disposal of trade accounts receivable	17,970	12,067	17,216	11,561
Loss (gain) on foreign currency translation, net	(12,520)	7,568	(11,995)	7,250
Loss (gain) on valuation of currency forwards, net	(1,114)	75	(1,067)	72
Loss (gain) on valuation of commodity futures, net	(680)	28,794	(651)	27,586
Gain on commodity option transactions, net	(48)	-	(46)	-
Gain on currency forwards transactions, net	(10,168)	-	(9,741)	-
Loss on commodity futures transactions	15,744	-	15,083	-
Loss on impairment of investment assets	-	2,954	-	2,830
Loss (gain) on disposal of investment assets	(8,195)	(13,923)	(7,851)	(13,339)
Loss (gain) on disposal of property, plant and equipment, net	(38,130)	824	(36,530)	789
Loss from redemption of borrowings	502	902	481	864
Gain on disposal of intangible assets	-	(5)	-	(5)
Gain on valuation of equity-method investments	(57,988)	(53,699)	(55,555)	(51,446)
Gain on insurance settlement	-	(815)	-	(781)
Recovery of reserve for contingencies	(314)	(489)	(301)	(468)
Gain on cancellation of debts	-	(28,086)	-	(26,907)
	<u>(54,829)</u>	<u>5,409</u>	<u>(52,529)</u>	<u>5,182</u>

Daewoo International Corporation
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

<i>(in millions of Korean won, in thousands of U.S. dollars (Note 3))</i>	2004	2003	2004	2003
Changes in operating assets and liabilities				
Trade accounts receivable	₩ 17,733	₩(104,316)	\$ 16,989	\$ (99,939)
Other accounts receivable	2,303	(17,090)	2,206	(16,373)
Accrued income	(305)	1,121	(292)	1,074
Advance payments	17,728	(22,877)	16,984	(21,917)
Prepaid expenses	1,981	2,928	1,898	2,805
Prepaid tax	-	1,435	-	1,375
Inventories	14,003	(4,438)	13,416	(4,252)
Long-term trade accounts receivable	21,623	17,902	20,716	17,151
Long-term other accounts receivable	(3,642)	(10)	(3,489)	(10)
Deferred income tax assets	45,360	(26,890)	43,457	(25,762)
Trade accounts payable	(1,836)	22,128	(1,759)	21,199
Deferred revenue	(17)	(7)	(16)	(7)
Advances received	(28,736)	22,477	(27,530)	21,534
Withholdings	40,433	45,413	38,736	43,507
Accrued expenses	(1,120)	(2,378)	(1,073)	(2,278)
Other accounts payable	17,529	7,684	16,793	7,362
Payment of severance benefits	(10,847)	(8,406)	(10,392)	(8,053)
Guarantee deposits received	(5)	(8,072)	(5)	(7,733)
Overseas operation translation credit(debit)	(474)	837	(454)	802
Reserve for contingencies	(6,538)	(5,569)	(6,264)	(5,335)
Dividend income	21,218	20,179	20,328	19,332
Other assets	(126)	(2,430)	(121)	(2,328)
	<u>146,265</u>	<u>(60,379)</u>	<u>140,128</u>	<u>(57,846)</u>
Net cash provided by (used in) operating activities	<u>205,489</u>	<u>(493)</u>	<u>196,866</u>	<u>(473)</u>

Daewoo International Corporation
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

(in millions of Korean won, in thousands of U.S. dollars (Note 3))

	2004	2003	2004	2003
Cash flows from investing activities				
Proceeds from short-term financial instruments	₩ 65,328	₩ 67,207	\$ 62,587	\$ 64,387
Acquisition of short-term financial instruments	(141,762)	-	(135,813)	-
Proceeds from short-term receivable	1,232	1,236	1,180	1,184
Payments for short-term receivable	(1,332)	(1,244)	(1,276)	(1,192)
Disposal of short-term investment securities	133	514	127	492
Decrease in currency forwards	29,631	2,151	28,388	2,061
Increase in currency forwards	(19,538)	(988)	(18,718)	(947)
Decrease in commodity futures	2,422	1,795	2,320	1,720
Increase in commodity futures	(46,960)	(1,053)	(44,989)	(1,009)
Decrease in commodity options	50	-	48	-
Increase in commodity options	(1)	-	(1)	-
Proceeds from long-term financial instruments	2	494	2	473
Acquisition of long-term financial instruments	(1,400)	(34)	(1,341)	(33)
Disposal of investment securities	4,397	15,805	4,212	15,142
Acquisition of investment securities	(75)	(2,530)	(72)	(2,424)
Disposal of equity-method investments	9,793	-	9,382	-
Acquisition of equity-method investments	(553)	-	(530)	-
Proceeds from guarantee deposits	17,638	59,261	16,898	56,774
Payments for guarantee deposits	(5,701)	(73,546)	(5,462)	(70,460)
Disposal of property, plant and equipment	123,740	29,653	118,548	28,409
Acquisition of property, plant and equipment	(50,223)	(29,541)	(48,116)	(28,301)
Disposal of intangible assets	-	5	-	5
Acquisition of intangible assets	(1,055)	(722)	(1,011)	(692)
Disposal of natural resources exploration investment	8,764	-	8,397	-
Acquisition of natural resources exploration investment	(36,394)	(910)	(34,867)	(872)
Net cash (used in) provided by investing activities	(41,864)	67,553	(40,107)	64,717

Daewoo International Corporation
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

<i>(in millions of Korean won, in thousands of U.S.dollars (Note 3))</i>	2004	2003	2004	2003
Cash flows from financing activities				
Proceeds from short-term borrowings	₩ 61,009	₩ -	\$ 58,449	\$ -
Repayment of short-term borrowings	(57,876)	(12,024)	(55,447)	(11,519)
Decrease in long-term other accounts payable	(2,029)	(376)	(1,944)	(360)
Proceeds from long-term guarantee deposits received	1,316	224	1,261	215
Repayments of long-term guarantee deposits received	(1,521)	(533)	(1,457)	(511)
Proceeds from disposal of treasury stock	-	148	-	142
Proceeds from long-term debts	2,164	-	2,073	-
Repayment of long-term debts	(13,593)	(75,775)	(13,023)	(72,595)
Repayment of current portion of long-term debts	(83,931)	(25,380)	(80,409)	(24,315)
Receipt of government subsidy	1,048	766	1,004	734
Disposal of government subsidy	(329)	(352)	(315)	(337)
Discount on stock issuance	(24)	(66)	(23)	(63)
Redemption of debt-to-equity swap liabilities	(319)	-	(306)	-
Net cash used in financing activities	(94,085)	(113,368)	(90,137)	(108,609)
Net increase(decrease) in cash and cash equivalents	69,540	(46,308)	66,622	(44,365)
Cash and cash equivalents(Note 29)				
Beginning of year	90,357	136,665	86,565	130,930
End of year	₩ 159,897	₩ 90,357	\$ 153,187	\$ 86,565

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

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

1. The Company

Daewoo International Corporation (the **Company**) was incorporated on December 27, 2000 after it was split-off from Daewoo Corporation. It is engaged in various business activities, such as export service, export agent service, intermediary trade, and manufacturing, distribution, and natural resource development. The primary products sold by the Company include transportation equipment, steels, metals, electronics, machinery, ships, chemicals, textiles, and special goods.

On March 23, 2001, the Company listed its shares on the Korean Stock Exchange. The par value of the Company's common stock outstanding as of December 31, 2004, amounted to W474,944 million.

As of December 31, 2004, the Company's major shareholder is Korea Asset Management Corporation (KAMCO), which owns 36.2% of the total outstanding shares.

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with 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 from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is not presented in the accompanying financial statements.

Accounting Estimates

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

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Application of the Statements of Korean Financial Accounting Standards

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

Cash and Cash Equivalents, and short term financial instruments

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less which have no material interest rate risk to be cash and cash equivalents.

Revenue Recognition

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

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on the aggregate estimated collectibility of individual accounts and historical experience. The Company increases the allowance for doubtful accounts when the written-off receivables are collected. The Company also recognizes the difference between the present value of future cash flows and book value of receivables as bad debt expenses when the receivables are restructured by the Company through a *work-out agreement, reorganization, and agreement between relevant parties.*

Inventories

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

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Investments in Affiliates and Other Investments

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be classified into one of three categories: trading, available-for-sale and held-to-maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the moving average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings provided by the independent credit rating agencies.

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

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

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

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

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

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Property, Plant and Equipment

The cost of property, plant and equipment includes purchase costs or manufacturing costs, incidental costs directly related to preparing the property, plant and equipment for use, and the discounted estimated costs to remove, dismantle or restore property, plant and equipment at the end of the estimated useful lives of the related assets, when these costs meet the conditions for the recognition of liabilities.

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

	Depreciation method	Estimated useful lives
Buildings and structures	Straight-line method	15 - 54 years
Others	Declining balance method	2 - 8 years

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

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment. In case the Company receives government subsidies, it is presented in the financial statements as a deduction of the related assets and it is offset with depreciation expense during the estimated useful life of the asset.

Leases

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

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

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Intangible Assets

Intangible assets, comprising development costs, mining rights and other intangible assets, are stated at cost, net of accumulated amortization. The amortization method and estimated useful lives are as follows:

	Amortization method	Estimated useful lives
Development costs	Straight-line method	5 years
Mining rights	Straight-line method	20 years
Other intangible assets	Straight-line method	5~20 years

Research and development costs are charged to current operations when incurred, and are included in operating expenses. Development costs directly relating to a new technology or a new products of which the estimated future benefits are probable are capitalized as intangible assets.

Amortization of development costs is computed using the straight-line method over five years from the commencement of commercial production of related products or use of the related technology.

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

Discounts on Debentures

Discounts on debentures are amortized over the repayment period using the effective interest rate method. Amortization is included in interest expense.

Accrued Severance Benefits

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

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

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

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Compensation Costs for Stock Options

Compensation costs for stock options granted to employees and executives are recognized on the basis of intrinsic value. Under the intrinsic value basis method, compensation costs for stock option plans are determined as the difference between compensation price of stock on closing date and exercise price. The difference is recognized as selling and general administrative expenses and long term accrued expenses in proportion during contract period. On the other hand, the variance of market value after contract period is recognized as expenses on accrual fiscal year or subtracted from related expenses.

Foreign Currency Translation

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

Present Value Discount

Receivables and payables arising from long-term installment transactions, long-term cash loans or borrowings and other similar transactions are stated at present value if the difference between the nominal value and present value is material. Such differences are presented as present value discounts and are directly deducted from the nominal value of the related receivables or payables. The present value discount account is amortized using the effective interest rate method and the resulting amortization is recorded as interest expense or interest income.

Restructuring of receivables and payables

When contract terms such as the principal amount, interest rate, and repayment terms are changed unfavorably against the creditor due to the commencement of a reorganization plan, procedures of composition, mutual agreements between debtors and creditors or other similar reasons, the related receivables and payables are stated at present value if the difference between the nominal value and present value is material. The difference between the nominal value and present value is recognized as bad debt expenses or gain from debts waived in current operations.

Translation of Foreign Currency Financial Statements

Accounts of overseas business branches and offices are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign currency financial statements of these foreign business branches or offices into Korean won, income and expenses are translated at the average exchange rate during the year and assets and liabilities are translated at the rate prevailing at the balance sheet date. Resulting translation gains and losses are offset against each other and the net amount is recorded as overseas business translation debits (credits), presented as capital adjustment in shareholders' equity. Overseas business translation debits (credits) are offset against subsequent overseas business translation debits (credits) until they are recognized as gains or losses at the time when the foreign business branches or offices are liquidated.

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Debt to be Converted to Equity

Debt to be converted to equity, which are scheduled to be converted into the Company's common stock, are recorded as a capital adjustment.

Derivatives

Derivative financial instruments for trading or hedging purposes are valued at estimated market price and resulting unrealized gains or losses are recognized in current operations.

Income Taxes

The Company recognizes deferred income tax assets and liabilities, which represent temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are computed on such temporary differences, including available net operating loss carryforwards and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred income tax assets are recognized when it is almost certain that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the year.

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

3. United States Dollar Amounts

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩1,043.8: US\$1, the exchange rate in effect on December 31, 2004. Such presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be converted, realized, or settled in U.S. dollars at this or any other rate.

The 2003 U.S. dollar amounts, which were previously expressed at ₩1,197.8:US\$1, the rate in effect on December 31, 2003, have been restated to reflect the exchange rate in effect on December 31, 2004.

4. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)

Type	Institutions	2004	2003
Short-term financial instruments			
Time deposits and others	Foreign Exchange Bank and other	₩ 2,390	₩ 6,449
Long-term financial instruments			
Key money deposit for checking accounts	Woori Bank and other	16	18
Severance insurance deposits	Kyobo Life Insurance and others	1,400	-
Severance insurance deposits	Kyobo Life Insurance and others	37,658	37,164
		<u>₩ 41,464</u>	<u>₩ 43,631</u>

As of December 31, 2004, ₩1,551 million of time deposits is restricted from withdrawal in relation to the business of Masan Department Store, and ₩839 million of time deposits is restricted from withdrawal as the issuance of performance bonds.

Key money deposit for checking accounts in long-term financial instruments is restricted for the maintenance of checking accounts, and severance insurance deposits can only be used for benefit payments to retirees (Note 2).

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

5. Receivables

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

<i>(in millions of Korean won)</i>	2004		
	Gross amount	Allowance for doubtful accounts	Carrying value
Trade accounts receivable	₩ 319,704	₩ (23,775)	₩ 295,929
Other accounts receivable	71,886	(42,692)	29,194
Accrued income	610	-	610
Advance payment	35,936	(11,600)	24,336
Prepaid expense	4,714	(1,862)	2,852
Short-term receivable	482	(14)	468
Long-term accounts receivable	32,468	(22,839)	9,629
Long-term other accounts receivable	45,742	(9,219)	36,523
	<u>₩ 511,542</u>	<u>₩ (112,001)</u>	<u>₩ 399,541</u>

<i>(in millions of Korean won)</i>	2003		
	Gross amount	Allowance for doubtful accounts	Carrying value
Trade accounts receivable	₩ 369,509	₩ (27,177)	₩ 342,332
Other accounts receivable	49,983	(12,470)	37,513
Accrued income	779	(474)	305
Advance payment	58,489	(16,608)	41,881
Prepaid expense	6,695	(1,862)	4,833
Short-term receivable	412	(16)	396
Long-term accounts receivable	78,403	(27,308)	51,095
Long-term other accounts receivable	28,658	(16,730)	11,928
	<u>₩ 592,928</u>	<u>₩ (102,645)</u>	<u>₩ 490,283</u>

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

6. Inventories

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

<i>(in millions of Korean won)</i>	2004	2003
Merchandise	₩ 61,469	₩ 69,352
Finished goods	3,310	3,867
Work-in-process	7,718	9,679
Raw materials	6,425	8,560
Supplies	198	263
Materials-in-transit	3,153	3,864
	<u>82,273</u>	<u>95,585</u>
Less : Allowence for doubtful inventories	(691)	-
	<u>₩ 81,582</u>	<u>₩ 95,585</u>

7. Investment Securities

Investment securities and equity-method investments as of December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004	2003
Short-term investment securities		
Held-to-maturity	<u>₩ 34</u>	<u>₩ 161</u>
Long-term investment securities		
Held-to-maturity	₩ 751	₩ 681
Available-for-sale -Capital investments	2,845	8,426
Available-for-sale -Marketable equity securities	4,566	3,178
Available-for-sale -Non-Marketable equity securities	12,991	13,376
	<u>₩ 21,153</u>	<u>₩ 25,661</u>
Equity-method investments	<u>₩ 517,853</u>	<u>₩ 493,159</u>

Investments in held-to-maturity securities which will mature within one year, are reclassified as short-term investment securities.

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Held-to-maturity

Held-to-maturity as of December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004		2003
	Acquisition cost	Carrying value	Carrying value
Public bonds	₩ 785	₩ 785	₩ 842

The maturities of the held-to-maturity as of December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Carrying value
Within 1 year	₩ 34
1 year ~ 5 years	751
	<u>₩ 785</u>

Available-for-sale -Capital investments

Available-for-sale -Capital investments as of December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004		2003
	Before valuation	Differences	Carrying value
Stock Market Stabilization Fund	₩ -	₩ -	₩ 5,581
Nok-san Dyeing Association	2,845	-	2,845
	<u>₩ 2,845</u>	<u>₩ -</u>	<u>₩ 8,426</u>

All equity-investments are accounted for at their acquisition costs, except for the Korea Stock Market Stabilization Fund which is stated at its carrying value. The difference between the market value and the acquisition cost of the investment in the Korea Stock Market Stabilization Fund is charged to capital adjustments.

Daewoo International Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Available-for-sale -Marketable equity securities (excluding equity-method investments)

Available-for-sale -Marketable equity securities as of December 31, 2004 and 2003, consist of the following:

	2004						2003
<i>(in millions of Korean won)</i>	No. of shares owned by the company	Percentage of ownership(%) as of Dec 31,2004	Acquisition cost	Market or net asset value	Valuation gain(loss)	Carrying value	Carrying value
Keangnam Enterprises, Ltd.							
- Preferred Stock	608,000	4.23 ¹	₩ 6,627 ²	₩ 4,031	₩ (2,596)	₩ 4,031	₩ 2,843
Shinsung Tongsang Co., Ltd.							
- Common Stock	8,005	0.06	40	10	(30)	10	20
Husteel Co., Ltd.							
- Common Stock	67,053	0.97	182	525	343	525	315
			₩ 6,849	₩ 4,566	₩ (2,283)	₩ 4,566	₩ 3,178

¹The ownership ratio of the preferred stock of Keangnam Enterprises, Ltd. was calculated on the assumption that all the preferred stocks will be converted into common stocks after the merger with Dae-a Engineering & Construction Co., Ltd.

²The fair value of the preferred stock of Keangnam Enterprises, Ltd. declined substantially in 2002, which is deemed to be permanent; thus, the differences between the acquisition costs of these investment securities and the fair values are recorded as loss on impairment of investment securities for the year ended December 31, 2002, amounting to ₩31,373 million.

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Available-for-sale -Non-Marketable equity securities (excluding equity-method investments)
Available-for-sale -Non-Marketable equity securities as of December 31, 2004 and 2003, consist of the following:

	2004				2003	
	No. of shares owned by the company	Percentage of owner ship(%) as of Dec 31,2004	Acquisition cost	Market or net asset value	Carrying value	Carrying value
<i>(in millions of Korean won)</i>						
Daewoo Logistics Co., Ltd.	19,000	19.00	₩ 95	₩ 284	₩ 95	₩ 95
The Korea Economic Daily Co., Ltd.	357,762	2.87	1,952	1,050	1,952	1,952
Korea Delphi Automotive Systems Corp.	1,835,520	7.70	9,178	15,640	9,178	9,178
Hanil Daewoo Cement Mfg. Co., Ltd.	300,000	15.00	135	1,006	135	135
Shinpoong Daewoo Pharma co., Ltd.	-	9.00	343	312	343	343
Chemcross Com.Inc.	200,000	1.27	226	195	226	226
CJ Philippines Incorporation	109,200	10.00	349	911	349	349
VSC-Posco Steel corp.	-	10.00	1	1,472	1	1
Daewoo Motors Beneficiary Certificate	-	-	705	705	705	705
Daewoo Motors Commercial Vehicle Beneficiary Certificate	-	-	7	7	7	-
Daewoo Motors Co., Ltd.	186,972	0.20	-	-	-	-
Daewoo Commercial Vehicle Co., Ltd.	-	-	-	-	-	8
3Eye System Co., Ltd.	38,400	16.00	800	-	-	-
Tongyang Orion Investment Securities Co., Ltd.	3,000,000	8.33	-	-	-	-
The Institute for Social Development and Policy Research	2,000	1.67	20	-	-	-
Xian Xiyu Express Co., Ltd.	-	50.00	2,121	-	-	-
Quingdao Puyoung Plastic Co., Ltd.	-	24.50	554	-	-	-
Pomatics Co., Ltd.	-	3.28	35	-	-	-
Daewoo (Malaysia) Sdn. Bhd.	380,000	100.00	48	-	-	-
Daewoo Canada Ltd.	4,000	100.00	17	-	-	-
N.I.Co., Ltd.	-	50.00	3,099	-	-	-
Daewoo (Thailand) Co., Ltd.	24,500	49.00	83	-	-	-
General Medicines Co., Ltd.	-	-	-	-	-	262
Tianjin Daewoo Paper mfg Co., Ltd.	-	-	-	-	-	122
Tezroc Sports Co.,Ltd	-	-	-	-	-	-
Nara Investment Banking Corp.	-	-	-	-	-	-
Nara Investment Banking Corp.(preferred shares)	-	-	-	-	-	-
Daewoo Dacom Communication SP.Z.O.O.	-	-	-	-	-	-
			₩ 19,768	₩ 21,582	₩ 12,991	₩ 13,376

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As the Company's ownership in General Medicines Co., Ltd. and Tianjin Daewoo Paper Manufacturing Co., Ltd. is more than 20% and the changes of the investment securities are significant, the Company applied the equity method on these investment securities for the year ended December 31, 2004.

In addition, the Company disposed of its non-marketable investment securities of Daewoo Dacom Communication Sp.z.o.o. For the non-marketable investment securities of Xian Xiyu Express Co., Ltd., Qingdao Puyoung Plastic Co., Ltd., 3Eye System Co., Ltd. and Pomatics Co., Ltd. and others, the Company recognized a loss on impairment of these investment securities in prior years.

Equity-method investments

Equity-method investments as of December 31, 2004 and 2003, consist of the following:

	2004			2003		
	No. of shares owned by the company	Percentage of ownership(%) as of Dec 31, 2004	Acquisition cost	Market or net asset value	Carrying value	Carrying value
<i>(in millions of Korean won)</i>						
Kyobo Life Insurance Co., Ltd.	4,440,000	24.00	₩ 124,188	₩ 303,061	₩ 303,061	₩ 251,222
Shanghai Jiaotong Dayu Express Co., Ltd.	-	50.00	4,160	7,074	7,074	7,872
Chengdu Chengyu Transportation Co., Ltd.	-	50.00	3,826	7,075	7,075	7,408
Myanmar Korea Timber International Ltd.	270	45.00	3,460	2,449	2,449	2,679
Kosvida Agrochemical Co., Ltd.	-	30.00	104	613	613	781
Shanghai Lansheng Daewoo Corporation	-	49.00	4,828	6,106	6,106	6,839
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	-	49.00	299	(222)	-	-
Hanjung Power Pty., Ltd.	16,455,224	49.00	-	7,211	7,211	7,125
Tianjin Jinwoo Transportation Co., Ltd.	-	50.00	3,587	3,180	3,180	3,548
Vogue Century Co., Ltd.	10,052,436	50.00	1,220	1,291	1,291	1,387
Korea LNG Ltd.	2,400	20.00	-	1,787	1,787	47
Daewoo International (America) Corporation	555,000	100.00	-	18,914	18,914	21,806
Daewoo International (Deutschland) GmbH.	-	100.00	2,496	2,531	2,531	2,930
Daewoo International (Japan) Corporation	9,600	100.00	4,809	4,450	4,450	4,874
Daewoo International Singapore Pte. Ltd.	3,500,000	100.00	2,371	2,020	2,020	2,173
Myanmar Daewoo International Ltd.	495	55.00	3,556	955	955	903
Daewoo El Salvador S.A. De C.V.	31,262	88.00	-	(3,392)	-	-

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	2004				2003	
	No. of shares owned by the company	Percentage of owner- ship(%) as of Dec 31, 2004	Acquisition cost	Market or net asset value	Carrying value	Carrying value
<i>(in millions of Korean won)</i>						
Daewoo Cement (Shandong) Co., Ltd.	-	100.00	37,422	61,232	61,232	82,240
Gezira Tannery Co., Ltd.	6,000	60.00	-	(796)	-	-
Daewoo (China) Co., Ltd.	-	100.00	15,099	28,251	28,251	26,378
Myanmar Daewoo Ltd.	2,826	100.00	976	4,907	4,907	4,794
Daewoo Textile Company	-	100.00	-	(53,531)	-	-
Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	-	84.06	5,204	(2,113)	-	2,402
Daewoo Paper Manufacturing Co., Ltd.	-	59.92	9,666	16,535	16,535	13,371
Daewoo Unitel Company	-	100.00	10,151	31,199	31,199	31,199
Daewoo Textile (H.K) Ltd.	780,000	100.00	-	(4,366)	-	-
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	-	100.00	1,844	3,145	3,145	3,969
Daewoo Italia S.R.L.	2,040,000	100.00	2,119	986	986	1,065
PT Rismar Daewoo Apparel	35,260	88.15	-	1,425	1,425	712
Tianjin Daewoo Paper Manufacturing Co., Ltd.	-	50.94	674	189	189	122
General Medicines Co., Ltd.	1,650	33.00	262	1,267	1,267	262
Myanmar Daewoo Construction Machinery Co., Ltd.	297	55.00	465	(428)	-	-
Daewoo Heavy Industries Yantai Co., Ltd.	-	20.00	-	-	-	2,084
Daewoo Pakistan Express Bus Service Co., Ltd.	-	-	-	-	-	3,351
			₩ 242,786	₩ 453,005	₩ 517,853	₩ 493,543

The Company excluded its investments in Daewoo Unitel Company from the application of the equity-method of accounting as it entered into a stock disposal agreement for this investment. Further, the Company also disposed of its equity-method investment securities in Daewoo Pakistan Express Bus Service Co., Ltd. and Daewoo Heavy Industries Yantai Co., Ltd. And as mentioned earlier, the Company applied the equity-method on its investments in General Medicines Co., Ltd. and Tianjin Daewoo Paper Manufacturing Co., Ltd. as its ownership in both investments is more than 20%.

The securities of Kyobo Life Insurance Co., Ltd. and Daewoo Cement (Shandong) Co., Ltd. are pledged as collaterals in relation to various borrowings and guarantee obligations (Note 13).

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Details of equity-method investment valuation as of December 31, 2004 and 2003, are as follows:

(in millions of Korean won)	2004						Balance as of Dec. 31, 2004
	Balance as of Jan. 1, 2004	Gain (loss) on valuation of equity-method investment	Acquisitions during the period	Dividend/capital reduction	Retained earnings	Capital adjustments	
Kyobo Life Insurance Co., Ltd.	₩ 251,222	₩ 39,048	₩ -	₩ (5,550)	₩ 34	₩ 18,307	₩ 303,061
Shanghai Jiaotong Dayu Express Co., Ltd.	7,872	678	-	(458)	-	(1,018)	7,074
Chengdu Chengyu Transportation Co., Ltd.	7,408	1,382	-	(703)	-	(1,012)	7,075
Myanmar Korea Timber International Ltd.	2,679	(77)	-	-	-	(153)	2,449
Kosvida Agrochemical Co., Ltd.	781	19	-	(86)	-	(101)	613
Shanghai Lansheng Daewoo Corporation	6,839	169	-	(8)	-	(894)	6,106
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	-	185	-	(185)	-	-	-
Hanjung Power Pty., Ltd.	7,125	3,891	-	(2,746)	-	(1,059)	7,211
Tianjin Jinwoo Transportation Co., Ltd.	3,548	104	-	(24)	-	(448)	3,180
Vogue Century Co., Ltd.	1,387	92	-	-	-	(188)	1,291
Korea LNG Ltd.	47	12,265	-	(10,560)	-	35	1,787
Daewoo International (America) Corporation	21,806	(773)	-	-	-	(2,119)	18,914
Daewoo International (Deutschland) GmbH.	2,930	(228)	-	-	-	(171)	2,531
Daewoo International (Japan) Corporation	4,874	89	-	-	-	(513)	4,450
Daewoo International Singapore Pte. Ltd.	2,173	197	-	-	-	(350)	2,020
Myanmar Daewoo International Ltd.	903	192	-	-	-	(140)	955
Daewoo El Salvador S.A. De C.V.	-	-	-	-	-	-	-
Daewoo Cement (Shandong) Co., Ltd.	82,240	(6,626)	-	-	-	(14,382)	61,232
Gezira Tannery Corporation	-	-	-	-	-	-	-
Daewoo (China) Co., Ltd.	26,378	7,275	-	(230)	-	(5,172)	28,251
Myanmar Daewoo Ltd.	4,794	924	-	-	-	(811)	4,907
Daewoo Textile Company	-	-	-	-	-	-	-
Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	2,402	(2,195)	-	-	-	(207)	-

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	2004						
<i>(in millions of Korean won)</i>	Balance as of Jan. 1, 2004	Gain (loss) on valuation of equity- method investment	Acquisitions during the period	Dividend/ capital reduction	Retained earnings	Capital adjustments	Balance as of Dec. 31, 2004
Daewoo Paper Manufacturing Co., Ltd.	13,371	3,335	-	(564)	-	393	16,535
Daewoo Unitel Company	31,199	-	-	-	-	-	31,199
Daewoo Textile (H.K.) Ltd.	-	-	-	-	-	-	-
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	3,969	(210)	-	(104)	-	(510)	3,145
Daewoo Italia S.R.L.	1,065	53	-	-	-	(132)	986
PT Rismar Daewoo Apparel	712	1,159	-	-	-	(446)	1,425
Tianjin Daewoo Paper Manufacturing Co., Ltd.	122	(98)	553	-	(405)	17	189
General Medicines Co., Ltd.	262	38	-	-	1,422	(455)	1,267
Myanmar Daewoo Construction Machinery Co., Ltd.	-	-	-	-	-	-	-
Daewoo Heavy Industries Yantai Co., Ltd.	2,084	(2,900)	-	-	-	816	-
Daewoo Pakistan Express Bus Service Co., Ltd.	3,351	-	(3,351)	-	-	-	-
	<u>₩ 493,543</u>	<u>₩ 57,988</u>	<u>₩ (2,798)</u>	<u>₩ (21,218)</u>	<u>₩ 1,051</u>	<u>₩ (10,713)</u>	<u>₩ 517,853</u>

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	2003						Balance as of Dec. 31, 2003
	Balance as of Jan. 1, 2003	Gain (loss) on valuation of equity-method investment	Acquisitions during the period	Dividend/capital reduction	Retained earnings	Capital adjustments	
<i>(in millions of Korean won)</i>							
Kyobo Life Insurance Co., Ltd.	₩252,527	₩43,244	₩ -	₩ (5,550)	₩ (6,490)	₩ (32,509)	₩251,222
Shanghai Jiaotong Dayu Express Co., Ltd.	8,258	515	-	(642)	-	(259)	7,872
Chengdu Chengyu Transportation Co., Ltd.	8,398	820	-	(869)	-	(941)	7,408
Myanmar Korea Timber International Ltd.	2,212	153	-	-	-	314	2,679
Kosvida Agrochemical Co., Ltd.	781	16	-	-	-	(16)	781
Shanghai Lansheng Daewoo Corporation	7,132	(277)	-	-	-	(16)	6,839
Shanghai Waigaogiao Free Trade Zone Lansheng DW Int 貿易 Trading Co., Ltd.	518	(133)	-	-	-	(385)	-
Hanjung Power Pty., Ltd.	-	4,381	-	(1,916)	-	4,660	7,125
Taijin Jinwoo Transportation Co., Ltd.	3,681	(125)	-	-	-	(8)	3,548
Vogue Century Co., Ltd.	1,326	64	-	-	-	(3)	1,387
Korea LNG Ltd.	60	9,462	-	(9,555)	-	80	47
Daewoo International (America) Corporation	21,789	(13)	-	-	-	30	21,806
Daewoo International (Deutschland) GmbH.	2,350	77	-	-	-	503	2,930
Daewoo International Singapore Pte. Ltd.	-	(280)	2,371	-	-	82	2,173
Daewoo International (Japan) Corporation	4,751	(377)	-	-	-	500	4,874
Myanmar Daewoo International Ltd.	1,244	(199)	-	(136)	-	(6)	903
Daewoo El Salvador S.A. De C.V.	-	-	-	-	-	-	-
Daewoo Cement (Shandong) Co., Ltd.	86,547	(12,993)	-	-	-	8,686	82,240
Gezira Tannery Corporation	-	-	-	-	-	-	-
Daewoo (China) Co., Ltd.	24,808	1,634	-	-	-	(64)	26,378
Myanmar Daewoo Ltd.	4,062	739	-	-	-	(7)	4,794
Daewoo Textile Company	-	-	-	-	-	-	-
Suzhou Jinwoo Weaving Printing & Dyeing Co., Ltd.	4,004	(1,582)	-	-	-	(20)	2,402

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(in millions of Korean won)	2003						Balance as of Dec. 31, 2003
	Balance as of Jan. 1, 2003	Gain (loss) on valuation of equity-method investment	Acquisitions during the period	Dividend/capital reduction	Retained earnings	Capital adjustments	
Daewoo Paper Manufacturing Co., Ltd.	7,901	3,591	-	(813)	-	2,692	13,371
Daewoo Unitel Company	25,234	5,989	-	-	-	(24)	31,199
Daewoo Textile (H.K.) Ltd.	-	-	-	-	-	-	-
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	2,874	(107)	-	(230)	-	1,432	3,969
Daewoo Italia S.R.L.	-	645	-	-	-	420	1,065
PT Rismar Daewoo Apparel	2,635	(1,545)	-	(469)	-	91	712
Myanmar Daewoo Construction Machinery Co., Ltd.	-	-	-	-	-	-	-
Daewoo Heavy Industries Yantai Co., Ltd.	2,084	-	-	-	-	-	2,084
Daewoo Pakistan Express Bus Service Co., Ltd.	3,351	-	-	-	-	-	3,351
	<u>₩478,527</u>	<u>₩ 53,699</u>	<u>₩ 2,371</u>	<u>₩ (20,180)</u>	<u>₩ (6,490)</u>	<u>₩ (14,768)</u>	<u>₩493,159</u>

Investments in equity securities of Daewoo Pakistan Express Bus Service Co., Ltd. were disposed of in January 2004. The book value of the securities was ₩ 3,351 million as of December 31, 2003.

Eliminated unrealized profit arising from sales between the company and equity-method investee is ₩ 2,825 million in 2004.

The unrecorded accumulated unrealized loss of the investees excluded from the application of equity method of accounting amounted to ₩ 64,848 million in 2004.

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As of December 31, 2004 and 2003, the changes in gain on valuation of investments in equity securities recorded as capital adjustments are as follows:

<i>(in millions of Korean won)</i>	Balance as of Jan. 1, 2004	Increase (decrease)	Balance as of Dec. 31, 2004
Kyobo Life Insurance Co., Ltd.	₩ 487	₩ 18,307	₩ 18,794
Shanghai Jiaotong Dayu Express Co., Ltd.	2,370	(1,018)	1,352
Chengdu Chengyu Transportation Co., Ltd.	2,631	(1,012)	1,619
Myanmar Korea Timber International Ltd.	(1,149)	(153)	(1,302)
Kosvida Agrochemical Co., Ltd.	427	(101)	326
Shanghai Lansheng Daewoo Corporation	1,816	(894)	922
Hanjung Power Pty., Ltd.	9,222	(1,059)	8,163
Tianjin Jinwoo Transportation Co., Ltd.	(313)	(448)	(761)
Vogue Century Co., Ltd.	(30)	(188)	(218)
Korea LNG Ltd.	112	35	147
Daewoo International (America) Corporation	(1,182)	(2,119)	(3,301)
Daewoo International (Deutschland) GmbH.	659	(171)	488
Daewoo International (Japan) Corporation	552	(513)	39
Daewoo International Singapore Pte. Ltd.	82	(350)	(268)
Myanmar Daewoo International Ltd.	(2,386)	(140)	(2,526)
Daewoo Cement (Shandong) Co., Ltd.	44,019	(14,382)	29,637
Daewoo (China) Co., Ltd.	10,225	(5,172)	5,053
Myanmar Daewoo Ltd.	2,871	(811)	2,060
Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	207	(207)	-
Daewoo Paper Manufacturing Co., Ltd.	(7,036)	393	(6,643)
Daewoo Unitel Company	1,698	-	1,698
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	2,347	(510)	1,837
Daewoo Italia S.R.L.	420	(132)	288
PT Rismar Daewoo Apparel	1,359	(446)	913
Tianjin Dawoo Paper Manufacturing Co., Ltd.	-	17	17
General Medicines Co., Ltd.	-	(455)	(455)
Daewoo Heavy Industries Yantai Co., Ltd.	(816)	816	-
Daewoo Pakistan Express Bus Service Co., Ltd.	(169)	169	-
	₩ 68,423	₩ (10,544)	₩ 57,879

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8. Short-term Receivable

The Company has short-term loans, which primarily consist of housing loans to employees.

9. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2004 and 2003, are as follows:

(in millions of Korean won)	2004				
	Land	Buildings & structures	Machinery & equipment	Others	Total
Acquisition cost as of January 1, 2004	₩ 121,720	₩ 97,171	₩ 57,686	₩ 69,893	₩ 346,470
Acquisition during the year	49	1,622	3,669	44,882	50,222
Transfer	-	57,975	10,060	(68,218)	(183)
Disposal	(74,961)	(19,201)	(12,191)	(10,554)	(116,907)
Acquisition cost as of December 31, 2004	46,808	137,567	59,224	36,003	279,602
Accumulated depreciation	-	(9,158)	(38,801)	(26,435)	(74,394)
Government subsidy	-	-	(31)	(12)	(43)
Balance as of December 31, 2004	₩ 46,808	₩ 128,409	₩ 20,392	₩ 9,556	₩ 205,165
Depreciation during the year	₩ -	₩ (2,642)	₩ (4,000)	₩ (3,981)	₩ (10,623)

(in millions of Korean won)	2003				
	Land	Buildings & structures	Machinery & equipment	Others	Total
Acquisition cost as of January 1, 2003	₩ 132,125	₩ 116,171	₩ 55,447	₩ 55,304	₩ 359,047
Acquisition during the year	80	840	724	27,897	29,541
Transfer	14	-	3,430	(1,261)	2,183
Disposal	(10,499)	(19,840)	(1,915)	(12,047)	(44,301)
Acquisition cost as of December 31, 2003	121,720	97,171	57,686	69,893	346,470
Accumulated depreciation	-	(15,618)	(48,905)	(30,526)	(95,049)
Government subsidy	-	-	(16)	(4)	(20)
Balance as of December 31, 2003	₩ 121,720	₩ 81,553	₩ 8,765	₩ 39,363	₩ 251,401
Depreciation during the year	₩ -	₩ (3,042)	₩ (4,576)	₩ (2,553)	₩ (10,171)

As of December 31, 2004, certain portions of the Company's property, plant and equipment are insured against fire and other casualty losses up to approximately ₩315,009 million.

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As of December 31, the company's land was valued by local government in Korea for property tax assessment purposes at ₩57,587 million (2003 : ₩102,485 million).

Government Subsidy

Details of government subsidies as of December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Balance as of Jan. 1, 2004	Increase	Decrease	Balance as of Dec. 31, 2004
Government subsidy	₩ 170	₩ 1,048	₩ 631	₩ 587

The Company received the above government subsidy from the Small and Medium Business Administration and other institutions for the purpose of doing manufacturing research and purchasing new assets required in its research and development. The said government subsidies were either offset against the related expenses or shown as a deduction from the related property, plant and equipment or intangible assets. These were offset against the cash and cash equivalents balance.

10. Intangible Assets

Changes in intangible assets for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004				
	Industrial property rights	Development cost	Mining rights	Others	Total
Acquisition cost as of January 1, 2004	₩ 1,397	₩ 1,923	₩ 34,896	₩ 1,044	₩ 39,260
Acquisition during the year	136	919	-	183	1,238
Disposal/Transfer	-	-	(3,439)	(2)	(3,441)
Acquisition cost as of December 31, 2004	1,533	2,842	31,457	1,225	37,057
Accumulated amortization	(1,121)	(1,342)	(8,809)	(944)	(12,216)
Accumulated impairment	-	(117)	-	-	(117)
Government subsidy	-	(516)	-	-	(516)
Balance as of December 31, 2004	₩ 412	₩ 867	₩ 22,648	₩ 281	₩ 24,208
Amortization during the year	₩ (276)	₩ (54)	₩ (2,163)	₩ (10)	₩ (2,503)

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(in millions of Korean won)	2003				
	Industrial property rights	Development cost	Mining rights	Others	Total
Acquisition cost as of January 1, 2003	₩ 1,261	₩ 1,444	₩ 34,972	₩ 937	₩ 38,614
Acquisition during the year	136	479	-	107	722
Disposal/Transfer	-	-	(76)	-	(76)
Acquisition cost as of December 31, 2003	1,397	1,923	34,896	1,044	39,260
Accumulated amortization	(845)	(1,285)	(6,646)	(933)	(9,709)
Accumulated impairment	-	(117)	-	-	(117)
Government subsidy	-	(264)	-	-	(264)
Balance as of December 31, 2003	₩ 552	₩ 257	₩ 28,250	₩ 111	₩ 29,170
Amortization during the year	₩ (249)	₩ (335)	₩ (2,250)	₩ -	₩ (2,834)

Details of research and development cost incurred for the year ended December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	2004	2003
Expensed	₩ 153	₩ 57
Capitalized	919	479
	₩ 1,072	₩ 536

11. Short-Term Borrowings

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

(in millions of Korean won)	Creditor	Annual Interest rates (%) as of Dec. 31, 2004	2004	2003
L/C Banker's Usance	Woori Bank and others	1.2 ~ 4.9	₩ 11,230	₩ 7,346
Others	Korea Resources Corp. and Others	0.0 ~ 5.0	-	750
			₩ 11,230	₩ 8,096

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The Company's property, plant and equipment are pledged as collaterals for the above borrowings (Note 13).

Current portion of long-term debts as of December 31, 2004 and 2003, consists of the following:

<i>(in millions of Korean won)</i>	Creditor	Annual interest rates (%) as of Dec. 31, 2004	2004	2003
Work-out debts from banks and others	KAMCO and others	3Y Gov [₩] bond rate + 1.5 3 M Libor + 1.0	₩ 63,115	₩ 82,314
Other foreign currency debts	Korea National Oil Corporation and others	5.0 ~ 6.4	1,410	4,325
Long-term accrued expenses	Nara investment Bank and others	-	135	251
Corporate bonds	1 st Public offered	9.0	24,285	-
			88,945	86,890
Less : Present value discount account			(9,398)	(11,051)
Less : Discounts on debentures			(73)	-
			<u>₩ 79,474</u>	<u>₩ 75,839</u>

12. Long-Term Debts

Debentures

As of December 31, 2003, outstanding debentures representing corporate bonds amounted to ₩23,900 million, net of discount of ₩395 million.

The corporate bonds presented above were issued as a replacement of the long-term debts in accordance with the agreement with the creditors. In connection with these corporate bonds, the Company entered into a payment guarantee insurance contract with Seoul Guarantee Insurance Corporation. As of December 31, 2004, the corporate bonds are reclassified under the current portion of long-term debts.

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

<i>(in millions of Korean won)</i>	Annual interest rates (%)	2004	2003
Won currency debts			
Work-out debts from banks and others	3Y Gov [₩] bond rate + 1.5	₩ 274,609	₩ 344,851
Other Won currency debts	-	2,887	2,887
		<u>277,496</u>	<u>347,738</u>
Foreign currency debts			
Work-out debts from banks and others	3 M Libor + 1.0	104,935	120,157
	6M EURIBOR+0.45		
Other foreign currency debts	5.0 ~ 6.4	2,905	21,438
		<u>107,840</u>	<u>141,595</u>
		385,336	489,333
		<u>(91,608)</u>	<u>(107,886)</u>
Less : Present value discount		<u>₩293,728</u>	<u>₩381,447</u>

The Company [₩]property, plant and equipment are pledged as collaterals for the above borrowings (Note 13).

The aggregate annual maturities of long-term debts outstanding as of December 31, 2004, exclusive of adjustments relating to discounts, are as follows:

<i>(in millions of Korean won)</i>	Amounts¹
Period	
January 1, 2006~ December 31, 2006	₩ 71,468
January 1, 2007~ December 31, 2007	33,050
January 1, 2008~ December 31, 2008	67,689
January 1, 2009~ December 31, 2009	27,964
After January 1, 2010	180,507
	<u>₩ 380,678</u>

¹Repayment terms of work-out debts amounting to ₩4,658 million, which is included in long-term debts of Company, will be determined after the Company [₩]negotiation with the committee of creditor banks. This amount is not included in the table of annual maturities above.

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13. Collateral and Surety Obligations

Collateral for Liabilities

As of December 31, 2004, shares of stock of Kyobo Life Insurance Co., Ltd. with a carrying value of ₩303,061 million are pledged as collateral to Korea Asset Management Corporation for the Company's short-term and long-term debts.

In addition, the Company has pledged the mining right of the 8th mine in Peru as collateral for the debts used to finance the 8th mine exploitation in Peru to Korea National Oil Corp.

As of December 31, 2004, the Company has pledged its buildings and land with a carrying value of ₩91,257 million as collateral for certain domestic bank loans.

Guaranty Obligations

The obligations of the Company as payment guarantor as of December 31, 2004, are as follows:

Creditor	Debtor	Amounts (in thousands)	Year of expiration
Chungdo Bank	Daewoo Paper Manufacturing Co., Ltd.	US\$ 1,000	2005
Export-Import Bank of Korea	Daewoo Cement (Shandong) Co., Ltd.	US\$ 57,179	2017
CALYON	Daewoo Cement (Shandong) Co., Ltd.	EUR 41,431	2017
Export-Import Bank of Korea	Hanjung Power Pty. Ltd.	US\$ 16,250	2010
Export-Import Bank of Korea	Hanjung Power Pty. Ltd.	US\$ 3,857	2008
Woori Bank	Suzhou Jinwoo Weaving Printing & Dyeing	US\$ 2,900	2006
KAMCO	Hainan Haiwoo Tin plate Industry Co., Ltd.	US\$ 7,114	2010
Citi Bank and others	Korea LNG Limited.	US\$ 618	2005

All the principal debtors above are the Company's related parties, except for Hainan Haiwoo Tin Plate Industry Co., Ltd. The equity investment of ₩61,232 million in Daewoo (Shandong) Cement Co., Ltd. in China is pledged as collateral for these guaranty obligations (Note 24).

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14. Commitments and Contingencies

Contingent Liabilities Carried Over from Daewoo Corporation [₩]Prior to the Split-off

On July 22, 2000, Daewoo Corporation [₩]stockholders approved its split-off into three companies, namely: Daewoo Corporation; Daewoo Engineering and Construction Co., Ltd., (DECC), representing the construction division; and Daewoo International Corporation, representing the international trading division. Certain creditors approved of the split-off; some did not. Creditors who approved of the split-off entered into a work-out agreement on March 15, 2000, transferring certain Daewoo Corporation [₩]liabilities to the Company and to DECC, which resulted to the Company [₩]being a primary debtor or surety for carried-over liabilities. However, some of the creditors who did not approve of the split-off filed lawsuits, which later consolidated into a single lawsuit against the Company to cancel split-off. In January and February 2004, through amicable agreements, the said lawsuit was voluntarily withdrawn.

With regard to the probable claims on the liabilities from both agreeing and disagreeing creditors, the Company projected ₩76,576 million as the amount of contingent liabilities on the basis of the agreement proposal and all of the other information. The Company reflected this amount on the reserve for contingencies in the non-consolidated financial statements as follows:

(in millions of Korean won)

	Creditors	Debt amount	Reserve amount ¹
Domestic creditors	Domestic bondholders of Daewoo Corp. and others	₩ 10,863	₩ 1,915
Overseas creditors	EXIM India and others	562,910	74,660
		<u>₩ 573,773</u>	<u>₩ 76,575</u>

¹The total amount of contingent liabilities was allocated between the Company and Daewoo Engineering & Construction, Co., Ltd. in an appropriate proportion.

In May 2002, Industrial Development Bank of India (IDBI), a creditor of Daewoo Motors India Ltd. (DMIL), to which Daewoo Corporation provided a suretyship obligation, filed a lawsuit in the court of Delhi/Mumbai against DMIL to exercise the right to dispose of its assets and to settle the related obligations. IDBI included the Company and Daewoo Engineering & Construction Co., Ltd in its lawsuit. Additionally, Export-Import Bank of India (EXIM India) and ICICI Bank, creditors of DMIL, were involved in a subsequent lawsuit to invalidate the split-off. However, due to the voluntary withdrawal of the lawsuit by all the original plaintiffs in January and February 2004, they no longer have an impact as of the audit report date. Accordingly, the Company projected and reflected the amount in the contingent liabilities with regard to the probable loss from the obligations.

The Company agreed and paid ₩4,822 million in cash for the claim settlement of the guarantee paid by AMEX Bank. The reversal of reserve for contingencies for the contingent liability for Capital Bank amounting to ₩314 million was done due to initiation of DCL [₩]bankruptcy procedures.

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In addition, Nara Investment Bank, Inc., who participated in the work-out agreement, disagreed to the adjusted amount of the Company's debt. Nara Investment Bank, Inc. filed a lawsuit against the Company for the full return of its receivables.

Furthermore, Daewoo Corporation's unsettled tax liabilities, prior to the split-off, should be carried over to the newly established entity under the Korean Tax Law.

Pending litigations

The Company has 13 pending lawsuits as a defendant with an aggregate amount of claims of ₩13,684 million, US\$ 12,973 thousand and EUR 12,300 thousand as of December 31, 2004.

However, EXIM India, IDBI and Indusind Bank, who joined the lawsuit to invalidate the split-off of Daewoo Corporation as parties-in-interest, have requested the first instance court to set a hearing date against an anticipated decision by the court dismissing the lawsuit, although they no longer have a standing due to the voluntary withdrawal of the lawsuit by all the original plaintiffs.

The Company has six pending lawsuits in which it is involved as a plaintiff as of December 31, 2004.

The ultimate outcome of these lawsuits cannot presently be determined. However, management does not expect that the resolution of these matters will have a material impact on the financial position or results of operations of the Company.

Covenant for Checking Accounts

The Company has entered into covenants that limit the overdraft with ChoHung Bank and others up to ₩12,199 million in relation to its checking accounts. There is no outstanding balance of overdraft as of December 31, 2004. In addition, the L/C nego receivables and D/A nego receivables that the Company obtained from overseas customers have been sold to financial institutions. The following table presents the L/C Nego and D/A Nego whose payments are not yet due:

*(in millions of Korean won, in
thousands of foreign currency)*

Currency	L/C Nego	D/A Nego
AUD	-	239
CAD	-	13,684
EUR	3,524	26,141
JPY	217,707	5,591,093
US\$	151,961	105,097
KRW	2,814	-

Operating lease

The Company entered into an operating lease contract for copy machines with Daewoo Minolta Corporation, and the lease payments for the current year amount to ₩54 million.

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Covenants for Opening Letters of Credit

As of December 31, 2004, the Company has covenants with Korea First Bank and others regarding the opening of letters of credit (L/C) and other trading transactions as follows :

(in millions of Korean won, in thousands of US\$, in millions of AED)

	Bank	Credit line amount		Balance	
Local L/C	Kookmin Bank and others	US\$	44,517	US\$	37,357
	Woori Bank and others	₩	101,114	₩	78,874
L/C At sight	Woori Bank and others	US\$	86,274	US\$	72,892
	Citibank Korea Inc.	₩	12,000	₩	8,277
L/C Usance	Woori Bank and others	US\$	27,327	US\$	16,223
Aggregate credit line for L/C	Kookmin Bank and others	US\$	50,000	US\$	46,716
Aggregate credit line	Korea First Bank	₩	200,000	₩	109,331
D/A	Korea First Bank and others	US\$	203,767	US\$	144,719
P-BOND and others	Woori Bank and others	US\$	89,878	US\$	68,363
	Export-Import Bank of Korea	EUR	-	EUR	2,500
	Export-Import Bank of Korea and others	₩	-	₩	47,931
	Korea Exchange Bank	AED	-	AED	2,694
Guarantee received for debentures	Seoul Gurantee Insurance Company	₩	-	₩	24,285

Collateral

The Company has pledged 31 blank promissory notes, as well as other notes with an aggregate amount of ₩1,071 million as collateral in case of the non-fulfillment of contracts.

Derivatives

The Company has entered into currency forwards contracts and commodity futures contracts with Korea Development Bank and other financial institutions to hedge against foreign exchange risks and inventory price risks.

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Details of unsettled contracts for currency forwards and commodity futures are as follows:

Covenants

(in thousands of US\$)

	Bank	Credit line amount	Remarks
Currency Forwards	Korea Development Bank	US\$ 5,000	Limit of loss
	Woori Bank	50,000	Limit of transaction
	Pusan Bank	70,000	Limit of transaction
	Kookmin Bank	100,000	Limit of transaction
	Choheung Bank	123,000	Limit of transaction
		1,000	Limit of loss
	Standard Chartered Bank	10,000	Limit of transaction
	Korea First Bank	10,000	Limit of transaction
Commodity Futures	ADM	1,000	Initial Credit
		1,000	Variation Credit
	TRILAND	4,000	Variation Credit
		1,500	Initial Credit
	S.B.L	1,500	Variation Credit
		500	Initial Credit
	MAN	500	Variation Credit
		1,000	Initial Credit
	REFCO	1,000	Variation Credit
		1,000	Initial Credit
	SEMPRA	2,000	Variation Credit

Currency Forwards

(in millions of Korean won)

Commodity	Unsettled contractual amount		Valuation loss/profit
	Buy	Sell	
AUD	₩ 323	₩ 1,942	₩ (166)
CAD	1,501	2,965	5
EUR	65,267	77,928	(1,161)
GBP	-	601	(7)
JPY	43,029	51,134	(313)
USD	5,185	110,732	2,756
	<u>₩ 115,305</u>	<u>₩ 245,302</u>	<u>₩ 1,159</u>

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Commodity Futures

Open position

(in millions of Korean won)

Commodity	Unsettled contractual amount		Valuation loss/profit
	Buy	Sell	
Aluminum	₩ 5,141	₩ 21,906	₩ (495)
Tin	1,525	6,531	557
Copper	21,566	13,354	450
Cotton	6,526	1,518	39
	₩ 34,758	₩ 43,309	₩ 551

Unsettled clearance transaction

(in millions of Korean won)

Commodity	Unsettled contractual amount		Valuation loss/profit
	Buy	Sell	
Aluminum	₩ 3,721	₩ 3,770	₩ 48
Tin	1,206	1,258	52
Copper	3,894	3,923	29
	₩ 8,821	₩ 8,951	₩ 129

In 2004, the Company recognized ₩5,645 million in gain on valuation of currency forwards, ₩4,530 million in loss on valuation of currency forwards, ₩3,613 million in gain on valuation of commodity futures and ₩2,933 million as loss on valuation of commodity futures. In addition, the Company entered into commodity option contracts with financial institutions to hedge against inventory price risks. There is no unsettled contractual amounts as of December 31, 2004. In relation to the contracts, the Company recognized ₩50 million in gain on commodity option transactions and ₩1 million as loss on commodity option transactions for the year ended December 31, 2004.

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15. Stock Option

The company has a policy that employees or executives who have contributed or are expected to contribute to the management and technological innovations of the Company are entitled to be granted stock purchase options by the resolution of shareholders or the board of directors. During the year ended December 31, 2004, the Company provided stock purchase options to executives according to the resolution of the board of directors.

A summary of the terms of stock options granted is as follows:

Quantity¹ : 665,000
 Date of Grant² : October 29, 2004
 Exercise price per share¹ : ₩ 7,964

¹ The quantity and exercise price can be adjusted through the issuance of new shares, stock dividend, stock split-up or consolidation of stocks.

² The stock option has to be exercised within seven years from two years after the date of grant.

In addition, for the exercise of the pre-mentioned stock purchase options, all the conditions described below have to be met.

- A. The service period of employees or executives is more than two years after the date of grant.
- B. The average ratio of ordinary income to equity for two years after the date of grant is more than 16%.
- C. The increase rate of stock price for two years after the date of grant is more than 40%.
- D. Employees or directors accomplish their management objectives.

Compensation costs recognized as selling and administrative expense for the year ended December 31, 2004 amounted to ₩135 million. Future compensation costs related to the above stock option plans amount to ₩1,485 million.

16. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004	2003
Balance at the beginning of the year	₩ 39,109	₩ 36,263
Actual severance payments	(10,847)	(8,406)
Provision for severance benefits	10,558	11,252
	<u>38,820</u>	<u>39,109</u>
Cumulative deposits to the National Pension Fund	(1,162)	(1,530)
Severance insurance fund	(37,658)	(37,164)
Balance at the end of the year	<u>₩ -</u>	<u>₩ 415</u>

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17. Capital Stock and Capital Surplus

The Company is authorized to issue 500 million shares of common stock at a par value of ₩5000 per share. As of December 31, 2004, total outstanding common stock is 94,988,776 shares.

As of December 31, 2004 and 2003, capital stock and capital surplus consist of following:

<i>(in millions of Korean won)</i>	2004	2003
Capital Stock		
Common stock	₩ 474,944	₩ 472,924
Capital Surplus		
Other capital surplus	16	16

In addition, details of equity which was swapped for debts during the year ended December 31, 2004, are as follows:

(in millions of Korean won except for number of shares)

Date	Description	Number of shares	Amounts
2004. 1. 1	Beginning Balance	94,584,869	₩ 472,924
2004. 2. 25	Conversion	44,499	223
2004. 4. 13	Conversion	359,408	1,797
		<u>94,988,776</u>	<u>₩ 474,944</u>

Other capital surplus

Other capital surplus mainly consists of gain on disposal of treasury stock.

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18. Retained Earnings

Retained earnings as of December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Reserve for improvement of financial structure	₩ 4,977	₩ -
Retained earnings before appropriations	124,405	49,772
	<u>₩ 129,382</u>	<u>₩ 49,772</u>

Reserve for Improvement of Financial Structure

In accordance with the regulations regarding securities issuance and disclosure (formerly the provisions of the Financial Control Regulation for publicly listed companies), the Company is required to appropriate, as a reserve for improvement of financial structure, until its equity equals 30% of total assets. This reserve is not available for dividends, but may be transferred to capital stock, or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

Dividends

Dividends for the year ended December 31, 2004, are calculated as follows:

Calculation of dividend amount

<i>(in Korean won)</i>	2004
Number of shares	71,411,867 shares
eligible	23,576,909 shares
for dividend	<u>94,988,776 shares</u>
Dividend ratio	3%
	5%
	10,711,780,050
Dividend amount	5,894,227,250
	<u>16,606,007,300</u>

There were no dividends declared or paid during the year ended December 31, 2003.

Dividend Payout Ratio

2004
Dividend(A)
16,606,007,300
Net income(B)
114,053,022,088
Dividend payout ratio(A/B)
14.56%

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Dividend Yield Ratio

	2004	
	Shareholder owing over 1%	Shareholder owing under 1%
Dividend per share	₩ 150	₩ 250
Market price as of December 31	10,400	10,400
Dividend yield ratio	1.44%	2.40%

Offset of Accumulated Deficit

The Company's accumulated deficit as of December 31, 2002, was offset against the following additional paid-in capital amounts as approved by the shareholders on March 13, 2003:

(in millions of Korean won)

	2003
Additional paid-in capital	₩ 17,830
Other capital surplus	100
	₩ 17,930

19. Capital Adjustments

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

(in millions of Korean won)	2004	2003
Discount on stock issuance	₩ (33,560)	₩ (70,410)
Loss on valuation of investment securities (Note 7)	(2,283)	(652)
Cumulative unrealized gain on equity-method investments (Note 7)	57,879	68,423
Overseas operations translation credit (debit)	(3,324)	277
Debt to be converted to equity	1,690	1,836
	₩ 20,402	₩ (526)

Discount on Stock Issuance

As of December 31, 2004, discount on stock issuance, which is the balance after being offset against additional paid-in capital carried forward, will be amortized and charged against retained earnings.

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Debt to be converted to equity

The changes of the amount of debt to be converted to equity for the year ended December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Amount
Beginning balance	₩ 1,836
Increase	-
Decrease	(146)
Ending balance	<u>₩ 1,690</u>

20. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2004 and 2003, monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the accompanying footnotes, are as follows:

<i>(in millions of Korean won, foreign currencies in thousands)</i>	Assets	
	Foreign currency	Korean won equivalent
Cash and cash equivalents	EUR -	₩ -
	US\$ 1,635	1,706
Short-term financial instruments	US\$ 108,075	112,808
Trade accounts receivable	AUD 533	434
	CAD 1,009	874
	EUR 13,537	19,263
	GBP 257	516
	JPY 478,798	4,846
	US\$ 224,366	234,194
Other accounts receivable	US\$ 15,852	16,547
Advance payments	US\$ 19,482	20,335
Short-term receivable	US\$ 252	263
Long-term trade accounts receivable	US\$ 9,225	9,629
Long-term other accounts receivable	EUR 7,120	10,131
	US\$ 25,285	26,392
Guarantee deposits	US\$ 736	768
		<u>₩ 458,706</u>

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<i>(in millions of Korean won, foreign currencies in thousands)</i>	Liabilities	
	Foreign currency	Korean won equivalent
Trade accounts payable	AUD 175	₩ 143
	EUR 3,497	4,976
	JPY 538,769	5,453
	US\$ 255,056	266,228
Short-term borrowings	US\$ 7,030	7,338
Other accounts payable	EUR 87	124
	JPY 12,837	130
	US\$ 18,359	19,163
Withholdings	US\$ 29,098	30,372
Accrued expenses	US\$ 271	282
Current portion of long-term debts	US\$ 1,351	1,410
Guarantee deposits received	US\$ 5	5
Long-term debts	US\$ 41,095	42,895
	EUR 32,086	45,658
Long-term other accounts payable	US\$ 18,677	19,495
Reserve for contingencies	EUR 4,194	5,967
	INR 738,870	17,681
	PLZ 7,033	2,432
	US\$ 46,541	48,579
		<u>₩ 518,331</u>

21. Present Value Discount

Present Value Discount of Payables

Valuation at present value of liabilities which is based on the debt restructuring plan under the work-out agreement is as follows:

<i>(in millions of Korean won)</i>	Nominal gross amounts	Present value discounts	Discount on bonds issued	Net amounts
Long-term debts	₩ 385,336	₩ 91,608	₩ -	₩ 293,728
Current portion of long-term debts	88,945	9,398	73	79,474
	<u>₩ 474,281</u>	<u>₩ 101,006</u>	<u>₩ 73</u>	<u>₩ 373,202</u>

The current portion of long-term accrued expenses and corporate bonds are included in the current portion of long-term debts.

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Present Value Discount of Receivables

The Company valued long-term accounts receivable and other receivables at present value, and recognized the difference from nominal gross amounts as present value premiums (or discounts) in 2004. The detailed information is as follows:

<i>(in millions of Korean won)</i>	Daewoo Cement (Shandong) Co., Ltd.
Effective interest rate	6.09%
Nominal interest rate	6M Libor + 1%
Collection period	Installment collection for 11 year, with 4 year grace period from 2003
Nominal value	₩ 25,825
Present value discounts	(5,679)
Present value	20,146

22. Income Taxes

Income tax expenses for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Current income tax expenses	₩ -	₩ -
Deferred income taxes due to temporary differences	45,649	(25,404)
Deferred income tax expenses reconciled to capital	(289)	42,683
Income tax expenses	<u>₩ 45,360</u>	<u>₩ 17,279</u>

The reconciliations from income before income taxes to taxable income for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Income before income taxes	₩ 159,413	₩ 71,756
Accrued interest	135	244
Amortization of present value discount	17,930	25,427
Depreciation	-	97
Allowance for bad debt	14,418	21,017
Losses from valuation of marketable securities	-	(25,052)
Others	(86,092)	(74,892)
Taxable income	<u>₩ 105,804</u>	<u>₩ 18,597</u>

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

<i>(in millions of Korean won)</i>	Beginning balance	Increase (decrease)	Ending balance	Deferred income tax asset (liability)
Accrued severance benefit	₩ 26,494	₩ (4,351)	₩ 22,143	₩ 6,089
Retirement insurance premiums	(26,494)	4,351	(22,143)	(6,089)
Accrued income	(654)	135	(519)	(143)
Amortization of present value discounts	49,662	(19,782)	29,880	8,217
Depreciation expense	1,897	630	2,527	695
Allowance for bad debt	89,534	14,527	104,061	28,617
Debt-equity swap (investment securities)	7,864	-	7,864	2,163
Other accounts payable	6,892	16,770	23,662	6,507
Others	133,215	(178,276)	(45,061)	(12,392)
	<u>₩ 288,410</u>	<u>₩ (165,996)</u>	<u>₩ 122,414</u>	<u>₩ 33,664</u>

Tax Loss Carryforward

As of December 31, 2004, the Company has a corporate tax loss carryforward balance of ₩62,058 million but since the future profitability of the Company is uncertain, the deferred tax effect of the said loss carryforward is not recognized.

Income tax expense apportioned between ordinary and extraordinary income for the year ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004		2003	
	Income	Tax expenses	Income	Tax expenses
Ordinary income	₩ 157,281	₩ 45,360	₩ 50,459	₩ 12,837
Extraordinary income	2,132	-	21,297	4,442
	<u>₩ 159,413</u>	<u>₩ 45,360</u>	<u>₩ 71,756</u>	<u>₩ 17,279</u>

Income tax rate

The statutory income tax rate applicable to the Company, including resident tax surcharges, approximates 29.7%. The effective income tax rates applicable to the Company differs from the statutory income tax rate due to temporary differences in recognizing certain income and expenses for financial reporting and income tax purposes. The effective tax rate of the Company for the year ended December 31, 2004, is 28.5%.

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23. Earnings Per Share

Basic earning per share

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

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

(in thousands of Korean won ,except for per share amounts)

	2004	2003
Net income as reported on the income statements	₩ 114,053,022	₩ 54,477,047
Extraordinary gain, net	2,131,371	21,297,269
Income tax expenses allocated extraordinary gain	-	4,441,545
Gain before extraordinary gains/losses and income taxes	111,921,651	37,621,323
Weighted-average number of common shares outstanding	94,880,944	94,323,221
Basic ordinary income per share	₩ 1,180	₩ 399

(in thousands of Korean won except for per share amounts)

	2004	2003
Net income as reported on the income statements	₩ 114,053,022	₩ 54,477,047
Weighted-average number of common shares outstanding	94,880,944	94,323,221
Basic earnings per share	₩ 1,202	₩ 578

The weighted average number of common shares outstanding for the year ended December 31, 2004, is calculated as follows:

	Number of shares issued	Number of days outstanding	Weighted number of shares
January 1, 2004	94,584,869	366	34,618,062,054
Debt to equity swap	44,499	311	13,839,189
Debt to equity swap	359,408	263	94,524,304
	<u>94,988,776</u>		<u>34,726,425,547</u>

Weighted average number of common share outstanding:

$$34,726,425,547 \text{ shares} \div 366 = 94,880,944 \text{ shares}$$

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Diluted earning per share

Diluted earnings per share is computed by dividing net income, which is adjusted by adding back the after-tax amount of interest expense on any convertible debt and dividends on any convertible preferred stock by the weighted-average number of common shares and dilutive securities outstanding during the year. Diluted ordinary income per share is computed by dividing diluted ordinary income allocated to common stock, which is diluted net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares and dilutive securities outstanding during the year, assuming conversion into common shares at the beginning of the year.

Diluted earning per share for the years ended December 31, 2004 and 2003, are calculated as follows:

<i>(in thousands of Korean won, except for per share amount)</i>	2004	2003
Diluted net income	₩114,053,022	₩ 54,477,047
Adjusted weighted average diluted shares ¹	95,218,944	94,725,021
Diluted earnings per share	1,198	575
Diluted ordinary income	111,921,651	37,621,323
Diluted ordinary income per share	₩ 1,175	₩ 397

¹Details of dilutive potential share as of December 31, 2004, are as follows:

	Number of common shares to be issued by conversion or exercise	Conversion or exercise period	Number of days outstanding	Weighted number of shares
Beginning of the year	338,000	2004.1.1 ~ 2004.12.31	366	123,708,000

Weighted average number of dilutive share outstanding:
 123,708,000 shares? 66 = 338,000 shares

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24. Transactions with Related Parties

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

<i>(in millions of Korean won)</i>	Sales	Purchases	Receivables	Payables
Korea Asset Management Corporation.	₩ -	₩ -	₩ 2,168	₩183,921
Daewoo(Dalian) Bag & Tent Manufacturing Co., Ltd	2,308	2,727	34	262
Daewoo Cement (Shandong) Co., Ltd.	601	27,258	27,166	5,807
Daewoo Paper Manufacturing Co., Ltd	17,767	8	5,002	18
Shanghai Lansheng Daewoo Corporation	94,041	1,503	47,882	-
Shanghai Waigaoqiao Free Trade Zone Lansheng Daewoo International Trading Co., Ltd.	7,778	93	85	-
Suzhou Jinwoo Weaving Printing & Dyeing Co., Ltd.	1,074	698	2,098	182
Tianjin Daewoo Paper MFG. Co., Ltd.	2,178	-	227	-
Daewoo Canada Ltd	19,192	474	775	-
Daewoo El Salvador S.A. DE C.V.	46	468	3,258	206
Daewoo International (America) Corp.	289,294	44,318	28,722	1,871
Daewoo International (Deutschland) Corp.	52,278	1,448	5,355	107
Daewoo International (Japan) Corporation	199,972	334	4,478	-
Daewoo International Singapore Pte Ltd.	32,593	10,885	673	-
Daewoo Italia S.R.L.	26,813	406	4,734	2
Daewoo Textile (H.K.) Ltd.	730	2,964	2,869	369
Daewoo Textile Company	2,211	36,300	16,523	2,185
Daewoo Unitel Company	-	-	12,141	-
General Medicines Co., Ltd.	4,828	13	1,913	18
Gezira Tannery Corporation Ltd.	176	5,202	1,479	84
Hanjung Power Pty.,Ltd	1	-	-	5
Kosvida Agrochemical Co., Ltd.	295	-	41	-
Myanmar Daewoo International Ltd.	178	-	1,513	25
Myanmar Daewoo Ltd.	462	173	-	-
Myanmar Korea Timber International Ltd.	5,990	5,928	302	1,897
N. I. Co., Ltd.	-	-	-	4
P.T. Rismar Daewoo Apparel	15,835	22,273	4,758	1,301
2004 Total	<u>₩776,641</u>	<u>₩163,473</u>	<u>₩174,196</u>	<u>₩198,264</u>
2003 Total	<u>₩658,304</u>	<u>₩119,258</u>	<u>₩205,707</u>	<u>₩269,518</u>

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As of December 31, 2004, the Company has provided payment guarantees to affiliated companies including Daewoo Cement (Shandong) Co., Ltd. amounting to ₩ 144,342 million, and ₩ 61,232 million of assets are pledged as collateral for such guarantees (Note 13).

In addition, Daewoo Handels GmbH filed for bankruptcy in a court in Germany on May 31, 2001, and the liquidation procedure began on September 1, 2001. The creditors' committee approved the liquidation plan on January 29, 2002. With the remaining assets after the liquidation, Daewoo International Deutschland Corporation was incorporated and started its business on April 16, 2002. The Company acquired all the ownership interests of Daewoo International Deutschland Corporation on May 2, 2002.

Daewoo Japan Corporation filed for court receivership on June 28, 2002, and obtained an approval from the court on October 4, 2002. During the process of the court receivership, with the remaining assets of Daewoo Japan Corporation, Daewoo International Japan Corporation was incorporated and started its business on November 1, 2002.

Daewoo Singapore Pte., Ltd. appointed a temporary liquidator and filed for liquidation in May 2003. The newly incorporated company, Daewoo International Singapore Pte., Ltd., was incorporated in June 2003 and began operations on July 1, 2003.

25. Value Added Information

Value added information for the year ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004			2003
	Manufacturing cost	Selling and administrative expenses	Total	Total
Personnel expenses	₩ 21,028	₩ 51,683	₩ 72,711	₩ 68,058
Severance benefits	2,828	7,730	10,558	11,252
Welfare expenses	3,662	11,389	15,051	12,692
Rental charges	71	9,851	9,922	7,747
Depreciation	5,156	5,467	10,623	10,171
Amortization	2,186	317	2,503	2,834
Taxes and dues	505	5,067	5,572	6,032
	<u>₩ 35,436</u>	<u>₩ 91,504</u>	<u>₩ 126,940</u>	<u>₩ 118,786</u>

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26. Segment Information

Financial information of the business segments as of and for the years ended December 31, 2004 and 2003, are as follows:

Industry Segments

The details of the information by industry segment in 2004 and 2003 are as follows:

(in millions of Korean won)	Trading		Manufacturing		Retail (Department store)		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Sales	₩4,763,324	₩3,901,184	₩210,883	₩177,203	₩43,003	₩ 52,311	₩5,017,210	₩4,130,698
Operating income	83,511	69,884	12,311	9,089	206	(963)	96,028	78,010
Property, plant and equipment	7,082	6,210	100,566	163,405	97,517	81,786	205,165	251,401
Intangible assets	23,059	28,838	1,149	328	-	4	24,208	29,170
	₩ 30,141	₩ 35,048	₩101,715	₩163,733	₩ 97,517	₩ 81,790	₩229,373	₩ 280,571
Depreciation and Amortization	2,192	2,627	5,429	4,859	3,002	2,685	10,623	10,171
	2,476	2,832	23	-	4	2	2,503	2,834
	₩ 4,668	₩ 5,459	₩ 5,452	₩ 4,859	₩ 3,006	₩ 2,687	₩ 13,126	₩ 13,005

Geographical Segments

The information by geographical segment is as follows:

(in millions of Korean won)	Asia/Africa/ Oceania	North America	South America	Europe /Russia	Domestic	Total
Sales	₩3,512,411	₩632,014	₩ 106,617	₩ 482,317	₩283,851	₩5,017,210

27. Operating Results for the Final Interim Period

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

(in million of Korean won, except per share amount)	2004	2003
Sales	₩ 1,368,951	₩ 1,136,688
Cost of sales	1,246,259	1,025,427
Operating income	11,408	25,949
Net loss	(1,201)	(3,252)
Loss per share	(13)	(34)

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28. Supplemental Cash Flow Information

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

<i>(in millions of Korean won)</i>	2004	2003
Reclassification of construction-in-progress to Buildings and structures	₩57,976	₩ -
Reclassification of construction-in-progress to machinery	13,752	1,247
Reclassification of current portion of long-term debts	64,525	83,901
Reclassification of current portion of debentures	24,285	-
Conversion to common stock of other accounts payable	3,400	-

29. Termination of the Workout Agreement

On December 30, 2003, the creditor banks committee decided to terminate the workout agreement they entered into with the Company on March 15, 2000, due to the improved operations and financial performance of the Company. Nevertheless, even though the Company was able to restore its credit rating, the possibility that the creditor banks may simultaneously demand payment of liabilities could still adversely affect its operations. Based on this, the committee restructured the related debts, details of which are as follows:

A. Remaining liabilities and terms and conditions of the liabilities

The repayment of the remaining liabilities shall be repaid in installment over 11 years according to the repayment schedule provided by the creditor banks committee. The debts to Korea Export Insurance Corporation and for certain other creditors shall follow the previous restructuring plans.

B. Effective interest rate:

Debts in Korean won: 3-year Bond Rate of Government + 1.5%
 Debts in Foreign Currency: 3M Libor + 1.0%

30. Approval of Financial Statements

The December 31, 2004 audited financial statements will be approved by the board of directors on February 28, 2005.