

NONGSHIM

Forty Years for Better Life

Nongshim is a food manufacturer specializing in Instant Noodle and snacks, topping the Korean food industry since its establishment in September 18, 1965. Since the inception of the new millennium, Nongshim has spared no effort to leapfrog to a global company and help create a better life by providing end-to-end services for promoting health and lifestyle.

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Corporate Profile

Nongshim has been the best leading company in the Korean food industry since its foundation in 1965 through continuous innovation

and accumulated expertise. In the effort of spreading Korea's traditional flavors around the globe, we are continuously seeking new overseas markets all over the world.

Despite of the late start, the Company strongly dominates the domestic ramyun market, holding 74% of the market share over the other domestic ramyun makers, by developing our proprietary products such as Shin Ramyun, Ansung Tang Myun.

Our snack business, commenced with developing Shrimp Cracker - the first snack in Korea, is also leading the domestic snack industry, recording an impressive market share of 33%.

Using the competitive sales capabilities and a highly efficient logistics network, we are demonstrating our excellence in imports business as well, including the leading brand products, Samdasoo, Kellog's among many others. More remarkably, Samdasoo has a 42% share of its market segment.

Our success was supported by several core business capabilities: First, our distinctive innovation technologies skilled at differentiating and creating our unique 'flavors' ; second, securing the brand power of Shin Ramyun and Shrimp Cracker as the No.1 brand products; third, aggressive investment in facilities toward improved productivities, creation of the top quality ingredients and standardization of the operation processes; last, our competitive sales capabilities and the highly efficient logistics network.

Nongshim intends to be specialized in sales for the pursuit of our continuous growth. We believe that the goal will be realized through our efficient logistics network and the combination of internationally recognized Nongshim's food items.

The Company has introduced the traditional Korean taste through exporting Shin Ramyun to some 70 countries. Now we are selling our products in three major Chinese regions, and expecting to complete a local plant in the United States, pursuing the 'globalization of Shin Ramyun' through local production and sales.

Message from CEO

To Our Shareholders:

We celebrate our 40th anniversary in 2005. Since our establishment in 1965, we have continuously sought to be a leader in the Korean food industry. Although our journey has been marked by difficulties, some which continue today, our steady dedication to development, competitiveness and creativity has given us the confidence that we can overcome any challenge.

While the domestic and overseas business environments have been difficult, we are happy to report total sales for 2004 reached ₩1,645 billion, with a net profit for this term at ₩131 billion. Such strong results can be attributed to the efforts of our personnel, but it is of course clear that none of this would have been possible without the support of our stockholders and investors, who have continuously encouraged us to grow and develop into a world-class company.

With the celebration of our anniversary, we are still keenly aware of the many new difficulties we face. The South Korean domestic climate is under increased stress from the intensified relations between the North and South, inflated household and personal debt and reduced investment amid a sluggish economy. Meanwhile, the conflict between special interest groups is increasing, mirrored by a wider disparity between the political ideologies. Taken together, many challenges need to be overcome, but with indications of an economic recovery and our intensified efforts toward reorganization, we are confident as to what lay ahead.

Overseas, we expect that the profitability of our companies, which rely highly on imports, will be somewhat weakened by escalating costs for oil and other raw materials, a weaker Dollar orchestrated by the US to reduce the financial deficit, and the belt-tightening policy in China. The good news is that Korea can expect some economic recovery, as domestic enterprises strengthened through ongoing restructuring. Korean consumption has also been on the rise recently.

To offset the current difficulties and push toward growth and expansion, we have decided upon "global competitiveness" as the focus of our management policy. To be globally competitive, first-class products and services must be cultivated by our optimal use of talent, facilities and resources. With this strategy, we intend to comprehensively redevelop our image and international recognition through greater product marketability and heightened productivity.

By searching for opportunity, even in times of crisis, we plan to use change to overcome difficulties and continue on the path of "global competitiveness". This entails several important steps:

Nongshim will continuously grow and develop its vision of “global competitiveness”. We understand that developing an enterprise lies linking preparation and execution. We will therefore raise our sights to the challenges ahead and advance forward with the tools to succeed.

First, we must develop an internationally recognized quality control system for developing high-quality ingredients, designing and making products, and offering services that maximize customer satisfaction. This systemized approach will create new demand and increased value for next generation products as we apply our development capabilities and product technologies.

Second, to improve marketability and competitiveness a scientifically designed sales methodology will be implemented to deal with the rapid logistical changes in the increasingly difficult business environment. To this end, we will improve our organization and fostering sales professionals to strengthen relationships in marketing channels and maximize efficiency.

Finally, we intend to improve productivity to increase value. As product quality control standards have accelerated among competitors, the gap among competing products has gradually narrowed. We have to realize that future success will go to those who can supply the better products at the lowest prices. Therefore, we will improve productivity per employee by increasing automation of facilities and reducing waste by improving unit processes. In addition, we will optimize overall efficiency with our new supply chain management and revenue generation systems.

Nongshim will continuously grow and develop its vision of “global competitiveness”. We understand that developing an enterprise lies linking preparation and execution. We will therefore raise our sights to the challenges ahead and advance forward with the tools to succeed. The staff and directors stand steadfast in their commitment to our shareholders and investors and will enhance investor relations activities to achieve better results and increased share value. We thank you again and appreciate your continued support and encouragement.

Thank you.

Lee, Sang-Yun
President & CEO

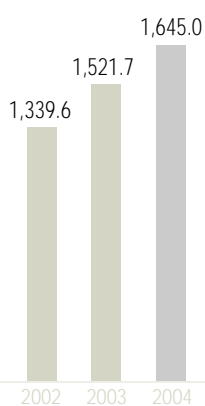
FINANCIAL HIGHLIGHTS

(KRW in billions except per share data)

		2004	2003	2002
Operating Results	Sales	1,645.0	1,521.7	1,339.6
	Instant Noodle	1,100.0	1,004.1	901.2
	Snack	216.0	216.0	203.5
	Beverage	105.0	89.0	66.0
	Others	224.0	212.6	168.9
	Gross income	535.1	486.9	407.5
	Operating income	155.9	148.6	105.9
	Ordinary income	191.2	144.3	113.2
	Net income	130.6	101.6	80.1
Financial Position, Year End	Total assets	1,339.3	1,232.8	1,230.0
	Total liabilities	566.8	565.1	516.3
	Total shareholders' equity	772.5	667.7	713.7
Data Per Share	Earnings	22,635	17,604	10,539
	Book value	129,628	115,441	98,270
	Dividends	4,000	3,000	1,500
Ratios	Net income margin	7.9%	6.7%	6.0%
	Return on assets	10.2%	8.3%	6.5%
	Return on equity	18.1%	14.6%	11.6%
	Debt to equity	73.4%	84.6%	72.4%
	Dividend yield	1.7%	1.3%	2.1%
Others	Number of shareholders	3,640	4,443	5,257
	Common shares outstanding*	5,771,358	5,771,358	7,600,000
	Number of employees	4,991	4,884	4,710

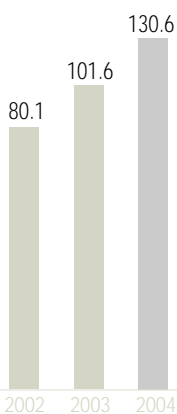
* Reduction of capital was based on the spin-off at July 10, 2003.

Sales
KRW in billions



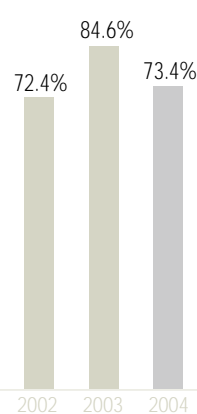
Sales revenue was KRW 1,645.0 billion, up 8.1%

Net income
KRW in billions



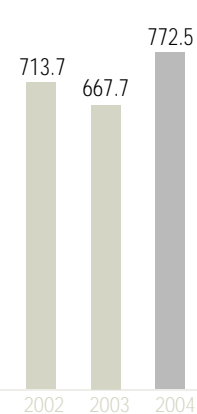
Net income was KRW 130.6 billion, up 28.5%

Debt-to-equity
percentage



Debt-to-equity ratio was 73.0%, down 11.2%p

Shareholders' equity
KRW in billions



Shareholders' equity was KRW 713.7 billion, up 15.7%

STRATEGY

■ Market leadership

- Development of new business fields and high quality products

■ Expansion of share of premium brands

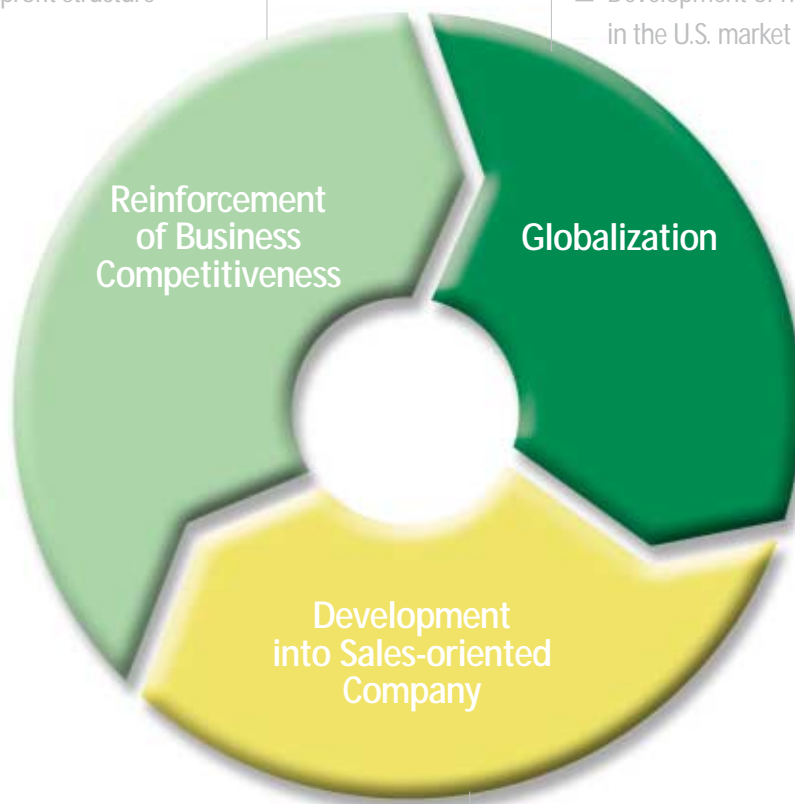
■ Improvement of profit structure

■ Globalization of "Shin Ramyun" brand power

■ Reinforcement of marketing activities for China business

■ Penetration into new prominent markets

■ Development of new distribution channels in the U.S. market



■ Expansion of development of prospective products

■ Enhancement of marketing capacity

■ Improvement of sales and distribution systems

Desirable growth structure and consistently profitable businesses

In both 2001 and 2002, Nongshim was selected by Bain & Company, an international strategic consulting firm, as one of Korea's top 10 'star' companies for its consistent profitability. Nongshim's market share, which has been growing continuously, is twice that of the second largest market shareholder. Also, due to its successful business restructuring, Nongshim, with its excellent risk management skills, has become Korea's representative food maker. Now we are growing into a global company through emphasizing the globalization of the 'Korean taste'.

Nongshim's History - Fo

Nongshim's history has been a cultural journey.

Nongshim was founded in 1965, at the dawn of Korea's economic development. Following a vision to bring customer satisfaction through better products, Nongshim now stands as a representative of the Korean food industry. Embedded in Nongshim's corporate history, with its sense of mission to serve not only its own business but also the health of mankind is its dream to improve the quality of life for humanity in the future.

Sowing a Seed | 1965~1979

1960

- Sep, 1965. | Lotte Industrial Company, the parent company of Nongshim, was established
- Jan, 1966. | Seoul Factory opened in Daebang-dong, Seoul
- Dec, 1970. | Korea's first instant Chajangmyun (Black bean curd noodles) was developed
- Dec, 1971. | Korea's first snack-Shrimp Cracker - was developed
- Jan, 1976. | Busan Factory opened
- Dec, 1976. | Anyang Factory opened
- Mar, 1978. | Company name was changed to Nongshim Co.

1980

Growing to become Korea's top food manufacture | 1980~1989

- Jul, 1980. | Korea's first potato chips were developed
- Nov, 1981. | Cup noodles were developed
- Apr, 1982. | Anseong (Powder) Soup Plant opened
- Mar, 1984. | Awarded the Steel Tower Industry Medal upon the 11th Day of Commerce and Industry
- Mar, 1985. | Nongshim increased the domestic instant noodle market share
- Mar, 1985. | Selected as an official instant noodle supplier for 1986 Asian Games and 1988 Olympic Games
- Oct, 1986. | Shin Ramyun was developed
- Sep, 1988. | Sponsored Seoul Olympic Games
- Nov, 1988. | First ramyun maker awarded a Medal of Merit for achieving export of 10 million dollars upon the 25th Day of Export
- Jun, 1989. | Reached a 60% domestic instant noodle market share



Corporate Vision

'A world-class food & lifestyle company that offers health & happiness to all humankind'

Corporate Philosophy

'Better Foods & Services for Better Life'

Bringing customer satisfaction and contributing to the rich lives of our customers by providing better products and services.

Forty Years for Better Life

1990

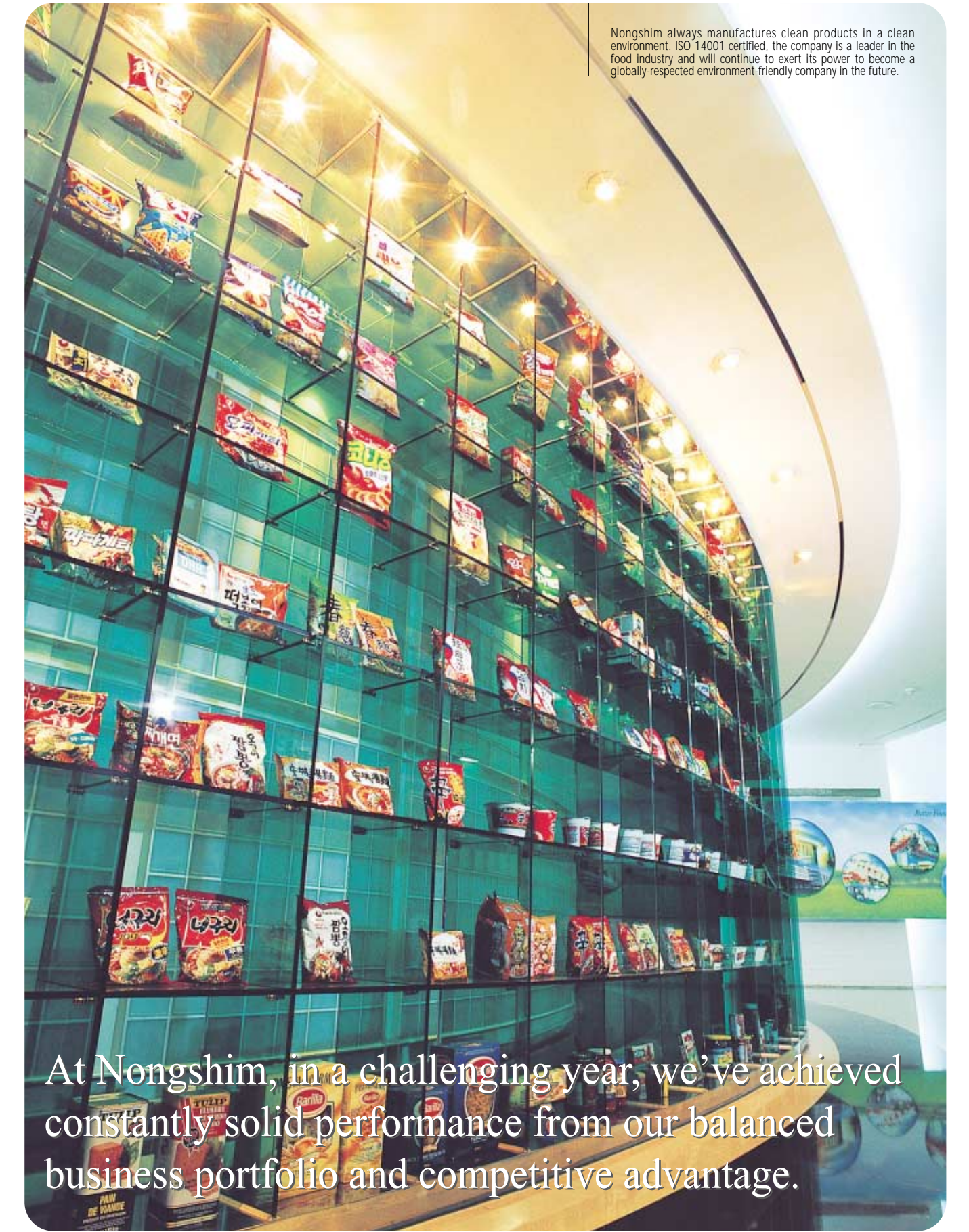
Going Global | 1990~1999

- Jan, 1991. | New CI was introduced
- Sep, 1991. | Gumi Factory opened
- Jun, 1992. | Asan Factory opened
- Mar, 1994. | Awarded Bronze Tower Industry Medal upon the 38th Day of Tax
- Oct, 1994. | Saengsaeng Ramyun Factory opened
- Jun, 1996. | Nongshim Garak opened
- Sep, 1996. | Nongshim Intelligent Building was completed
- Sep, 1996. | Shanghai Factory opened in China
- Jan, 1997. | Certified with KOLAS
- Mar, 1997. | Joined the World Ramyun Association
- Nov, 1997. | Official instant noodle provider for 1998 World Cup in France
- Mar, 1998. | GPS was established
- Mar, 1998. | Jeju Samdasoo was introduced
- Jun, 1998. | Real-name manufacturing system was introduced
- Jul, 1998. | Capri-Sun Factory opened
- Jul, 1998. | Qingdao Factory opened
- Aug, 1998. | Participated in 'Korea's 50 years : Our Stories' exhibition
- Nov, 1998. | Sponsored an international symposium on peptides from soybeans
- Dec, 1998. | Selected as one of top 30 IT system companies by the Ministry of Information and Communications
- May, 1999. | Official ramyun and snack provider for the Korean Football Association and National Football Team
- Jul, 1999. | Corporate BPR & New Information System were established and operation begun
- Jul, 1999. | The 1st Shin Ramyun Cup World Paduk Tournament
- Sep, 1999. | Gumi Factory opened
- Sep, 1999. | Nongshim's Internet homepage opened
- Nov, 1999. | Selected as one of the top 100 manufacturing companies by the Korea Management Association

Securing sustainable growth | 2000~Present

2000

- Jan, 2000. | The 1st Share Your Love Concert
- Nov, 2000. | Won the Korea Management Association's Production Innovation World Best Award in the area of logistics management
- Nov, 2000. | Shenyang Factory opened in China
- Dec, 2000. | Nongshim's 5 Factories acquired ISO 14001 certification
- Feb, 2001. | PDA Sales Innovation System was introduced
- Mar, 2001. | 'Noodle Foodle' website (www.noodlefoodle.com) opened
- Oct, 2001. | Bain & Company reported Nongshim as a company having a desirable growth pattern
- Nov, 2001. | Selected as world-class product at the conference for promoting search of world-class products
- May, 2002. | Instant rice (from the new crop) was introduced
- May, 2003. | Welch's grape juice was manufactured and introduced
- Jul, 2003. | Nongshim Holdings Co. was established
- Jul, 2003. | Established a business association with Nestle Korea
- Nov, 2003. | 20th anniversary of Ansung Tang Myun
- May 2004. | Nongshim Foods., Inc. started construction
- Sep, 2004. | Unyang Distribution Center Completed



Nongshim always manufactures clean products in a clean environment. ISO 14001 certified, the company is a leader in the food industry and will continue to exert its power to become a globally-respected environment-friendly company in the future.

At Nongshim, in a challenging year, we've achieved constantly solid performance from our balanced business portfolio and competitive advantage.

Operation Review

All division showed a continued growth due to stabilized growth of the Instant Noodle and Snack divisions and sales growth of new businesses such as instant rice and Welch's Juice. Profitability also increased due to continuous increase in sales of high priced products.



Net profit, up **28.5%**
to KRW 130.6 billion in 2004

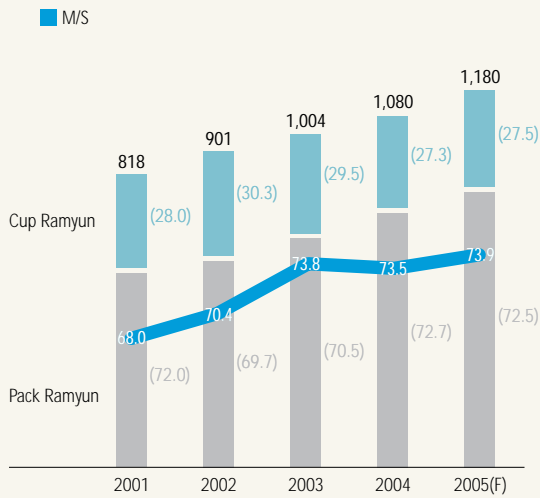
Instant Noodle

Nongshim has started manufacturing ramyun with a mission to contribute to Korea's dietary styles. We have led the industry by constantly introducing new flavored ramyun to the market to satisfy people's tastes with a variety of popular products.

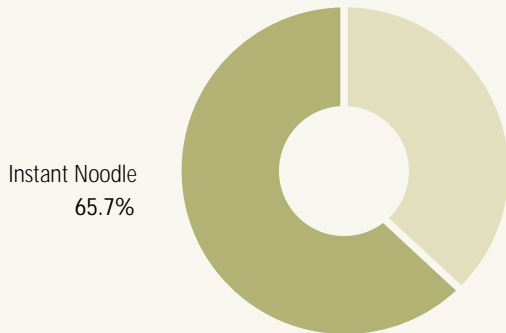


Nongshim invites you to the world of unique flavor that comes from combining the finest ingredients - Nongshim's flavor, thanks to extensive investment and high-tech facilities, can not be copied. For the past 40 years, Nongshim has been everyone's favorite. Come and taste its genuine flavors.

>> Sales Trends of Instant Noodle (unit : KRW in billions, %)



>> Portion of Instant Noodle





Shin Ramyun instantly became a big hit when it was first introduced in 1986. Today, an average of 3 million packs of Shin Ramyun meals are sold everyday, making up approximately 30 percent of the local ramyun market share. It is also popular in other countries for its unique spicy flavor.



Gumi Factory is Nongshim's 21st century intelligent plant where the production of ramyun is fully automated with the latest computer systems. Thanks to its high-speed facilities, productivity at the Gumi plant has doubled, while scientific, automated quality - control is firmly in place.

>> Top Share of Domestic Ramyun Market for 20 Years Running

Nongshim gained the top market position in 1985 and has steadily grown ever since, thanks to improved quality and increased competitiveness. The company has held 70% in domestic ramyun market worth of ₩1.5 trillion, made possible by 40 years' of dedication and pride in the food business. The company has been able to dominate the market by investing in ultramodern facilities, developing high quality ingredients, creating new products with traditional flavors, continuously improving product quality, and establishing a nationwide logistics network.

>> Shin Ramyun, a Global Power Brand

Shin Ramyun, which boasts the highest brand value of any Korean instant noodle product, was launched in Korea in 1986 to keep pace with changing consumer tastes. The company presently sells more than 3,000,000 packs of Shin Ramyun per day, and this single brand represents an impressive 30% of the domestic instant noodle market. In 1997, Shin Ramyun was introduced in the Japanese market through Seven-Eleven, the biggest convenience store chain in the country. Since then, Shin Ramyun's popularity, combined with the increased popularity of Korean food after the 2002 World Cup, has made strong gains. The product is also increasingly popular in the US, China, Australia, Russia, Latin America and Southeast Asia. Shin Ramyun is the first Korean food product to achieve \$100 million in exports.

>> 2004 Performance

Even with the overall economic downturn domestically, and reduced sales in bowl noodles and high-end products in 2004, sales still amounted to ₩1.08 trillion, a 7.6% year-on-year increase, largely due to higher sales of mainstay items and pack ramyun. Quality improvements have boosted the marketability and sales of existing products such as Ansong Tang Myun, Chapagetti and Champpong Noodle. For greater consumer convenience, Nongshim has promoted sales in discount stores through multi-pack offerings and visual packaging. Also, new demand has been created by launching new frozen noodle products featuring new ingredients.

>> 2005 Outlook and Strategy

Generating Brand Value and New Demand from New-concept Products

Nongshim has set its noodle sales target at ₩1.18 trillion for 2005, an increase of 9.2% from 2004. To this end, the company is setting new industry trends by developing non-fried noodles, new-concept products and alternative ingredients, keeping pace greater user's changing views about the food they eat. New items will be introduced along with an intensive marketing program to commemorate the company's 40th year in the noodle business. New bowl noodle products will be launched to revive a segment that slumped in 2004, and new seasonal items will be launched to counter the typically slow noodle sales in summer.



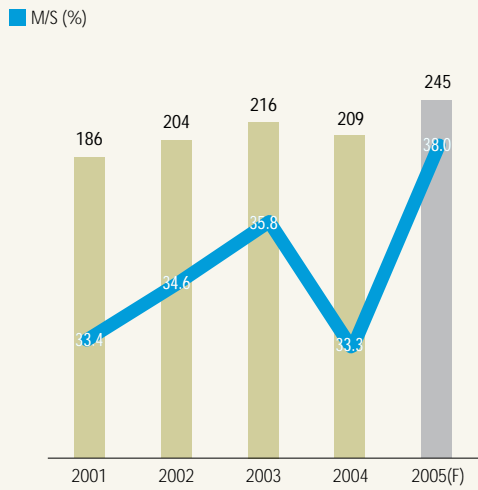
Snack

Nongshim's 40 some popular snack items, with their carefully selected ingredients and crispy flavor, are family favorites that everyone finds difficult to resist. Nongshim has helped Korea's snack industry flourish with its own timeless favorite snacks and is now trying to develop snacks for everyone in the whole world.

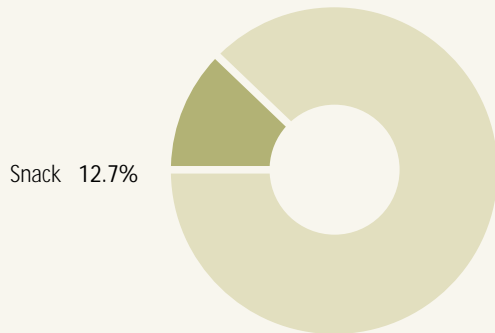


Nongshim has continued to introduce new snack food through the development of delicious and nutritious snacks such as Shrimp Cracker, Korea's first snack and also a synonym for snack in Korea. And the Company also contributes to the people's health through the improvement of their dietary culture.

>> Sales Trends of Snack (unit : KRW in billions, %)



>> Portion of Snack





Since it was first introduced in Korea in 1971, the Shrimp Cracker has been everyone's favorite. Its salty and savory taste is also popular in other countries. Shrimp Cracker is a global snack that represents Korea's unique taste.



The Asan Factory is the snack-specialized manufacturing plant that will lead the Company into the future of natural snacks. The factory has large storage process facilities that can store up to 10,000 tons of agricultural products, keeping them fresh through the year.

>> Creating Snacks that are Delicious and Nutritious

Nongshim launched Korea's first instant snack product, Shrimp Cracker, in 1971 and this item is still a leading favorite among Koreans. The company remains the foremost player in the snack segment and currently offers more than 40 popular items. Core strengths include a new product line-up using natural ingredients, an efficient mass production system, and firmly established nationwide sales organization and sales capabilities. Nongshim's snack business represents 33% of the domestic snack market despite severe competition from both domestic and overseas producers. The company will achieve solid growth by bolstering its market position and developing new items to suit changing consumer demand, such as healthier, low-fat products and baked snacks, while leveraging its market leading Shrimp Cracker brand.

>> Shrimp Cracker, Korea's Number One Brand

Shrimp Cracker, Nongshim's leading snack brand, has remained Korea's best selling snack item for 25 years. The success is based the company's strict quality control for shrimp freshness, special shrimp processing technology, and a proprietary parching method (using heated salt instead of frying in oil).

>> 2004 Performance

The overall Korean snack market in 2004 amounted to some ₩630 billion, which was 4.1% higher than in 2003. However, Nongshim's snack sales dropped 3.2% to ₩209 billion as a result of severe competition from domestic and overseas companies. Confectionary makers have stepped up their marketing activities; consumer brand preferences have steadily diversified and the market for snack alternatives has grown steadily. In addition, Nongshim adopted a conservative stance in response to greater demands from retailers, including discount stores. However, some of the lost market share was recovered in the fourth quarter through such strategies as re-pressing major items and applying a new pricing policy.

>> 2005 Outlook and Strategy

Stimulating the Snack Business with Healthy and Specialty Products

The snack market is expected to rebound with the introduction of special-purpose items and healthier choices using natural ingredients. Nongshim will boost its brand power by developing specialty products that use nature-friendly materials, re-pressing main items, adopting various package types, and launching various new potato chip products - a segment showing rapid growth recently in Korea. The company will also bolster its ability to analyze markets and consumer needs. The goal is to sell ₩245 billion worth of snacks in 2005, up 17.4% from the year before, and to increase its share of the Korean market from 33% in 2004 to 40% over the mid-term.



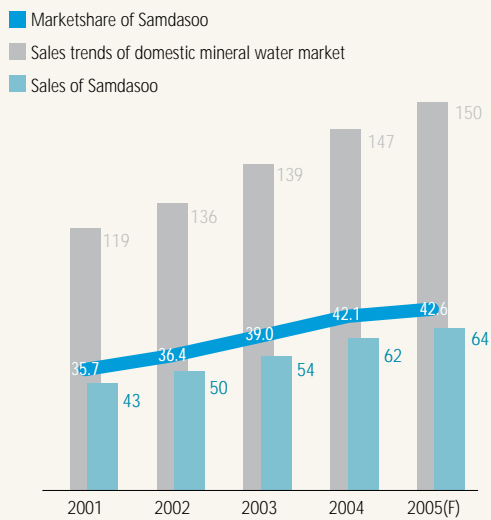
Beverage

We always provide clean and refreshing drinks filled with nature's fresh flavor and aroma such as Jeju Samdasoo, Capri-Sun and Welch's Juice. Samdasoo is keeping the first class on firm position in domestic natural water market, and Welch's Juice and carbonated drink is forming the strong brand power.

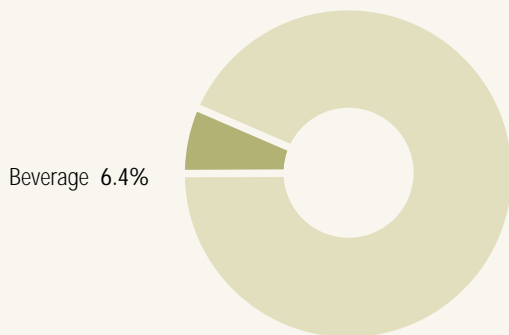


Beverage business division of Nongshim plans to take No.1 brands each category through developing new differentiated products and activating the sales distribution channel.

>> Sales Trends of Samdasoo (unit : KRW in billions, %)



>> Portion of Beverage





In cooperation with Welch's in the United States, Nongshim produces Welch's juices, a company whose 134 years of tradition have produced a drink that is 100% grape juices without added sugar or preservatives.



Nongshim's Jeju Samdasoo, made with pure rock bed groundwater, is the number one bottled water sold in Korea. Also, Capri-Sun, natural juice drinks, and the world famous Welch's are extremely popular for their fresh taste and natural aroma.

>> Achieving Rapid Growth by Developing Specialized Products

Nongshim's beverage sales have grown quickly thanks to the development of specialized products and to demand by consumers for more sophisticated products. Product lines include Samdasoo water, CapriSun drinks, Welch's juice and carbonated drinks, Soonnokcha (pure green tea), Hongsamssoo (red ginseng drink) and Campbell's juice. Each line is being developed into a top seller in Korea and the overall business has averaged 30% annual growth in a hotly contested market. Samdasoo, bedrock spring water, has maintained its firm leading position, and Welch's juice and carbonated drinks are emerging as strong brands after skyrocketing growth over the past two years. The company's rapid growth in the beverage business is expected to continue as Nongshim is skilled at developing differentiated new products and operates a highly efficient logistics network nationwide.

>> Jeju Samdasoo, Top Mineral Water Brand

Jeju Samdasoo was introduced in 1998 and was an instant hit with Korean consumers, becoming the biggest selling water packaged in PET bottles just six months after launch - position it still holds today. The company sold ₩62 billion worth of this product in 2004, for a 42.1% share of its market segment, and sales have increased by an average of 18.8% over the past five years. The popularity of Jeju Samdasoo stems from a reputation for being clean and pure, as Koreans grow increasingly concerned over the safety of their tap water.

>> 2004 Performance

Market trends are toward greater diversification into natural/health-promoting beverages and high-end specialty products. Nongshim's beverage sales for 2004 came to ₩106 billion, a 19.1% increase over

the year before. This figure was short of the projected target, but was still excellent considering the sluggish domestic economy and severe competition. By item, Jeju Samdasoo represented 59% (₩62 billion) of total sales; Welch's products constituted 25% (₩26 billion) and CapriSun contributed 13% (₩14 billion). All three lines showed stable growth, and the company is stepping up marketing to firm up the position of the newly launched Soonnokcha and Hongsamssoo lines.

>> 2005 Outlook and Strategy

Cultivating a Third Mainstay Product Group

The top three companies in the Korean beverage market hold a combined 70% market share, and high brand recognition has been the driver of steady sales. However, competition is now heating up in niche markets as pharmaceutical companies enter the fray with diet beverages and other specialty items, while the traditional beverage makers introduce upscale beverages of their own. Korean consumers, who are becoming more health conscious, are willing to pay more for such products.

Nongshim will compete by focusing on prospective brands that are both specialized and distinctive and by taking advantage of its strong logistics network. The company expects to sell ₩120 billion worth of beverages in 2005, which includes ₩64 billion for Jeju Samdasoo, ₩33 billion for Welch's products and ₩15 billion for CapriSun drinks.

Major Brands

- ▶ Nong Shim's product: Hongsamssoo (Red Ginseng)
- ▶ Licensed product: Welch's juice, CapriSun
- ▶ Branded product: SamDaSoo, Campbell juice(V8, Tomato), Welch's Soda, Soonnokcha (Green Tea)



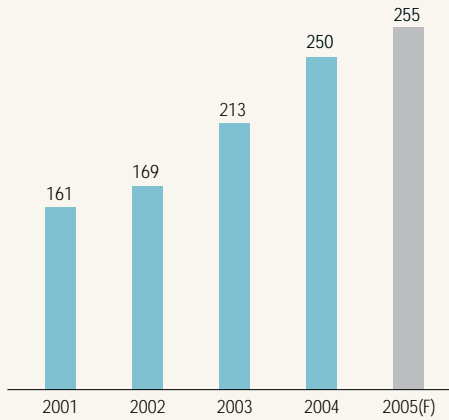
Others

Through sales of a diverse range of worldwide brand-named products, Nongshim is preparing to establish new growth platforms and new business initiatives. And other businesses such as cooked rice also contribute the Company's diversification of sales revenue.

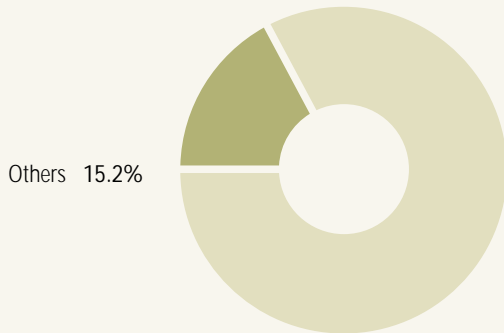


America's Kellogg, McCormick and Campbell, Italy's Barilla, Denmark's Tulip, Spain's Alconia, Japan's House, and Germany's Brandt... Nongshim works with leading global food brands. We introduce you to the world of international flavors.

>> Sales Trends of Others & Exports (unit : KRW in billions, %)



>> Portion of Others & Exports





'Better Foods & Services for Better Life', Nongshim has brought customer satisfaction and contributed to the rich lives of our customers by providing better products and services.



Nongshim's advanced technologies have brought traditional rice up to date. Now, thanks to Nongshim, today's busy men and women can enjoy home-cooked dishes anytime, anywhere.

>> Rice

Instant rice quickly boomed into a ₩60 billion-a-year business as busy young housewives, working couples, students, and unmarried people find less time for cooking. Nongshim first got into this segment in 2001 and has maintained around a 20% market share, thanks to a successful launch and aggressive sales strategy for its main item. The overall market, which showed double-digit growth in 2002 and 2003, slowed down in 2004, and competition is expected to be fierce in the future with new food companies coming in.

Sales of Nongshim's overall rice-related products reached ₩9.7 billion in 2004, which was 7.3% higher year on year. This growth rate was slower than in the previous year as sales of boiled rice in soup fell, while simple boiled rice as a "strategic" product showed a strong 30.3% growth over 2003, thanks to differentiated marketing by product-boiled new rice, boiled glutinous rice, "Rabab" (rice with instant noodles), and in-flight meals.

The company will launch various new products, strengthening brand loyalty and cultivating pure rice items such as boiled glutinous rice. The sales target for the rice business in 2005 is ₩14 billion, for a 30% market share. This target will be reached by fostering leading brands and developing core technology and promotional strategies that include product differentiation.

>> Merchandise

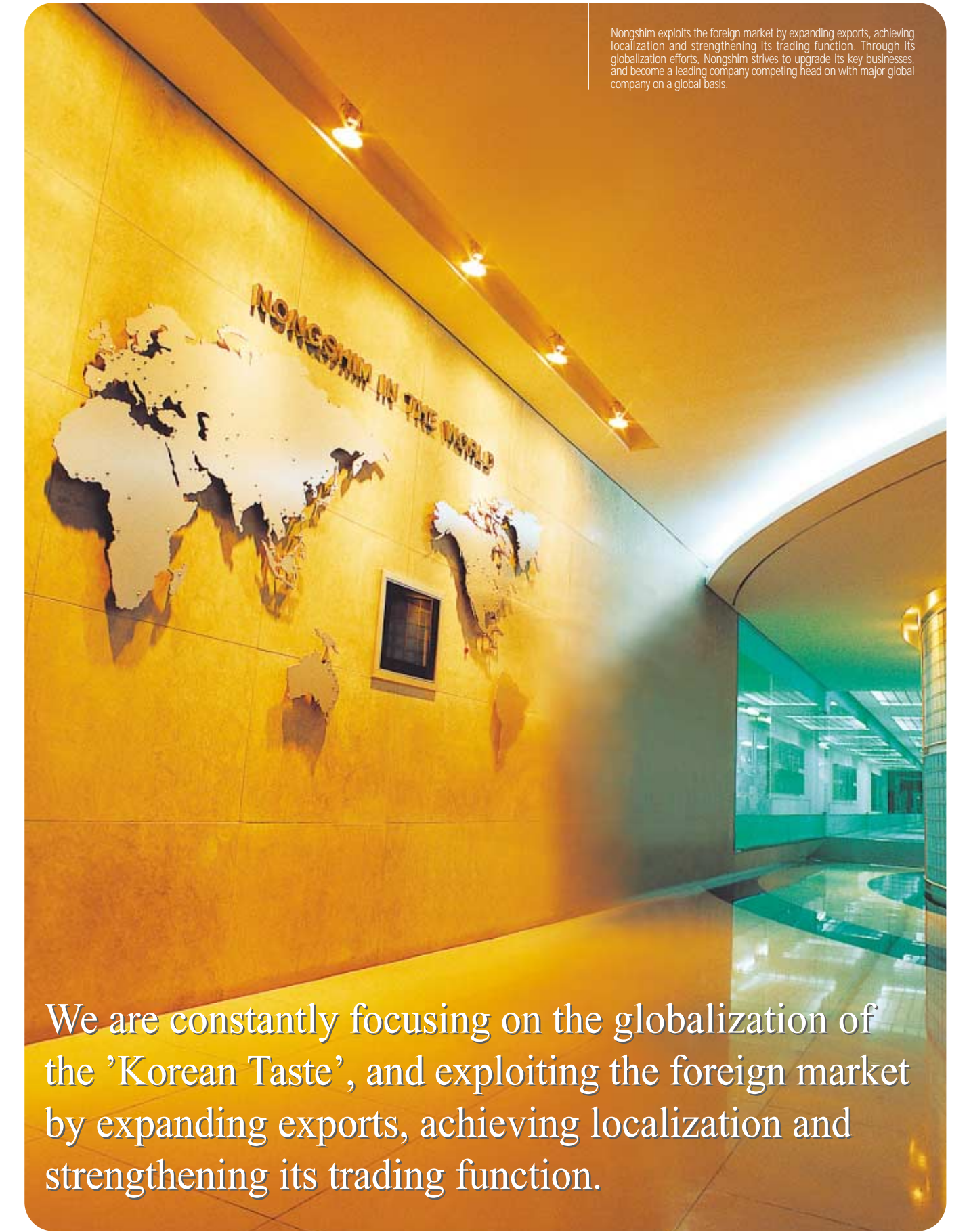
Nongshim, the frontrunner in the domestic food industry, has imported and distributed domestically such world-famous food brands as Kellogg's, Nestle, Chupa Chups, and Denmark Ham.

Consumption trends continue to change in Korea, as Koreans eat more Western foods and spend more on dining out. In response, the company has been developing unique foreign goods for sale in Korea, raising marketing effectiveness, and taking advantage of a strong distribution system to average 12% annual growth over the past five years in this product category. Sales in 2004 were ₩137 billion, up 7.3% year on year. The lower growth in 2004 stemmed mainly from slower sales of Kellogg brand products during an overall economic slump and the company's withdrawal from the low-margin livestock business. On the other hand sales of imported ham surged 46.7% and Nestle products were put on sale for the first time. The sales target for 2005 is ₩170 billion, a 23.8% increase from 2004 that will be sought by expanding the market basis for major imported items and strengthening distribution rather adding new business lines.

Business Partners

- ▶ Kellogg Company: Cereal
- ▶ Nestle's S.A.: Coffee, Chocolate Drinks, Pet Foods
- ▶ Chupa Chups S.A.: Candy, Smint
- ▶ Tulip Food Company: Nongshim Denmark Ham
- ▶ House Foods Corporation: Curry
- ▶ Barilla G.e R Fratelli Sociata per Azioni: Pasta/Sauce
- ▶ Alcurnia Alimentacion s.l.: Peaches
- ▶ McCormick & Company Inc.: Spice & Seasoning



A photograph of a modern office hallway. The wall is a warm, golden-brown color. On the wall, there is a large, stylized world map made of a textured material. Above the map, the words "NONGSHIM IN THE WORLD" are written in a bold, sans-serif font. The hallway is lit with recessed ceiling lights. In the background, there is a glass-walled office area with a curved ceiling and a polished floor that reflects the lights.

Nongshim exploits the foreign market by expanding exports, achieving localization and strengthening its trading function. Through its globalization efforts, Nongshim strives to upgrade its key businesses, and become a leading company competing head on with major global company on a global basis.

We are constantly focusing on the globalization of the 'Korean Taste', and exploiting the foreign market by expanding exports, achieving localization and strengthening its trading function.

Globalization

People around the world enjoy the great tastes of Korea, as Nongshim currently exports ramyun and snacks to over 70 different countries globally. In addition, we have studied international food cultures and globalized our flavors by localizing them in different countries.



Overseas sales, up **34.8%**
to U\$128.1 million in 2004

Overseas

By aggressively coping with the ever-changing unlimited competitive environment, Nongshim strives not to only be Korea's number one company, but also be part of the world community, spreading Korea's taste and brand to countries globally.

>> Nongshim's Globalization Vision

In order to build the foundation for going truly global, Nongshim is presently breaking into new overseas markets and globalizing core competencies. The company has invested \$103 million to establish the foundation for local operations in overseas markets. By region, Nongshim has invested \$53 million in China and is operating factories in Shanghai, Qingdao and Shenyang, while a \$50 million plant is being built in the Los Angeles area, with operation to start from May 2005.

The company's core strategy for globalization can be summarized as "globalizing Shin Ramyun", a traditional Korean taste. Two strategies are being pursued in this regard: building the power of the Nongshim name and intensifying marketing activities in each major region. Currently, the Nongshim brand is mainly associated with the ramyun and snacks being exported to some 70 countries

The results of first stage overseas market penetration are studied, overseas market demand is analyzed from the long-term perspective and studies of local environments and eating habits are carried out. Then local production and sales operations are built, starting with China and the US.

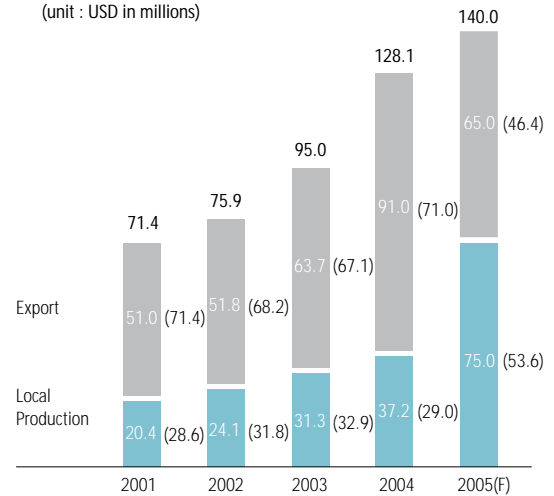
The globalization process will allow Nongshim to expand and strengthen core business areas and then compete with the world's best on an equal footing in order to ensure long-term survival and prosperity.

>> 2004 Performance

Overseas sales reached \$128 million in 2004, which was 34.9% higher than in 2003 and 8.6% of total company sales. The figure breaks down as \$91 million in exports, a 42.8% year-on-year increase, and sales of locally produced goods in China of \$37 million, up 18.8% from the previous year. Exports to every region increased. The goods exported to the US, which

>> Overseas sales trend

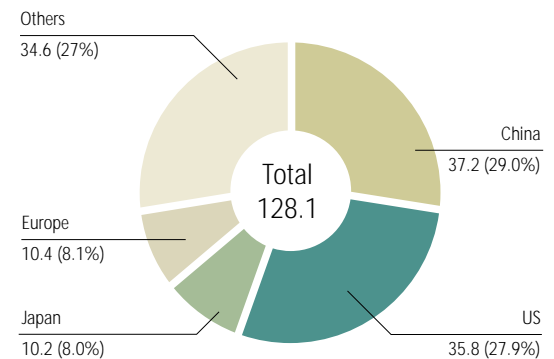
(unit : USD in millions)



* Machinery exports are excluded.

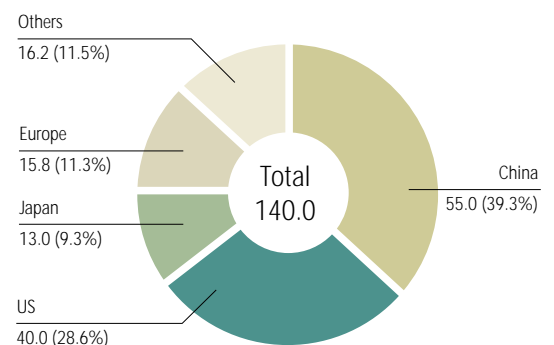
>> 2004 Sales by region

(unit : USD in millions)



>> 2005 Sales target by region

(unit : USD in millions)



Nongshim is continuously pursuing its overseas business as part of its globalization strategy. In 2005, the Company expects to achieve US\$140.0 million in sales revenue through expanding sales in China, localizing the production in US and entering new markets in Russia and so on.



Nongshim has captured the attention of people around the world with its Korean flavors. The Company is operating the overseas business through exports and local sales.



To strengthen the globalization of Shin Ramyun brand, we promote various marketing activities in major region through advertising on CATV, Billboard and bus, etc.

included machinery, amounted to \$47 million, which was 53% more than in 2003. Nongshim also exported \$10 million in goods to Japan in 2004, an increase of 63.5% from the year before. The company sold \$3.7 million worth of products in Russia, 397% higher than in 2003, while exports also grew to Europe (14.3%), South America (20.9%) and Southeast Asia (63.8%). Sales in China also showed steady growth despite the very low prices of many competing products.

Nongshim exported \$35 million worth of Shin Ramyun to 52 countries in 2004, a 22.7% increase year on year. This product alone represented 27.5% of the company's total exports. Competition in the world instant noodle market is intensifying and food safety regulations are being tightened worldwide. However, Nongshim has managed to achieve rapid growth in overseas sales, thanks to the quality and uniqueness of its products and services. The company also continues to develop new markets and sales channels and carries out systematic sales promotions, effectively employing strategic approaches as a global operator.

>> 2005 Outlook and Strategy

The overseas business environment will be difficult in 2005 because of the steady appreciation of the Korean Won, price hike for raw materials and rapid changes in logistics. However, Nongshim continue to advance by building strong fundamentals such as developing products to meet local customer needs in each country, concentrating marketing competencies on key markets such as Russia and Japan, and adopting effective measures to cope with lower-priced competing products. The company will also diversify export markets to counter reduced export volumes in countries where it produces goods locally or operates local sales subsidiaries.

Strategic export marketing will be employed in the US, where a local factory will be started up, and pricing will be differentiated according to market characteristics. More overseas employees will be hired and existing ones trained. The target for overseas sales in 2005 is \$140 million (not including the targets of local sales subsidiaries, see Note 1). The export goal has been set at \$65 million, which is 28.5% lower than in 2004 because of the local plant and sales system being started in the US in May. On the other hand, the company expects exports to grow more than 100% in Russia and more than 15% in other areas. The subsidiary in China aims to achieve \$55 million in sales, up 48% from 2004, and the US production subsidiary has set its 2005 target at \$20 million.

Note 1: Overseas Sales Targets

Total Overseas Business: \$152 million (China \$55 million, Nongshim America \$74 million, Nongshim Japan \$23 million)
Exports: \$65 million

US

Nongshim plans to construct the large scale distribution channels in US, strengthening marketing efforts towards the Hispanic market and gradually increasing local production and sales. Ultimately, we are focusing on enhancing our brand value through differentiated 'Korean Taste'.

>> Full-scale Penetration into an Advanced Market

The ramyun market in the US is worth \$560 million, with 3.2 billion packs sold annually, and the market grows by 5-6% per annum. Currently, this market is dominated by Japanese makers Maruchan and Nissin, who enjoy the strongest price competition at the low end. On the other hand, Nongshim is pursuing a product differentiation strategy that aims at the high end.

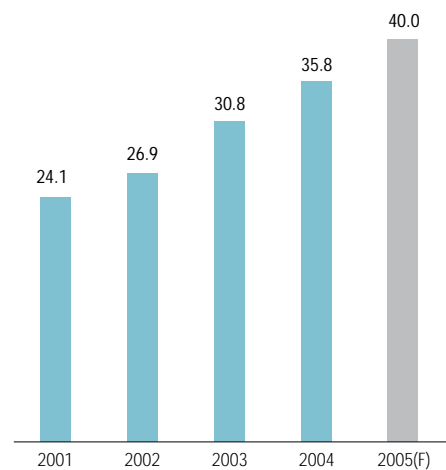
Nongshim's sales in the US, one of the company's "strategic" markets, has grown over 20% per year since 2000, and the company has invested \$50 million to complete a local plant in Los Angeles in May 2005. The plant will reduce local logistics costs, high marine shipping costs, and high customs tariffs in the US. From this base, the company can supply fresher products and expand throughout the US as well as to Canada and Latin America.

>> 2004 Performance

Exports to the US totaled \$36 million, up 16.2% from 2003. (The total comes to \$47 million, 53% year-on-year growth, when machinery exports are included.) The improved results are due to stronger sales to Koreans residing in the US as well as registration as a formal vendor for Walmart to gain greater national access. The company has built a network through mergers with local agents to increase sales to Korea-Americans and Korean resident aliens. Moreover, marketing efforts have been stepped up targeting Latin American consumers, including an advertising campaign on Latin American cable TV, organization of sampling events at major festivals.

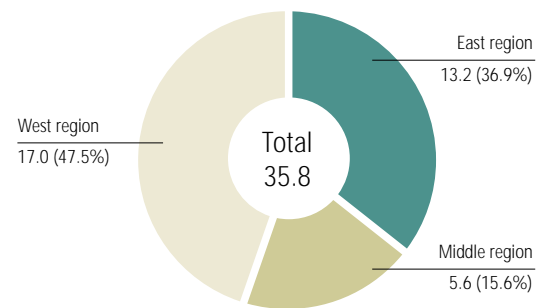
>> Sales trend of Nongshim in US

(unit : USD in millions)



>> 2004 Sales by region

(unit : USD in millions)



Sales in US reached US\$35.8 million, up 16.2% from the 2003 performance, and annual average growth rate for the past 5 years recorded 15.4%. The Company now aims to achieve US\$40.0 million through strengthening marketing efforts and localization.



In May, 2004, Nongshim laid the cornerstone for US factory in order to start the local production and sales in the US. And the company will operate the facilities from May, 2005.



The annual ramyun market in US reaches approximately US\$60 million on amount basis and 3.2 billion packs on quantity basis. And it is expected to grow about 5~6% every year.

Sales in US, up **16.2%**

>> 2005 Outlook and Strategy

Nongshim will take advantage of large-scale retailers in the US, strengthen sales in Latin America and begin production locally. Finally, the company will upgrade the image of the Nongshim Ramyun brand through intensive marketing activities that stress the special "taste of Korea". Plans call for developing new products to suit local tastes, improve quality and continuously advertise. The existing network, which includes branches in Los Angeles and New York, will be expanded to include offices in Mexico City, San Francisco, Houston and Chicago. Local production will be the responsibility of Nongshim Foods, while local marketing will be carried out by Nongshim America, starting in May 2005. The total US ramyun sales target for 2005 has been set at \$40 million, of which half will be in exports and half produced at the new plant. Sales of other products besides ramyun will also be increased, with the 2005 target for the US subsidiary set at \$74 million.

China

The Instant Noodle market in China is expected to grow continuously. Our strategy in Chinese market is focused on providing the high-end and diversified products with a competitive advantage.

>> China, Future of Global Nongshim

The instant noodle market is enormous in China, which represents some 45% of world demand. Each year, the Chinese consume some 27.7 billion packs of ramyun, worth \$3 billion. Taiwanese companies Tingyi and Uni-President currently enjoy an oligopoly.

Profitability is low in the Chinese ramyun market, as products selling for less than one yuan occupy 80% of total sales. Small companies are fiercely competing to increase their market share, but rapid growth is expected in future as per capital ramyun consumption is still only 18 packs a year, half the average in Taiwan and Southeast Asia.

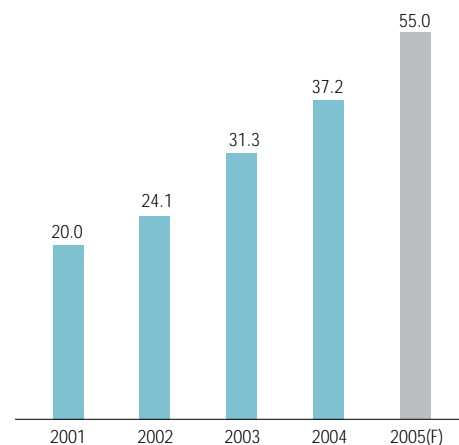
To secure an advantageous position in the rapidly growing Chinese market, Nongshim has invested \$53 million since 1998 to build ramyun and snack factories in Shanghai and Shenyang, ingredients processing plant in Qingdao and marketing facilities in Beijing and Guangzhou. The company is focusing on the high-end of the Chinese ramyun market, introducing traditional Korean flavors and high quality to Chinese consumers.

>> 2004 Performance

Nongshim is selling its products in three major Chinese regions - Shenyang, Qingdao and Shanghai - which represent some 70% of the national market. Beef flavored products comprise at least 62% of all the ramyun sold in China. Competition among small companies is intensifying. Their production operations frequently are interrupted and production lines stand idle, while the merger of small players is increasing. On the other hand, rising Chinese incomes are driving growth at the high-end of the market, which is centered on foreign brands recognized for quality.

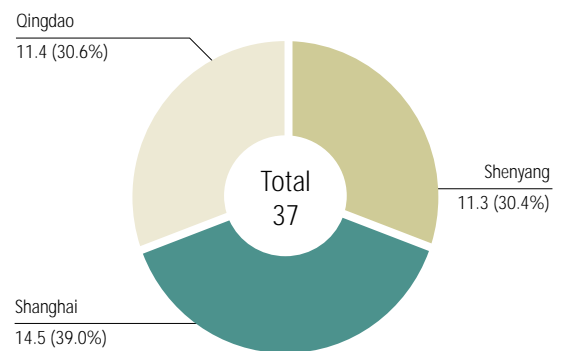
>> Sales trend of Nongshim in China

(unit : USD in millions)



>> 2004 Sales breakdown in china by region

(unit : USD in millions)



In 2004, we achieved sales of US\$37.2 million in China, up 18.9% compared to the results of previous year. This increase in sales was mainly due to the increased sales in major cities and new distribution channels. Now it is expected to reach US\$55.0 million in 2005.



The constant growth in China is due to mainly increase in Shin Ramyun's strong brand image and sales increase of our new product, Kimchi Ramyun.



Nongshim has sponsored the international Paduk tournament 'Nongshim Shin Ramyun Cup World Paduk Tournament'. Through this champion tournament, Nongshim hopes to increase the brand recognition of Shin Ramyun in local ramyun market.

Sales in China, up **18.9%**

Nongshim is differentiating its products, targeting upscale consumers in China, and enjoys a competitive advantage in this segment. Thus Chinese consumers are showing a steadily increasing preference for Nongshim Ramyun.

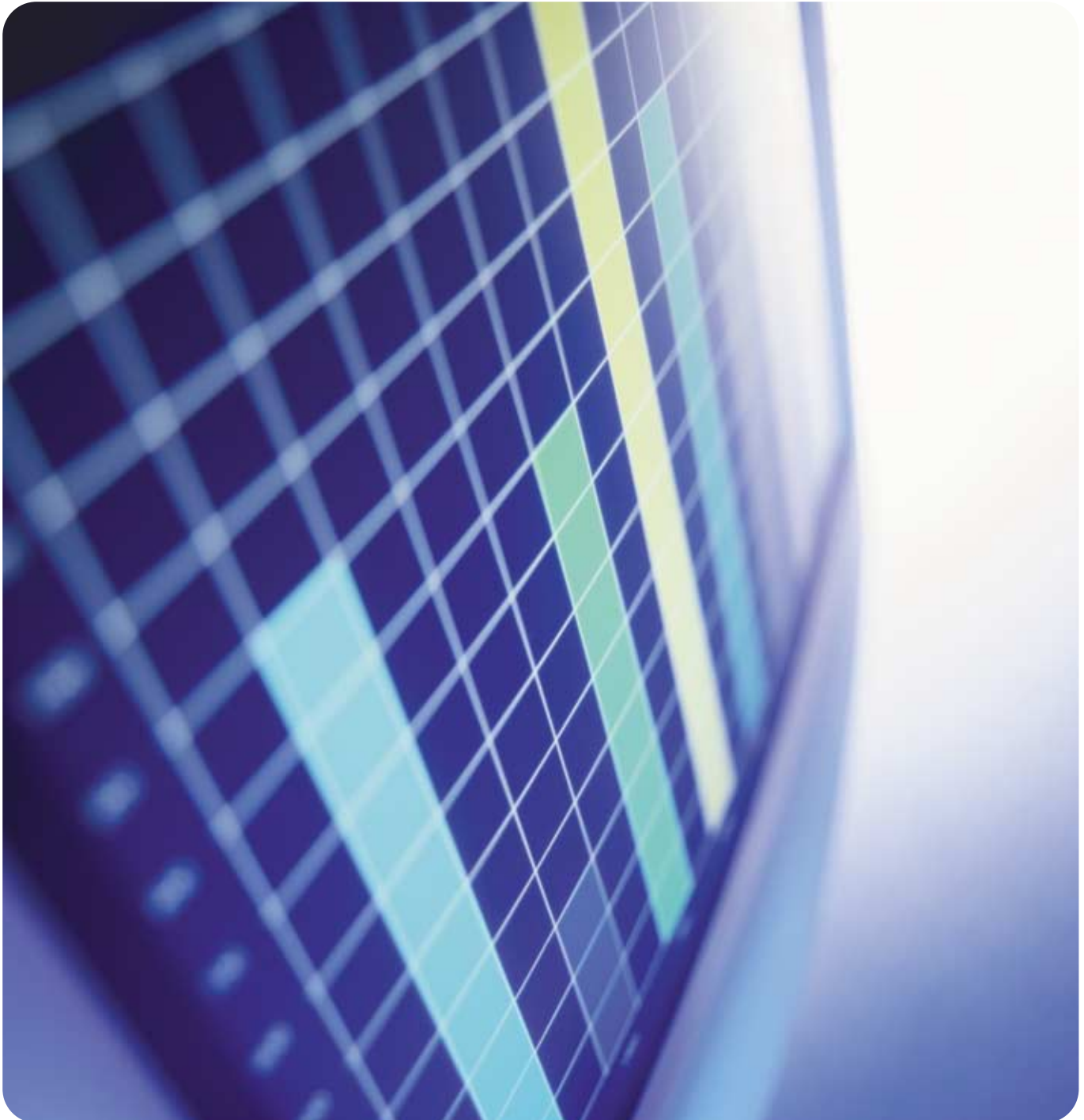
Sales by Nongshim's subsidiaries reached \$37 million in 2004, an 18.9% increase year on year. This performance fell short of the original target but was significant considering the increasingly competitive market environment from price cuts and mergers of small companies.

>> 2005 Outlook and Strategy

At present, Nongshim holds less than 1% of the Chinese market, but sales are increasing steadily every year. Leveraging its competitiveness at the high end, which is where more and more Chinese consumers aim, the company will continue to achieve high growth by offering high quality and developing added value through product differentiation (Korean style noodles) and an integrated marketing strategy. Nongshim's local manufacturing and sales subsidiaries in China are a firm foundation for growing Nongshim into a global player. The company is devising a more systemized mid-/long-term strategy of product standardization and sales localization, which includes the establishment of a Chinese business division. Sales at the Chinese subsidiaries are expected to grow 48% in 2005 to reach \$55 million, as the Shin Ramyun and Kimchi Ramyun brands gain market share, new products such as Ansong Tang Myun are launched, and leading snack products such as Shrimp Crackers, Cholbyung Snacks, and Onion Rings achieve higher sales. The company aims to achieve annual sales of \$90 million in China by 2007.

Financial Review

- Management's discussion & Analysis
- Balance Sheets
- Income Statements
- Statements of Appropriation of Retained Earnings
- Statements of Cash Flows



>>Performance Overview

In 2004, Nongshim achieved ₩1.645 trillion in sales, up 8.1% year on year, while operating income was ₩156 billion, an increase of 4.9% over the previous year. The company has achieved an average of 9.5% in annual sales growth since 2000, despite the rising value of the Won, higher raw material prices and sluggish domestic demand.

The stable growth has been due to continued expansion into overseas markets on the one hand, while the company has retained its market dominance and superior competitiveness in Korea on the other hand. High profitability has been maintained through efficient logistics management and careful cost controls, and the current growth trend is expected to continue in 2005 and beyond.

Moreover, the company raised its retail prices for main-sellers Shin Ramyun (9%), Ansong Tang Myun (10%), and Shrimp Crackers (20%), effective December 24, 2004. This increase was made to counter higher costs for ingredients such as wheat flour (9%) and potato starch (8%) in the second half of 2004. The company's major items will continue to enjoy strong competitiveness despite the price hikes, and any subsequent drop in sales will be slight. The respective shares of total sales by unit were 65.7% for the Noodle Division, 12.7% for the Snack Division, 6.4% for the Beverage Division, and 15.1% for Others & Exports Division in 2004.

>>Performance Results

■ Sales

Total sales in 2004 surpassed ₩1,645.0 billion, a figure that breaks down as follows:

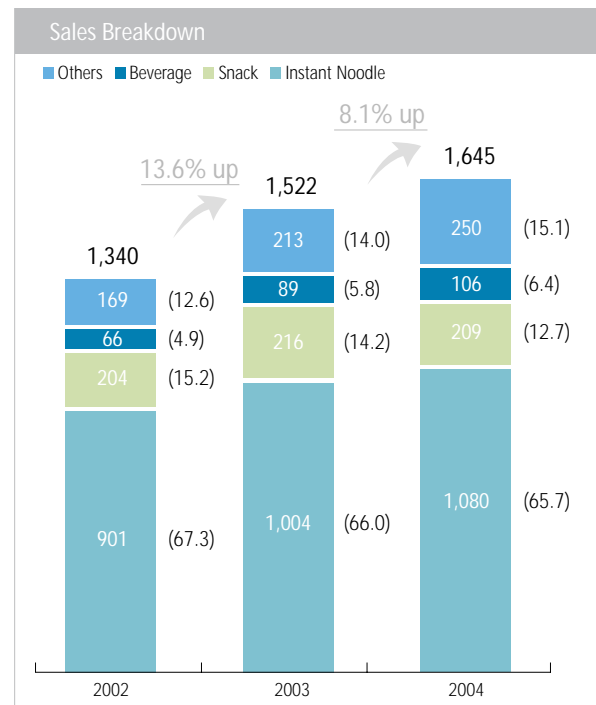
First, noodles represented 65.7% of total sales. The company sold ₩1.08 trillion worth of noodles, 7.6% more than the ₩1 trillion figure achieved in 2003, and the seventh year in a row that noodle sales have increased. Sales of bowl noodles fell somewhat, whereas pack noodle sales surged. Nongshim also captured 73.5% of the Korean instant noodle market, after exceeding 70% in 2003. While Shin Ramyun, the company's top brand, enjoys the highest market share (22.7%, worth ₩331 billion), Nongshim boasts eight of Korea's ten best-selling instant noodle brands in Korea. The company's market share for the top 10 brands has continued to increase, from 61.0% in 2002 to 64.2% in 2003 and 67.2% in 2004.

The snack business achieved ₩209 billion in sales in 2004, down 3.2%

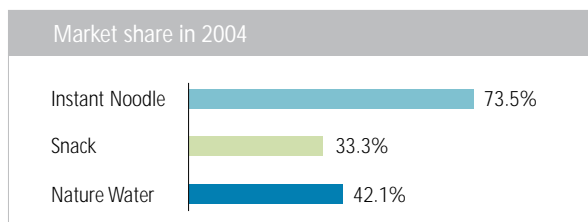
from the ₩216 billion posted in the previous year. The lower number is mainly attributable to a drop in sales of wheat-based snacks, a major segment, as well as aggressive promotions by competing companies and weaker sales at large distribution outlets such as discount stores. At the same time, Nongshim delayed the launch of some new snack products.

For these reasons, the company's share of the Korean snack market was 33.3% in 2004, which was 2.5%p lower than the previous year's figure. However, marketing and promotional activities have been strengthened, and new products such as natural chips were launched later in the year, raising expectations for the company to recover its lost market share. Sales of Shrimp Crackers, a major snack brand for Nongshim, reached ₩54.4 billion, maintaining its 8.7% market share, while a total of six Nongshim products are ranked among Korea's top twenty snacks.

Beverage sales amounted to ₩106 billion in 2004, up 19.1% from the ₩89 billion recorded during the previous year. Recognition for Nongshim brand in the beverage field has been strengthened by an aggressive



*Figures in parenthesis are proportions of each business division



marketing strategy coupled with seasonal demand. Bolstered by new products such as Soonnokcha (pure green tea) and Hongsamssoo (red ginseng drink), beverages recorded the highest sales growth rate among the company's four business areas.

Nongshim remained Korea's bottled water business leader, but its market share slightly increased 3.1%p year on year to 42.1%. Market share held by the Jeju Samdasoo dipped temporarily after a competing company raised its price, but Nongshim has started to regain that market share. Meanwhile, the domestic market position has stabilized for the Welch's carbonated beverage and juice lines, which is distributed by Nongshim.

Sales in the "other products" category reached ₩147 billion in 2004, which was 7.4% higher than the ₩137 billion recorded during the previous year. The growth was led by increased sales of seafood and ham, as well as by the launch of Nestle brand coffee products.

Exports sales amounted to ₩103 billion, up 34.8% from 2003.

■ Operating Income

Cost of sales was ₩1,110 billion in 2004, boosted 7.3% year on year by higher prices for wheat flour, starch, palm oil and other ingredients as well as for raw materials such as petroleum. Overall costs also increased with expanded exports. The cost-to-sales ratio improved 0.5 percentage points to 67.5%. Sales and administrative expenses (which include advertising, sales promotion, logistics, environmental protection and labor) rose 12.1% from the previous year. S&A expenses to sales were also up 0.8 percentage points. Advertising expense was 8.8% higher to ₩4.6 billion; logistics expense totaled ₩4.4 billion cost and ₩10.4 billion was spent on sales promotions.

Operating income in 2004 reached ₩156 billion, a 4.9% increase over 2003. Operating income to sales was 9.5%, down 0.3 percentage points from the 9.8% figure posted during the previous year. The balance between non-operating income and non-operating expenses improved significantly,

	2004	2003	2002
Sales	1,645.0	1,521.7	1,339.6
Operating income	155.9	148.6	105.9
Operating income margin	9.5%	9.8%	7.9%
Net income	130.6	101.6	80.1
Net income margin	7.9%	6.7%	6.0%

from a net loss of ₩4.4 billion in 2003 to a net gain of ₩35.3 billion in 2004. Major gains were achieved from derivatives traded for both cash flow and dealing purposes to avoid exchange fluctuation risk. A ₩10.3 billion gain on foreign exchange translation and a ₩4.5 billion gain of foreign currency transactions greatly reduced losses related to foreign currency.

Also, a ₩18.4 billion contribution to the Nongshim labor welfare fund had been treated as a non-operating expense in 2003, but this did not occur in 2004, helping to lower overall non-operating expenses. In this connection, ordinary income was ₩191.2 billion, an increase of 32.5% (₩46.9 billion) from the ₩144.3 billion recorded during 2003. There were no extraordinary losses or gains, and net profit was ₩130.6 billion for 2004 after income taxes of ₩60.6 billion were paid. Net profit to sales was 7.9%, an improvement of 1.2 percentage points year on year, and net earnings per share was ₩22,635.

>>Financial Status

Total assets stood at just under ₩1.34 trillion at the end of 2004, a 8.6% increase from the more than ₩1.23 trillion figure posed a year earlier. This growth was due to several factors: Short-term financing investments increased by ₩45.9 billion; the company purchased ₩23.2 billion more

	2004	2003	2002
Current assets	451.3	387.3	383.2
Non-current assets	888.0	845.4	846.8
Total assets	1,339.3	1,232.7	1,230.0
Current liabilities	438.0	449.5	429.5
Long-term liabilities	128.8	115.6	76.3
Total liabilities	566.8	565.1	505.8
Total shareholders' equity	772.5	667.6	724.2

equity in overseas subsidiaries, in line with an ongoing globalization strategy, and an additional ₩20.1 billion was invested in new facilities. Meanwhile, total liabilities remained about the same as in 2003. A total of ₩10.0 billion in foreign currency-denominated short-term borrowings and ₩51.8 billion in Korean Won-denominated short-term borrowings were repaid, but personnel expenses such as the retirement allowance reserve increased. Total shareholders' equity was ₩772.5 billion, up 15.7% year on year due to increased retained earnings resulting from the higher net profit in 2004 and lower capital adjustments.

>>Securities Under Equity Method

The company has applied the equity method to investments in domestic and overseas corporations as part of a strategy for globalizing operations and procuring ingredients and raw materials. As for Nongshim America Inc. and Nongshim Japan Inc., the changes in investment stocks related to the invested corporations had been insignificant through 2003, and therefore excluded from the equity method. In 2004, however, the amount of change in investment stock was considered important enough to be included under equity method as follows:

(Unit : %, KRW in million)

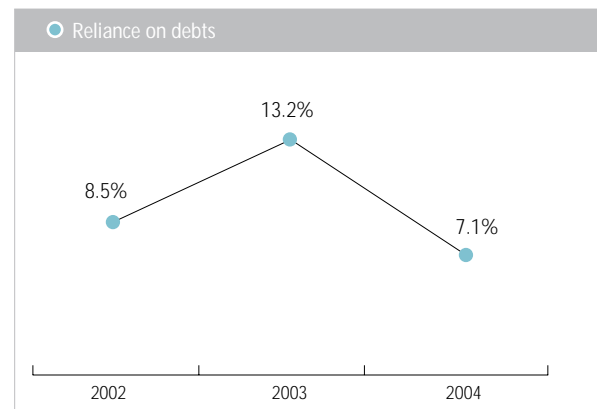
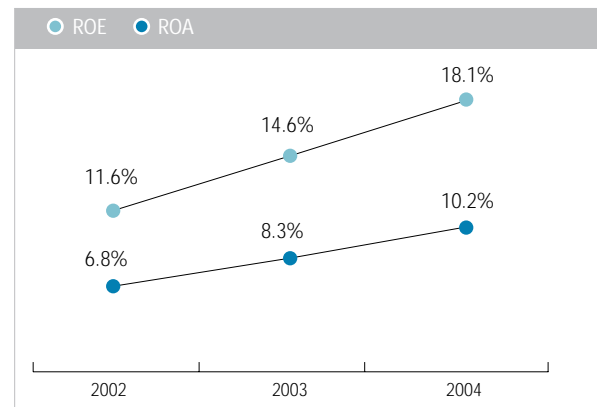
Corporate	Number of Shares	Ownership	Acquisition Cost
Nongshim (BVI) Holdings Ltd.	26,100,000	100.00	29,870
Nongshim Taekyung Holdings Ltd.	5,000,000	71.43	5,333
Nongshim (H.K.) Holdings Ltd.	23,050,000	100.00	25,408
Nongshim Foods Inc.	500,000	100.00	57,857
Nongshim America Inc.	6,000	100.00	468
Nongshim Japan Inc.	1,000	100.00	501
Total			119,437

>>Major Financial Ratio

As Return on Equity (ROE) and Return on Assets (ROA) have respectively shown 18.1% and 10.2%, 3.5% and 1.9% have been respectively increased in comparison with those of the previous year. This has been made as it was supported by competitiveness of prime cost through strict profit creating system such as profit management per individual product and etc.

together with high brand value, even under price hike of every raw and subsidiary materials and severe competition circumstance. As financing cost/sales amount rate, another index showing the profitability is also 0.21%, it keeps the highest level among the companies on same lines in most of profitability index.

As for liabilities rate has been also reduced to 73.4% with 11.3% of improvement, and debt dependence has been improved to 8.4% with 4.9% of reduction, which shows the highest level among the companies on the same lines relevant to all stability index also.



As of december 31, 2004 and 2003

(KRW in millions)

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	46,941	45,944
Short-term financial instruments	200,000	154,040
Short-term investment securities	1,228	330
Accounts receivable - trade, net of allowance for doubtful accounts of ₩164 million in 2004 and ₩124 million in 2003	106,002	97,390
Accounts receivable - other	1,495	1,218
Accrued income	8,954	5,254
Advance payments	208	1,011
Prepaid expenses	3,314	4,572
Short-term Loans to stockholders, executives and employees	1,526	1,462
Inventories	81,605	76,092
Total current assets	451,273	387,313
NON-CURRENT ASSETS:		
Long-term financial instruments	16	16
Long-term investment securities	8,004	9,139
Equity method investments	87,294	64,054
Guarantee deposits	6,691	6,338
Property, plant and equipment, net of accumulated depreciation of ₩294,162 million in 2004 and ₩245,170 million in 2003	776,286	756,930
Intangible assets	1,253	1,417
Other	8,493	7,553
Total non-current assets	888,037	845,446
Total assets	1,339,310	1,232,759

As of december 31, 2004 and 2003

(KRW in millions)

	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable- trade	244,713	220,995
Short-term borrowings	-	10,000
Short-term borrowings in foreign currency	41,305	93,143
Non-trade payables	26,598	15,179
Non-trade Notes Payable	-	69
Advance receipts	1,015	611
Withholdings	4,218	3,502
Accrued expenses	60,898	56,340
Income taxes payable	33,334	20,371
Dividends Payable	39	29
Value added tax withheld	11,728	15,183
Current portion of long-term debts	496	496
Unearned revenues	6	44
Deposits received	13,669	13,537
Total current liabilities	438,019	449,499
LONG-TERM LIABILITIES:		
Bonds payable	26,214	28,964
Long-term borrowings	744	1,240
Long-term borrowings in foreign currency	26,095	29,945
Accrued severance indemnities - net of transfers to the National Pension Fund of ₩4,946 million in 2004 and ₩5,350 million in 2003 and deposits for group severance indemnities of ₩111,857 million in 2004 and ₩109,032 million in 2003	62,852	52,400
Deferred income tax liabilities	12,844	3,044
Total long-term liabilities	128,749	115,593
Total liabilities	566,768	565,092
SHAREHOLDERS' EQUITY:		
Common stock	28,857	28,857
Capital surplus	296,049	296,070
Retained earnings	454,761	500,515
Capital adjustments	-7,125	-157,775
Total shareholders' equity	772,542	667,667
Total liabilities and shareholders' equity	1,339,310	1,232,759

For the year ended december 31, 2004 and 2003

(KRW in millions)

	2004	2003
Sales	1,645,023	1,521,655
Cost of sales	1,109,935	1,034,766
Gross profit	535,088	486,889
Selling, general and administrative expenses	379,221	338,253
Operating income	155,867	148,636
Other income :	45,038	34,975
Interest revenues	14,455	12,575
Dividends revenues	204	395
Rental revenues	4,498	6,228
Fees Revenues	1,555	5,131
Gain on valuation of short-term investments	1	-
Gain on foreign currency transaction	4,465	919
Gain on foreign currency translation	10,277	1,136
Gain on disposal of property, plant, and equipment	315	314
Miscellaneous revenues	9,268	8,277
Other expense :	9,709	39,358
Interest expenses	3,274	4,133
Loss on valuation of short-term investments	-	-
Loss on disposal of short-term investments	-	146
Loss on foreign currency transaction	717	2,763
Loss on foreign currency translation	46	8,612
Donations	1,324	18,883
Loss on disposal of property, plant, and equipment	115	304
Additional payment of income taxes	-	57
Loss on valuation of applied equity method	1,017	1,418
Loss on disposal of inventories	2,766	1,449
Loss on disposal of long-term securities	2	1,000
Miscellaneous losses	448	593
Ordinary income	191,196	144,253
Extraordinary gains	-	-
Extraordinary losses	-	-
Income before income taxes expense	191,196	144,253
Income taxes expense	60,561	42,623
Net income	130,635	101,630
Ordinary income per share	22,635	16,222
Earnings per share	22,635	16,222

For the year ended december 31, 2004 and 2003

(KRW in millions)

	2004	2003
Unappropriated retained earnings:		
Beginning of year	7,214	6,570
Net income	130,635	101,630
Transfers from voluntary reserves	4,357	90,403
	142,206	198,603
Appropriations:		
Legal reserve	-	-
Reserve for technical development	10,000	15,000
Voluntary reserves	100,000	-
Loss on sale of treasury stock	-	375
Loss on capital reduction	-	158,700
Cash dividends	23,085	17,314
	133,085	191,389
Unappropriated retained earnings, end of year	9,121	7,214

For the year ended december 31, 2004 and 2003

(KRW in millions)

	2004	2003
Cash flows from operating activities		
Net income	130,635	101,630
Expenses without cash outflows:		
Loss on disposal of short-term investments	0	146
Loss on valuation of applied equity method	1,017	1,418
Loss on disposal of long-term investments	2	1,000
Loss on disposal of property, plant, and equipment	115	304
Loss on valuation of short-term investments	0	0
Serverance and retirement benefits	29,107	26,851
Depreciation	50,711	55,743
Amortization of intangible assets	422	424
Discount on bonds payable	46	46
Loss on foreign currency translation	38	8,612
Loss on disposal of inventories	2,766	1,449
Bad debts expense	149	375
Donation	0	18,362
Repairs expenses	0	42
	84,373	114,772
Revenues without cash inflows:		
Gain on valuation of short-term investments	1	0
Gain on disposal of tangible assets	315	314
Gain on foreign currency translation	10,277	1,113
	(10,593)	(1,427)
Changes in operating assets and liabilities:		
Increase in accounts receivable - trade	(8,798)	(16,633)
Decrease(Increase) in accrued income	(3,700)	417
Decrease(Increase) in advance payment	804	(301)
Decrease in prepaid expenses	1,258	312
Increase in inventories	(8,279)	(5,609)
Increase in accounts payable - trade	23,718	19,426
Increase in advance receipts	404	493
Increase in withholdings	715	682
Increase in accrued expenses	4,558	8,734
Increase(Decrease) in income taxes payable	12,963	(6,165)
Increase(Decrease) in value added tax withheld	(3,455)	3,306
Increase(Decrease) in unearned income	(38)	21
Increase in deferred income tax liabilities	9,778	2,267
Payment of severance benefits	(16,234)	(14,708)
Decrease in transfers to National Pension Fund	403	433
	14,097	(7,325)
Net cash provided by operating activities	218,512	207,650
Cash flows from investing activities		
Cash inflows from investing activities:		
Disposal of short-term investments	5	6,158
Decrease in short-term financial instruments	3,013,747	782,539
Decrease in short-term loans to stockholders, executives and employees	1,235	270

For the year ended december 31, 2004 and 2003

(KRW in millions)

	2004	2003
Decrease in accounts receivable - other	4,561	5,075
Disposal of long-term investments	102	87
Disposal of equity-method securities	0	41
Receipt of dividends from affiliated companies using equity method	0	1,085
Decrease in quarantine deposits	88	315
Decrease in deposits for severance insurance	10,311	0
Disposal of property, plant, and equipment	24,117	1,047
	3,054,166	796,617
Cash outflows from investing activities:		
Acquisition of short-term investments	902	5,268
Increase in short-term financial instruments	3,059,707	863,212
Increase in short-term loans to stockholders, executives and employees	1,300	491
Decrease in accounts receivable - other	4,838	4,475
Acquisition of equity-method securities	31,650	34,594
Increase in long-term investments	0	10,244
Increase in quarantine deposits	441	3,272
Increase in deposits for severance insurance	13,136	8,279
Increase in other assets	940	744
Acquisition of property, plant, and equipment	29,050	35,857
Acquisition of construction in progress	64,934	17,217
Acquisition of patents-industrial	258	420
	(3,207,156)	(984,073)
Net cash provided by investing activities	(152,990)	(187,456)
Cash flows from financing activities		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	8,000	179,500
Proceeds from short-term borrowings in foreign currency	46,102	87,883
Proceeds from long-term borrowings in foreign currency	0	29,945
Increase in payables	68,380	101,672
Increase in notes payables	16,773	0
Increase in deposits received	374,869	292,296
	514,124	691,296
Cash outflows from financing activities:		
Repayment of short-term borrowings	18,000	179,500
Repayment of short-term borrowings in foreign currency	94,310	65,364
Decrease in payables	56,960	134,055
Decrease in notes payables	16,842	0
Repayment of current portion of long-term borrowings	496	496
Decrease in deposits received	374,737	293,680
Payment of dividends	17,304	10,487
Acquisition of treasury stocks	0	45,368
	(578,649)	(728,950)
Net cash provided by financing activities	(64,525)	(37,654)
Net increase(decrease) in cash and cash equivalents	997	(17,460)
Cash and cash equivalents at beginning of the year	45,944	63,404
Cash and cash equivalents at end of the year	46,941	45,944

IR Information

>> IR Activities in 2004

Held Annual IR Conference _Feb. 26

- For analysts and fund managers

Held Regular General Meeting of Shareholders _ Mar. 12

- Presenting the operating results and the corporate vision

Participated in Global Investors Conference _May 18

- For major institution investors

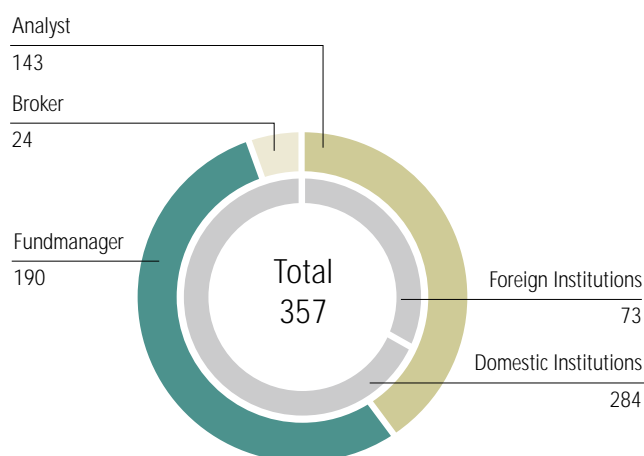
Organized Factory Visit (Sanghai Factory) _Sep. 13 ~ Sep. 15

- For analysts and fund managers

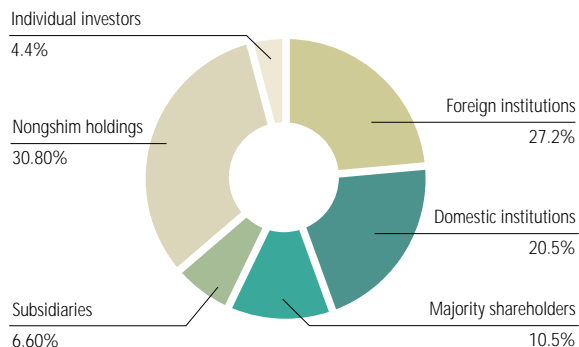
Other Activities

- Visited major institution investors _Feb.27 ~ Mar. 5

- Held Small Group Meeting _Mar. 9, Jun. 17 and Jul. 30



>> Ownership Structure



(As of December 31, 2004, shares, %)

Shareholders	Shares	Shares to Equity
Majority Shareholders	607,637	10.5
Nongshim Holdings	1,778,941	30.8
Foreign Institutions	1,569,325	27.2
Domestic Institutions	1,180,302	20.5
Subsidiaries	380,394	6.6
Individual Investors	254,804	4.4
No. of Outstanding Shares	5,771,358	100.0

The management at Nongshim strives to provide the highest returns to shareholders. In order to achieve this goal, appropriate share value will be maintained, and future IR activities will be centered on improving share values.

>> 3-Year Stock Price



>> Investment Indicators

(unit : shares, KRW, multiple)

	2002	2003	2004
No. of outstanding shares	7,600,000	5,771,358	5,771,358
Stock Price (H/L)	106,000 / 60,000	244,500 / 67,000	262,500 / 189,500
EPS	10,539	17,604	22,635
PER(H/L)	10.1 / 5.7	13.9 / 3.8	11.6 / 8.4
BPS	98,270	115,441	113,850
PBR(H/L)	1.1 / 0.6	2.1 / 0.6	2.0 / 1.5
Dividends	1,500	3,000	4,000
propensity to dividend (%)	13.1	17.0	17.7

Affiliates

Nongshim Holdings | Mega Mart | Youlchon Chemical | Taekyung Nongsan | NDS | Nongshim Communications | Nongshim Engineering | Hotel Nongshim | Nongshim Development

>> Nongshim Holdings

Pure holding company in nongshim group

Nongshim holdings contributes to maximize shareholder value by improving corporate governance and raising managerial efficiency. It holds 6 subsidiaries that include Nongshim, Youlchon Chem, Taekyung Nongsan, Nongshim Communications, Nongshim ENG, Nongshim Development.



▶ <http://www.nongshimholdings.co.kr>

>> Mega Mart

Discount store for a new shopping experience

Based on its 25-year expertise in merchandising and the most advanced system and product management skills in the industry, Mega Mart, Korea's best merchandising company, offers the lowest prices around. By providing "better products faster" and offering "more happiness" to its customers, Mega Mart is creating a whole new shopping experience.



<http://www.mega-mart.co.kr> ▶

>> Youlchon Chemical

Leading high-tech packaging material manufacturer in Korea

Youlchon Chemical, with large-scale high-tech manufacturing facilities in Ansan, Gyeonggi-do and Yangsan, Gyeongsangnam-do, is Korea's leading packaging material manufacturing company. By producing high quality packaging materials, the company helps to bring the tastes of Nongshim to the customers safely and more cleanly.



▶ <http://www.youlchon.com>

>> Taekyung Nongsan

Food manufacturer that specializes in creating new tastes

Established in 1979, Taekyung Nongsan is Korea's food ingredient company, developing new tastes with the finest ingredients. The company has GMP-standard manufacturing facilities to produce the best quality products with the selected ingredients. It is responsible for Nongshim's taste, as it manufactures soup powders for Nongshim's ramyun.



<http://www.itaekyung.com> ▶



<http://nds.nongshim.co.kr> ▶

>> NDS

Leading strategic system & IT-solution Company

This company supports management innovation in each sector of the Nongshim Group, where we strive to become the world's leading business entity through information technologies. Based on its expertise accumulated over the scores of years in areas such as manufacturing, merchandising, and logistics, NDS offers information system development and IT-solution consulting services to various industries.

>> Nongshim Communications

Energetic advertisement agency

Nongshim Communications is a comprehensive marketing communications company whose strategy is based on accurate market research, consumer studies, and marketing analysis. A group of brand-marketing experts work on all communications areas, including advertisement, publicity, public relations, promotion and events, playing a major role in the development of the advertising industry in the 21st century.



▶ <http://www.adleague.co.kr>



<http://www.nongshimeng.com> ▶

>> Nongshim Engineering

Comprehensive engineering company

From planning to engineering advice, architecture, engineering, automation, environmental facilities and services, Nongshim Engineering is a specialized engineering company that offers comprehensive solutions. The company competes with global companies with its own technologies and know-how by combining the widespread technologies within the Nongshim Group and specializing them to meet different needs.

>> Hotel Nongshim

World-class resort hotel with spa

Hotel Nongshim, with 40 years of tradition, provides unique services and clean, comfortable rooms. Together with Heosimcheong, Asia's largest spa resort, it is a world-class spa resort hotel offering relaxation, health, beauty and fun all at the same time.



▶ <http://www.hotelnongshim.com>



<http://www.ildonglakes.co.kr> ▶

>> Nongshim Development

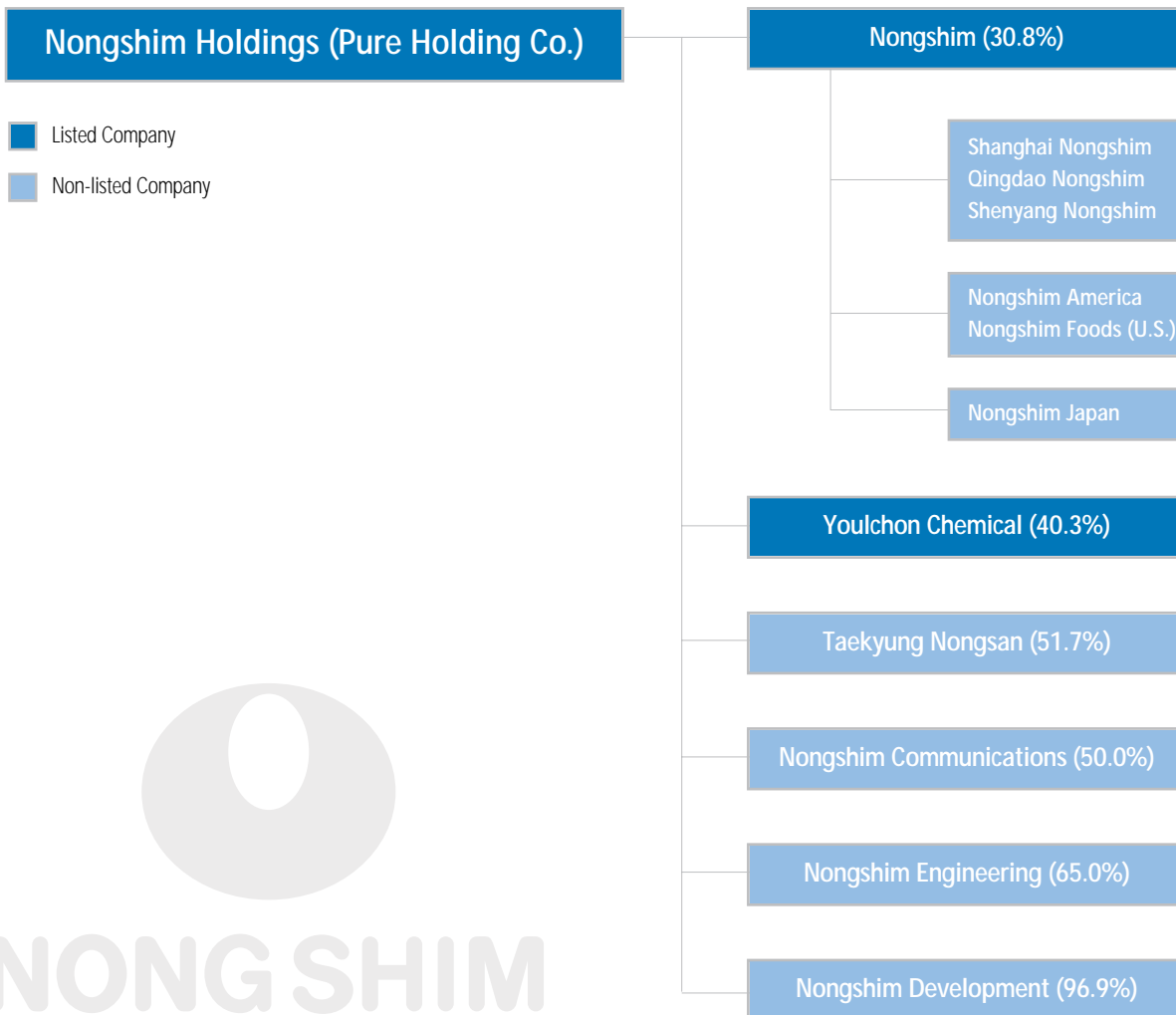
World-class Ildong Lake Golf Club

Located in Pocheon-gun, Gyeonggi-do, Ildong Lake Golf Club is a private membership 18 hole (par 72) course that is accredited by the US LPGA. It is a premier world-class golf course that has been highly praised for its ability to host a variety of tournaments and business events.

Holding Co. & Investment Structure

The demerging of Nongshim was possible due to the positive outlook by investors on the Company's shareholder-focused management strategy and the fact that it has aided in clearing away negative factors in Nongshim's corporate governance structure. Foreign investors, especially, have indicated Nongshim, as a market leader in the Food & Beverage industry, to be an attractive investment opportunity considering its high growth and profitability potentials.

As of end of 2004, Nongshim Holdings had two listed companies (Nongshim and Youlchon Chemical) and 4 non-listed companies (Taekyung Nongsan, etc.) as its affiliates.



Factories in China

Nongshim's business in China goes back to its local production strategy back in 1996. After opening the Shanghai Factory, its first overseas manufacturing site, Nongshim opened new factories in Qingdao and Shenyang to build a foundation for a fully localized manufacturing system. Nongshim has successfully pursued a high-end strategy to target mid to high-income families, and the sales of its 15 ramyuns and snacks are increasing every year. In addition, with strong confidence in our products, we not only stick to Nongshim's own taste, but also actively pursue the development of new localized products to win over the Chinese people's appetites.



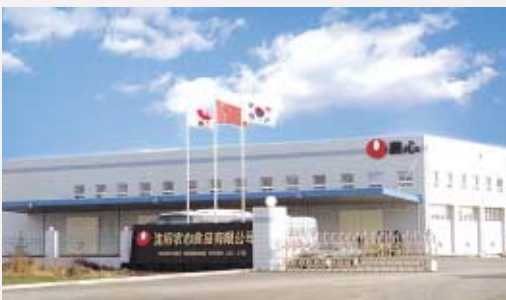
► Shanghai Nongshim Foods Co., Ltd. | Introducing Korea's taste to the Chinese continent as Nongshim's first overseas factory

Nongshim first entered the Chinese market in 1996 and now owns its own high-tech manufacturing facility with an annual production capacity of 400 million of 10 different ramyuns, including Shin Ramyun and Shanghai Tangmyun. Shanghai Nongshim is in the forefront Nongshim's campaign to open up new overseas markets.



► Qingdao Nongshim Foods Co., Ltd. | Supplying the finest ingredients for the best tastes

Established in 1998, the company supplies fresh ingredients for ramyun and snacks and half-finished products to Shanghai and Shenyang.

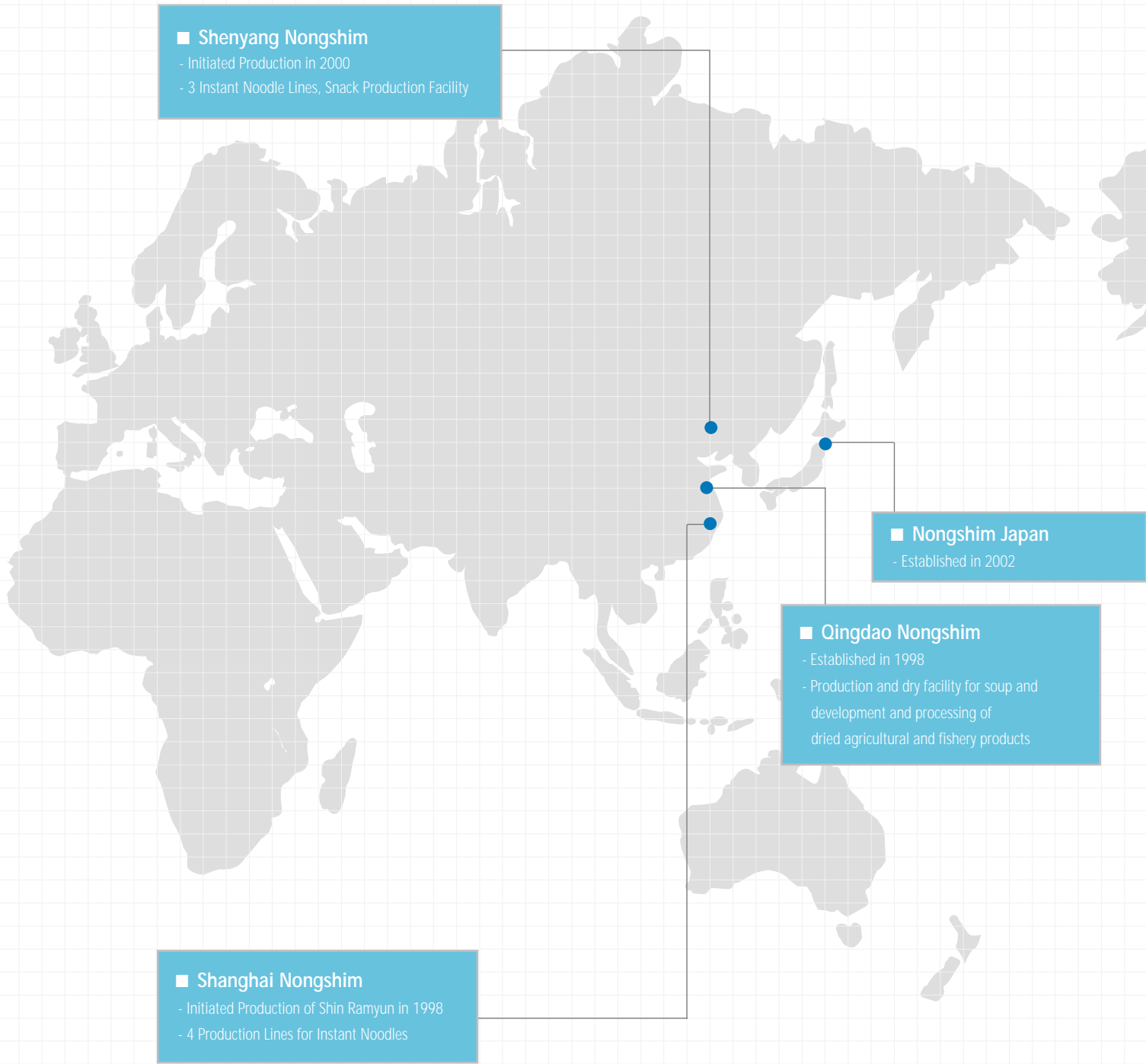


► Shenyang Nongshim Foods Co., Ltd. | Advanced facilities and high-technologies for the fast growing Chinese market

Shenyang Nongshim was established in November 2000 to strengthen Nongshim's position in the Chinese market. With an annual production capacity of 300 million ramyun and 400 million snack products, the Company produces and sells a variety of items, such as Shin Ramyun, Shrimp Cracker, Potato Snack, Sweet Potato Snack, Onion Rings and Bananakick, all in China. Shenyang Nongshim, along with Shanghai Nongshim and Qingdao Nongshim, plays a major role in spreading the tastes of Korea to the fast growing Chinese market.

Global Networks

OVERSEAS PLANT

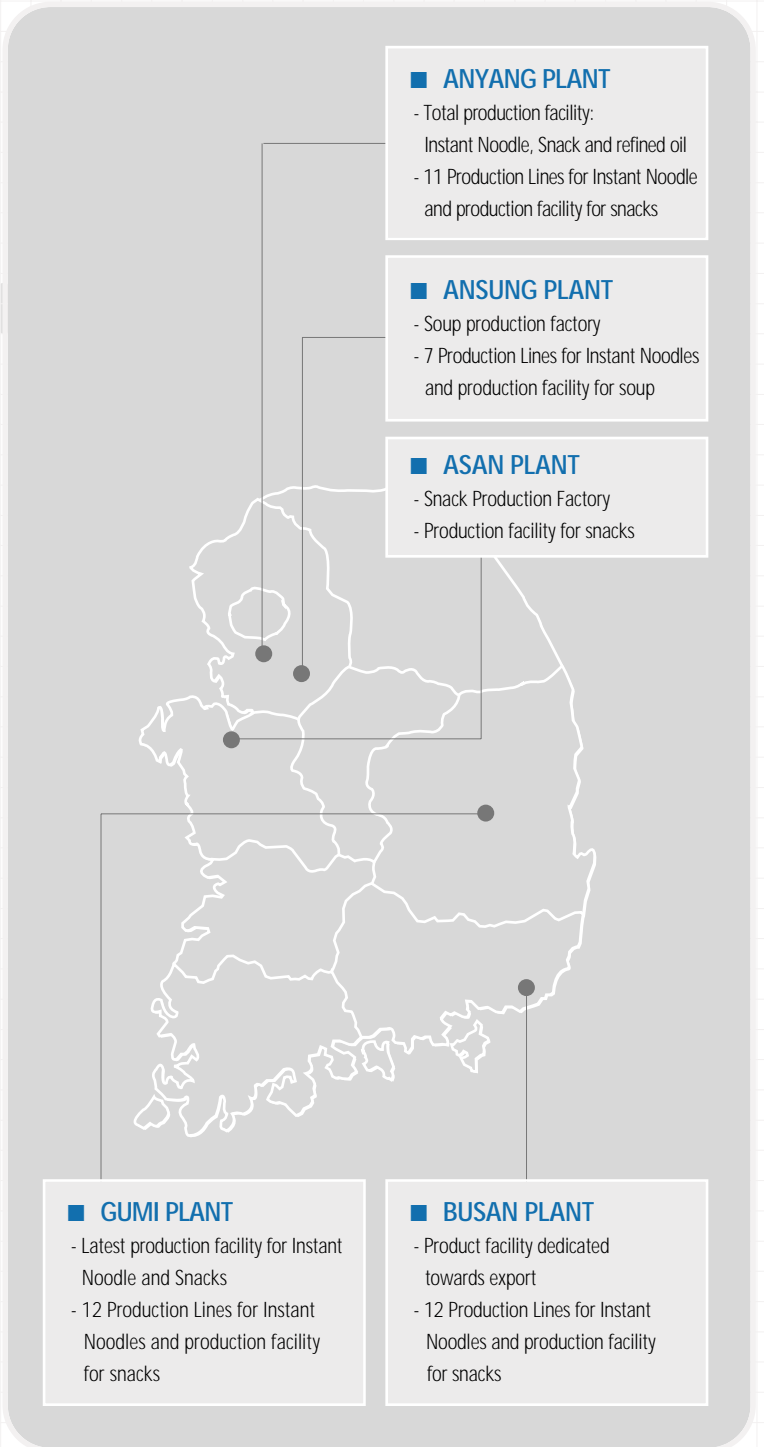


PLANT IN KOREA



■ **Nongshim America**
(Local Sales Subsidiary)

■ **Nongshim Foods**
- Expected Production in 2005
- 3 Instant Noodle Lines,
Soup Manufacturing Equipment



■ **ANYANG PLANT**

- Total production facility:
Instant Noodle, Snack and refined oil
- 11 Production Lines for Instant Noodle
and production facility for snacks

■ **ANSUNG PLANT**

- Soup production factory
- 7 Production Lines for Instant Noodles
and production facility for soup

■ **ASAN PLANT**

- Snack Production Factory
- Production facility for snacks

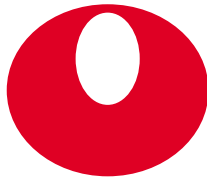
■ **GUMI PLANT**

- Latest production facility for Instant
Noodle and Snacks
- 12 Production Lines for Instant
Noodles and production facility
for snacks

■ **BUSAN PLANT**

- Product facility dedicated
towards export
- 12 Production Lines for Instant
Noodles and production facility
for snacks





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