

Company Profile

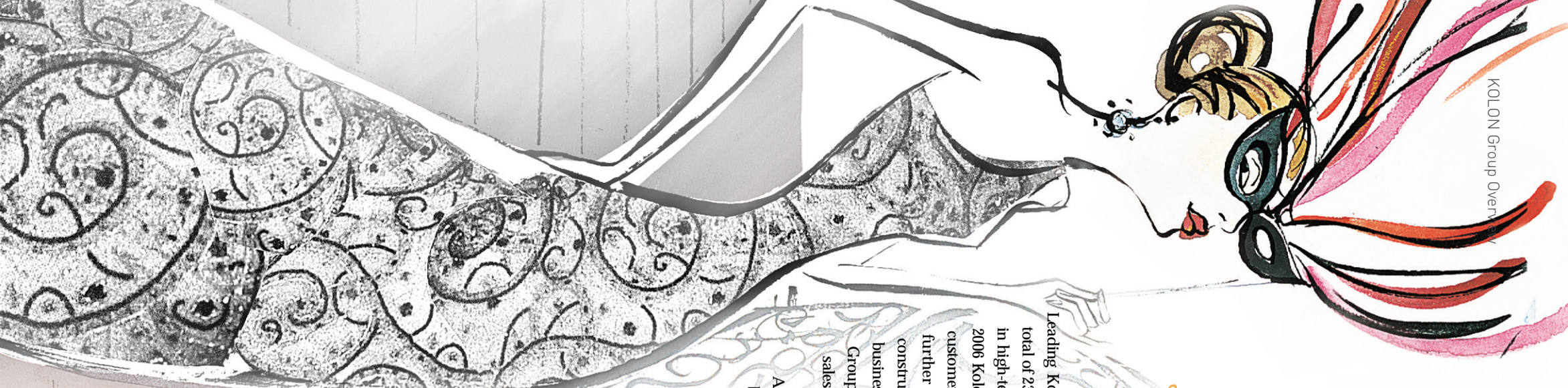
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Established in 1954 and celebrating its 51st anniversary, FNC Kolon is a prominent fashion company representing Korea's fashion industry. Starting with the launch of its first outdoor brand 'Kolon Sports' in 1973, FNC Kolon currently operates a total of 13 high-profile brands in sports, casual, golf, and premium fashion.

Furthermore in 2005, FNC Kolon established the most stable and optimum market portfolio and greatly reduced cost through the integrated management system with Kolon Fashion, specialized in men's and women's fashion. Thereby, it laid a solid foundation to become an unparalleled world-class fashion enterprise in terms of profitability and growth potential.

Always standing by its customers and growing with them while leading innovative lifestyles, FNC Kolon will never stop its grand steps toward a world-class 'Great Company' specialized in sports & fashion. In 2006, our management will focus on the Management Principle of 'Establishing Foundation for Leaping Forward through Innovative Management' based on four major strategies: 'Enhancing Business Portfolio', 'Reinforcing Core Business Capabilities', 'Innovating Cost', and 'Initiating Store-oriented Management'

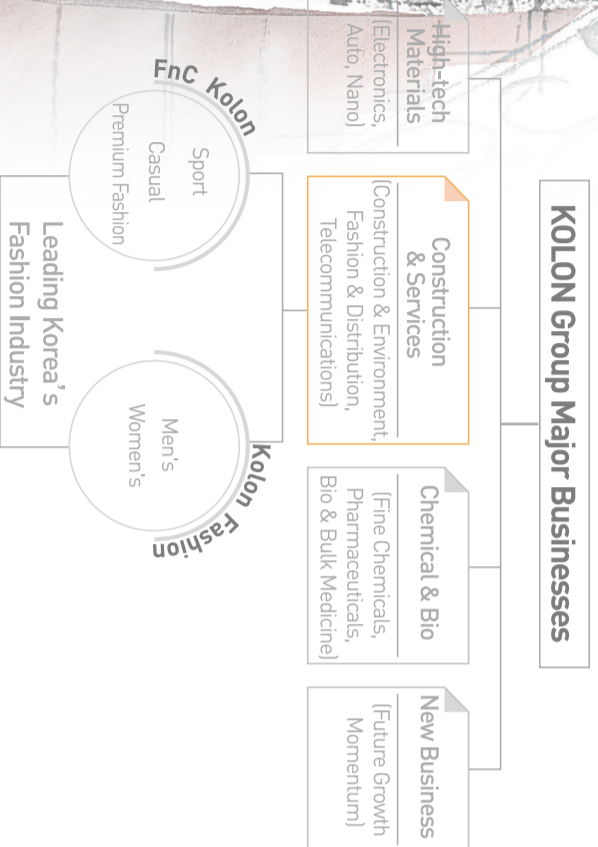




KOLON Group Overview

Leading Korea's textile industry for the past half a century, Kolon Group currently operates a total of 23 affiliated companies with KRW 4.3 trillion assets including 6 listed companies mainly in high-tech materials, construction & services, and chemical & bio businesses. Furthermore, in 2006 Kolon Group announced a new corporate vision 'Lifestyle Innovator' in order to provide customers with products and services that enhance the quality of their lives. Kolon Group will further strengthen strategic businesses such as high-tech materials, chemical & bio and construction & services into more value-added businesses while focusing on securing new business areas to take future growth momentum. Based firmly on the grand vision, Kolon Group sets a clear target of entering top 10 groups in Korea by 2010 with KRW 20 trillion in sales and KRW 1.5 trillion in net income.

As the pivot of fashion & distribution sector in Kolon Group's construction & services business, Fnc Kolon and Kolon Fashion have established the most optimum brand portfolio in the fashion industry comprising all types of fashion from sports, casual, golf, premium fashion, to men's and women's fashion.



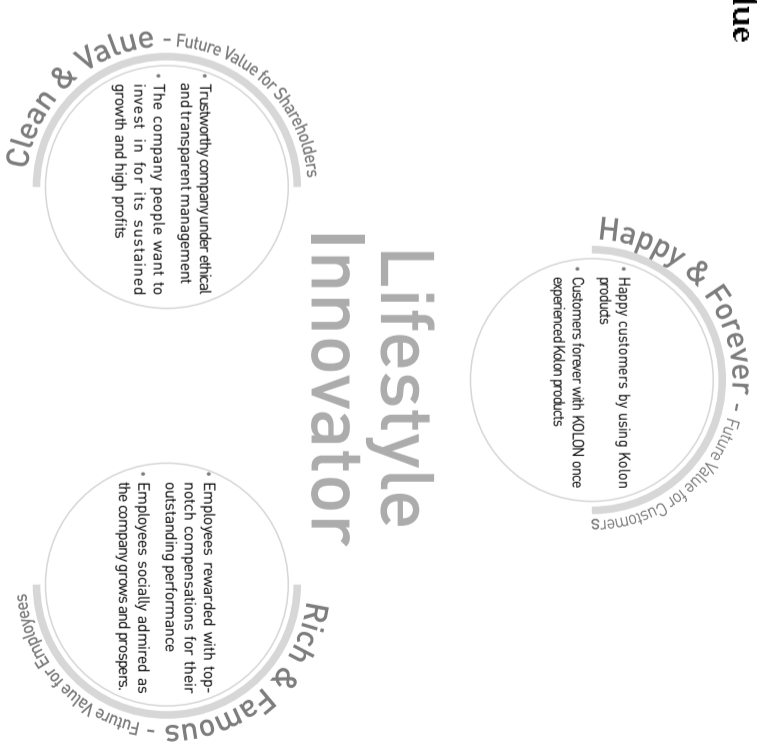
KOLON Group Vision

Big Step 2010

Lifestyle Innovator

- Kolon Group, 'Innovating lifestyle' by providing products and services that enhance the quality of life.
- Operates businesses providing products and services related to customers' quality of lives.
- Develops High-tech Materials (Electronics, Auto, Nano), Chemical & Bio (Fine Chemicals, Pharmaceuticals, Bio & Bulk Medicine), Construction & Services (Construction/Environment, Fashion/Distribution, Telecommunications) into high value-added businesses.
- Achieves the Group's 2010 management goal through 4 strategic business lines by further securing new businesses as future growth momentum.

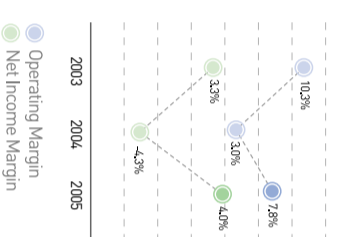
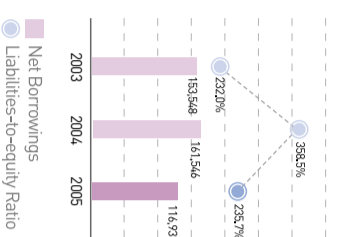
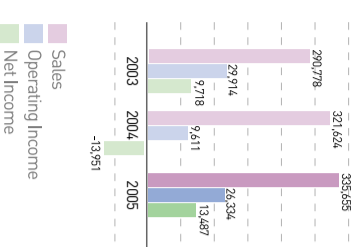
Shared Value



Financial Highlights

(In Millions of KRW, %)

	2005	2004	2003
Operating Results			
Sales	335,655	321,624	290,778
Operating Income	26,334	9,611	29,914
Operating Profit Margin	7.8%	3.0%	10.3%
Ordinary Income	19,665	(11,123)	16,864
Ordinary Income Margin	5.9%	-3.5%	5.8%
Net Income	13,487	(13,951)	9,718
Net Income Margin	4.0%	-4.3%	3.3%
Financial Condition & Key Ratios			
Total Assets	267,867	276,656	296,568
Total Liabilities	188,062	216,318	207,230
Total Shareholders' Equity	79,805	60,337	89,338
Liabilities-to-equity Ratio	235.7%	358.5%	232.0%
Retention Ratio	67.3%	-	65.1%
ROA	5.0%	-4.9%	3.4%
ROE	19.3%	-18.6%	11.3%
EBITDA	39,573	7,630	33,785
Per Share Data (In KRW)			
EPS	1,216	-1,373	913
BPS	5,138	4,454	7,066
CPS	2,128	238	2,271
Dividend per Share	Common : 250, Preferred: 300	None	Share Dividend 5% + Cash 50



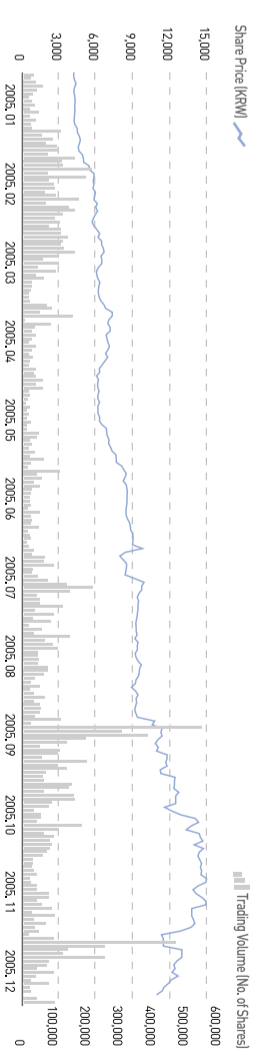
Shareholder Information

Stock Information

- Listed in 1998 (Code No.: 001370)

	2005	2004
No. of Shares Issued	12,728,217	12,728,217
Total Market Cap. (In billion of KRW)	(common shares 12,003,600)	(common shares 12,003,600)
Share Price (High) (In KRW)	131.4	50.5
Share Price (Low) (In KRW)	4,240	10,500
PER (H/L) (x)	12.7/3.5	-9.6/-3.8
EPS (In KRW)	1,216	-1,373

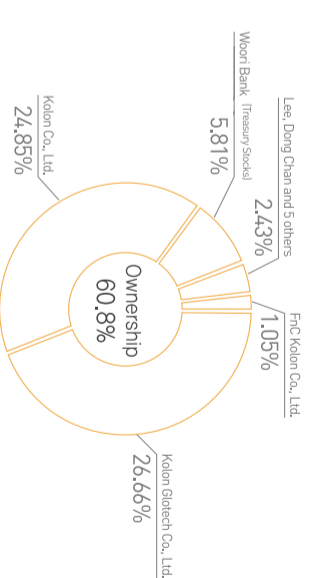
Fnc Kolon Share Price



Dividend Information

	2005	2004	2003	2002
Dividend/Face Value (%)	Common 5%, Preferred 6%	-	5% Common share div. +1% Cash Div.	15%
Dividend Yield (%) (In KRW)	Common 2.1%, Preferred 5.2%	-	5% Common share div./+2% Cash Div.	1.6%
Cash Dividend Per Share (In KRW)	Common 250, Preferred 300	-	0.5 Common share + 50	10.6%
Total Dividend Paid (In Billions of KRW)	3.0	-	0.5 Common share + 100	750
Dividend Payout Ratio (%)	22.2%	-	3.16 (Incl. share div.)	8.0
Net Income (In Billions of KRW)	13.49	-13.95	32.5%	35.7%
			9.72	22.39

Major Shareholders



Message from the Management

Over the last year, the management and the employees of FnC Kolon and Kolon Fashion channeled all our energy into overcoming difficulties and, as a result, successfully turned around from deep slump. Despite a variety of adverse situations in and around the country which include sluggish domestic economy, continuously rising international oil prices and unstable housing prices, FnC Kolon and Kolon Fashion succeeded to achieve exceptional management performances.

2005 operating results showed that our operating income amounted to KRW 28.3 billion, up by 174% compared with that of 2004 while recording KRW 335.7 billion in sales, up by 4.4% from 2004. Net income also increased by KRW 27.4 billion to reach KRW 13.5 billion. Such favorable results mostly stemmed from the sales efficiency and cost innovation efforts made throughout the year. Backed by innovated cost reduction programs and efficient marketing activities, the operating income margin also greatly improved to 7.8% in 2005 from 3.0% in 2004.

More meaningful than the increase in our total sales is the accomplishment of more efficient sales structure. By increasing normal sales volume while reducing discounted sales, focusing on core stores through reshuffling of our sales network, and improving the cost ratio, we improved our gross margin to 56.3%. It is especially encouraging that the sales increase in the 4th quarter of 2005 recorded 12% further increasing our expectation on 2006 operating results.

Powered by the successful 2005 turnaround, FnC Kolon and Kolon Fashion will further strengthen our business and management capabilities in year 2006. Based on a thorough study on the optimum financial scheme for our business capabilities, we have set our financial target for 2006 at KRW 359.3 billion in total sales, up by 7%, and with KRW 36.1 billion in operating income.

To achieve this target, FnC Kolon and Kolon Fashion will aggressively pursue the following management strategies: 1. Enhancing Business Portfolio 2. Reinforcing Core Business Capabilities 3. Initiating Store-oriented Management 4. Innovating Cost.

First, Enhancing Business Portfolio will be achieved through 3 major tasks of • Fostering mega brands • Enhancing QP (Quality Price) market dominance and • Establishing the basis for future growth.

Second, Reinforcing Core Business Capabilities shall be driven forward through such tasks as • Establishing performance-oriented culture & fostering core manpower • Enhancing design competitiveness • Innovating MD process and • Improving distribution competitiveness.

Third, for Initiating Store-oriented Management, we will introduce • Store STOP system • Expanding evaluation performance by store and • Ensuring service qualities such as customer service status evaluation.

Last, Innovating Cost will be concretely realized through • Lowering cost • Increasing productivity per person • Cutting cost through change in cost recognition.

We will also ensure that we exceed our target sales and profits by establishing a Plan-Do-See management process in which the specific tasks for each management strategy are examined through routine follow-ups so the problems are promptly discovered and rectified. We are confident that by following our management plans, FnC Kolon together with Kolon Fashion will grow into a top-class fashion company that awards its customers with an innovative lifestyle and a competitive profit-generating company that creates new values for all stakeholders.

As a CEO of FnC Kolon and Kolon Fashion, I will make every endeavor to achieve 2006 management targets and to attain our vision of 'Great Company'. All members of FnC Kolon and Kolon Fashion are exerting our whole-hearted efforts to overcome adverse management conditions and to serve the best interest of our shareholders. Furthermore, we FnC Kolon and Kolon Fashion observe our own rule to practice ethical management in order to attain trust and confidence from our customers.

Thank you very much for your continuous encouragement and applause.

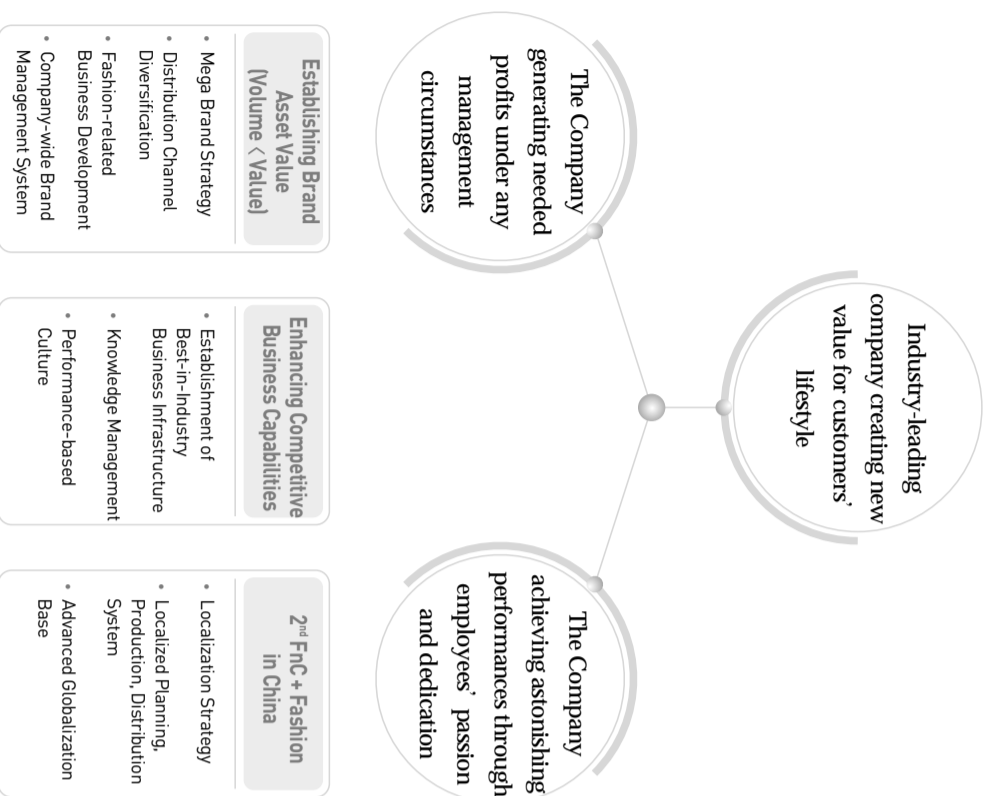
March 2006
Hwan Seok Jae




The KOLON Vision & Mission

Vision

Life Enriching Great Company

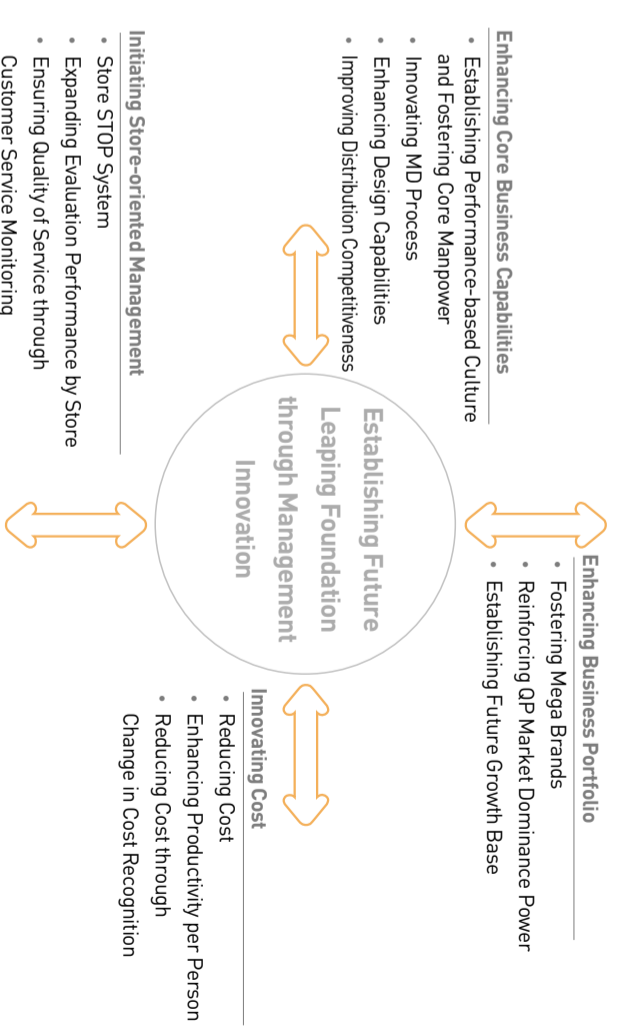


Upgrade 2006

Establishing Future Leaping Foundation through Management Innovation

FnC Kolon will continue pursuing our strategic principles of [No. 1 Brand in Segmentation], [Enhancing Business Capabilities], [2nd FnC Kolon in China to attain No. 1 position in sports/fashion industry as a 'Great Company']. In 2005, we have restructured inefficient brands based on the management principle of 'Innovation for Survival'. Through our vigorous efforts, we established competitive business model and innovated cost and cash flows by establishing emergency management system. In addition, FnC Kolon has firmly rooted a performance-oriented corporate culture that fosters individual's awareness for innovation and established a system that operates within the teamwork of small selected groups. As a result of our culture that encourages innovation, we were able to improve cost competitiveness and improve productivity of each individual, and therefore, achieved a great amount of net income in contrast with the slight increase in sales volume.

Amid expected trends in 2006 such as low economic growth, high competition, mega brands, trading up & downs, we will channel our management capabilities on strategic brands, scrap inefficient brands to maximize the efficiency within our investment sources. We will also make efforts to secure competitive edge in cost and expense structures by maintaining our competitive advantage and profit-generating capacity in fierce-competition market. In addition, we will drive our store-oriented management to identify customers' changing trend and create core value customers. Centering on the Management Principle of 'Establishing Future Leaping Foundation through Management Innovation', we will strongly pursue our core strategies including 'Enhancing Business Portfolio', 'Reinforcing Core Business Capabilities', 'Innovating Cost', and 'Initiating Store-oriented Management'.



Major Strategies for 2005 Management Principle

Enhancing Business Portfolio

Fostering Mega Brand

In the highly competitive market, we will develop our representative products in line with the mega brand trend, refurbish strategic brand B.I. and foster mega brands equipped with the highest competitiveness by executing IMC (Integrated Marketing Communication) strategies.

Reinforcing QP Market Dominance

We will further reinforce QP (quality price) market dominance through aggressive distribution network expansion strategy to achieve our sales target by securing diverse types of stores including discount stores.

Establishing Future Growth Base

We will robustly establish future growth foundation by expanding our existing overseas market such as China and by laying grounds for our business base in unexplored overseas markets such as India while further expanding our domestic sales network such as sports-specialized stores and hybrid stores.

Enhancing Core Business Capabilities

Establishing Performance-based Culture and Fostering Core Manpower

Performance-based culture shall be further stimulated by increasing evaluation-based rewards and by exercising disciplinary measure on non-performing employees. We will also make efforts to foster core manpower by recruiting outstanding professionals in the industry and help them settle down in the company.

Enhancing Design Capabilities

We will enhance our in-house design capabilities by providing specialized design training, creating meaningful evaluation systems, and reinforcing design ties with external institutions.

Innovating MD Process

We will innovate MD process through speedy customization and close relationships with affiliated companies.

Improving Distribution Competitiveness

We will further strengthen our distribution competitiveness by expanding low-cost distribution network such as street shops and discount stores.

Initiating Store-oriented Management

Store STOP System

We will have stores set their targets and manage their performances while introducing store STOP system that enables the process to solve problems on the spot.

Expanding Performance Evaluation to Store Level

We will introduce incentive system to infuse motives to sales people and expand the performance evaluation reward to store level.

Improving Quality of Service through Customer Service Monitoring

We will improve our customer service quality by monitoring quality of service in each store.

Innovating Cost

Reducing Cost

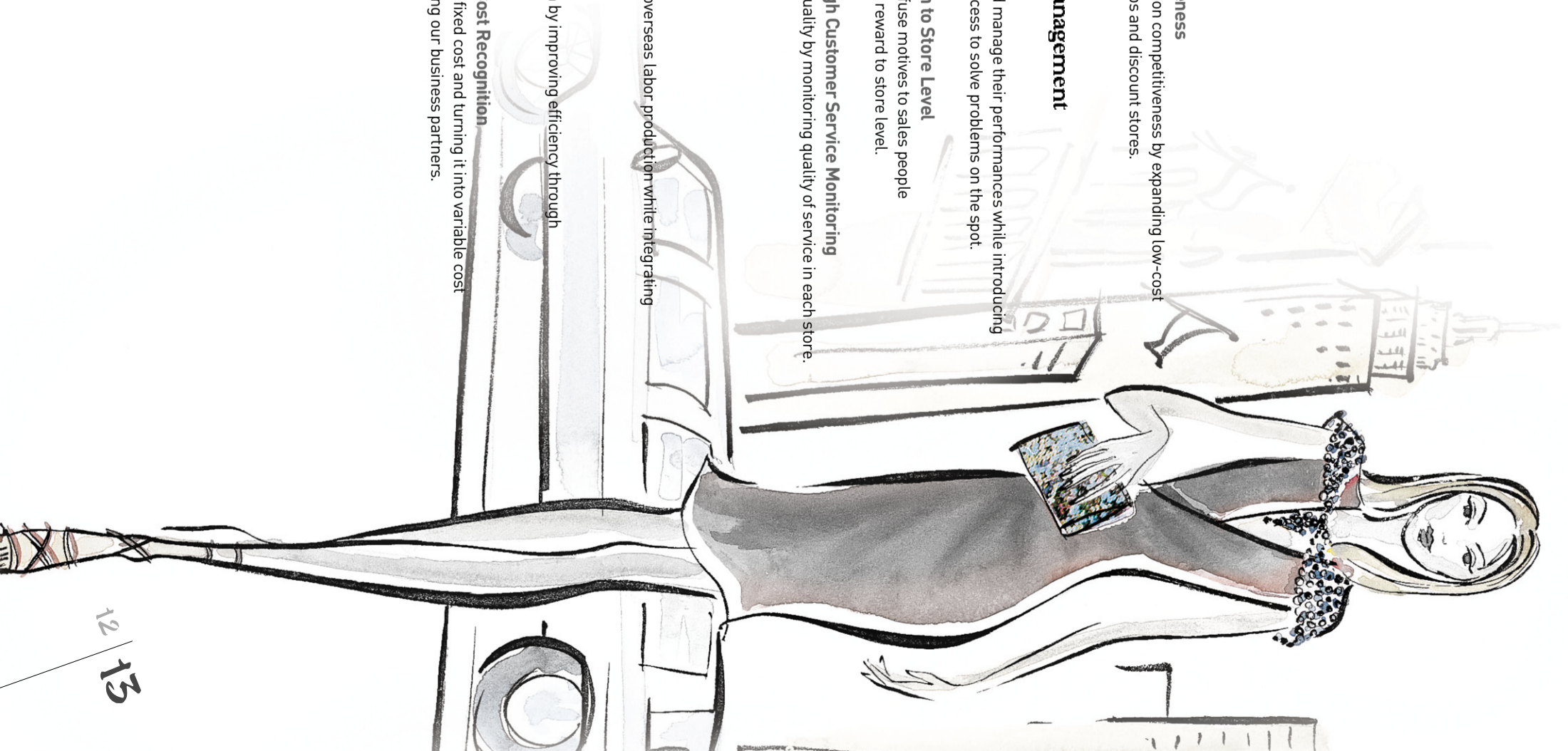
We will cut cost by increasing low-cost overseas labor production while integrating companies with business relations.

Increasing Productivity per Person

We will increase productivity per person by improving efficiency through enhancing manpower capabilities.

Reducing Cost through Change in Cost Recognition

We will continue to cut cost by reducing fixed cost and turning it into variable cost as well as by outsourcing to/or integrating our business partners.



Review of Operations

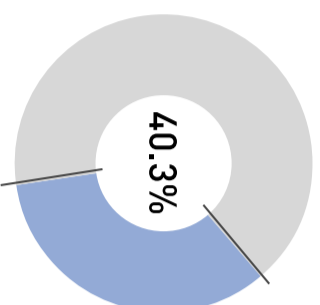
Excellent Results Speak Itself

Review of Operations

Envisioning Your Sports Life

Sports

FnC Koloni's Sports Business is mainly led by outdoor brands including the leading outdoor brand 「Koloni Sport」 and 「Timberland」, launched in March 2004. Our Sports Business also includes 「Active」, which is mainly sold through new sales channel, home shopping and group supplies to companies. All in all, the Company's Sports Business accounted for 40.3% of total brand sales on the back of high brand recognition in the market. We are also well equipped with systematic brand management and efficient sales network operation know-how. In 2005, with the rapid growth of outdoor market, 「Koloni Sport」 showed favorable results and the production efficiency greatly improved with the expansion of Chinese production facility and the management integration of outsourcing companies. In 2006, FnC Koloni's Sports Business will exert our utmost to achieve the best results centered on major tasks including 'Enhancing Product Power of Each Brand', 'Securing Distribution Network Competitiveness', 'Enriching Communications with Customers', and 'Establishing Store-oriented Management'.



Backed by explosive growth of domestic outdoor market, 「Koloni Sports」 made vigorous efforts to attain the position as No. 1 outdoor brand in Korea. 「Koloni Sports」 upheld distribution competitiveness by establishing KOP, a large-sized outdoor concept store, and renewing the existing stores. 「Koloni Sports」 also tried to differentiate its products as world-class functional products through close strategic ties with various research institutions at home and abroad. In 2006, we will continue expanding distribution channels in the areas we are behind our competitors and further reinforce our brand power by expanding product lines such as casuals and developing specialized products tailored for each distribution channel. At the same time, we will lay a foothold overseas for further entrenchment in unexplored markets such as China. We will also improve the utilization of e-Koloni cards, enhance PPL, and enrich communications with customers through diverse activities including charity fund, spirit marketing and many others. With this various efforts, we will continue to increase our sales ratio of loyal customers by further securing their brand loyalty.



Launched in March 2004 as 'Premium Outdoor Casual Brand', 「Timberland」 is a world famous brand with a total KRW 2 trillion in sales worldwide. FnC Koloni both directly imports and sells 「Timberland」 by license. 「Timberland」 possesses high growth potential as can be seen from such factors as strong brand recognition, current favorable conditions in outdoor market and the management capabilities of outdoor fashion as proven through 「Koloni Sports」. While our major cash cow 「Koloni Sports」 pursues traditional outdoor fashion mainly targeted to the customers in the 30's, 「Timberland」 pursues more young and casual style. By linking production and distribution systems with the existing 「Koloni Sports」, 「Timberland」 secures stable early-stage production and distribution base and expands the proportion of clothes backed by stable growth of the shoes. 「Timberland」 drives its growth strategy towards Total Fashion Outdoor Brand, and in line with this, we will expand women's lines up to 50% going forward.

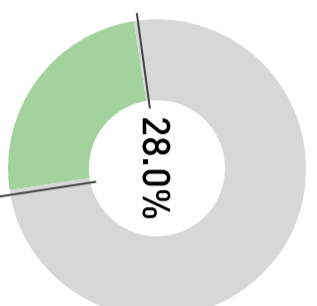


Last year 「Active」 executed various strategies such as establishing production base in China and North Korea, thereby securing cost competitiveness. 「Active」 also strove to secure new distribution channels including home shopping, Internet shopping, and street multi shops. Going forward in 2006, we plan to foster 「Active」 as No. 1 home shopping sports brand by differentiating our products using special functional materials in our product design.

Styling Your Casual Life

Casual

Accounting for 28.0% of our total sales as one of our major business lines, FNC Kolon's Casual Business includes the brands such as 'Head', 'Henry Cotton's', '1492MILES', and 'Andwelt'. During the last year, Casual Business focused more on recovering profit-generating structure through operating efficiency-oriented brands rather than expanding its size. In line with this, we executed store efficiency policy through which we shut down inefficient stores and focused on marketing activities and product support for the core stores. As a result, despite the slight decrease in total sales, the gross profit margin improved greatly. In 2006, we will continue to renew our stores and brands, enhance our product power by subdividing the lines and put forward with efficient store management programs while boldly scrapping the brands failing to achieve stable profit structure. As such, we will promote both sales growth and the restoration of profit generating structure through efficient brand management. In addition, we will improve our brand recognition by maximizing our brand exposure through various activities such as cultural events, star marketing, low-cost PPL and on-line marketing.



'HEAD' strives to restore the profit structure through efficiency-oriented brand operation rather than expansion in external size. We shut down non-efficient stores, increased efficiency by unit store, renewed stores using new SI and laid foundation for sales increase by improving the competitiveness of 'HEAD' street stores. Currently, 'HEAD' is mainly investing in the activities related with tennis and ski in line with our marketing activities to reinforce 'HEAD' sports image. Furthermore, 'HEAD' will increase our sales as a cash cow by enhancing our product power through planned launch of new 'HEAD' underwear lines and development of leading products. We will also improve the distribution competitiveness through securing efficient stores and renewing existing stores.




Henry Cotton's

'Henry Cotton's', a traditional brand whose style naturally combines the British traditional restraint and the Italian modern refinement, enhanced the profitability by cutting cost through the production move to China and by increasing the distribution efficiency of the existing stores. In addition, we strove to improve the efficiency of the directly imported goods by emphasizing the original concept and thereby reducing the level gap between existing direct imports and domestically developed special products. In 2006, 'Henry Cotton's' will expand product range by further segmenting the lines and open new stores, expanding our sales volume. In addition, we will improve our brand recognition and preference level by sending out periodic Dms using e-Kolon card customers and department store database.


1492 MILES

Korea's most recognized national casual brand, '1492MILES' endeavored to improve the profit structure based on efficient marketing investment and distribution structure management. '1492MILES' focused on core stores while expanding Chinese production and shutting down inefficient stores. We also changed our planning system to SPA-type brand and thereby securing price competitiveness and maximizing sales efficiency. We have also expanded our marketing activities through reinigorating on-line marketing. All in all, '1492MILES' made various activities in its first year as a long-run brand while enhancing the brand substance rather than appearance. Going forward in 2006, '1492MILES' plans to successfully renew the brand image. We will pursue young traditional-modern brand image and establish ourselves as profit-generating brand model as we stably enter the market with integrated B.I. and S.I. In addition, we will also differentiate ourselves from other competitor brands by enhancing our men's lines.


ANDWELT
vermogen

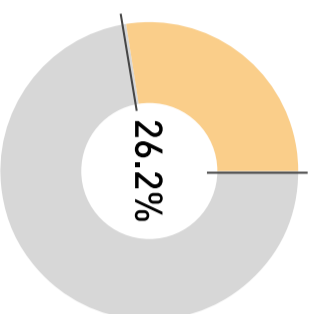
Launched in F/W season in 2004, a 'Metro Outdoor Concept' casual brand, 'Andwelt' has executed marketing activities with high-functional product differentiation strategy targeted to specialized career individuals. Based on differentiated products such as FX series products, 'Andwelt' tried to stably enter the market, and, currently plans to refurbish the brand.



Golfing Like a Partner

Golf

FnC Koloni's Golf Business includes 「Jack Nicklaus」 and 「Elord」, accounting for 26.2% of the total brand sales. The early year of 2005 showed a slight decrease in sales caused by retracted golf market in the early part of the year and prolonged economic recession. However, entering the latter half, backed by improved sales structure centered on normal sales, Golf Business sales grew by 7.5% while improving 11.3% in gross profit after September 2005. In 2006, we will pursue the No. 1 brand in the sector and greatly increase sales through improving profitability and operating customer-centered management. In addition, we will upgrade our sales power by securing talented sales force and establishing store-visiting customer measurement system. We will improve our production/planning efficiency by further cutting cost as we improve productivity per person through the process reestablishment and standardization. Design capabilities shall also be reevaluated and enhanced through various efforts.



「Jack Nicklaus」 has firmly established its position as Korea's top leading brand in the adult casual market since it first explored domestic golf wear market, almost a barren area in the fashion industry at the time. In 2005, 「Jack Nicklaus」 continued expanding marketing activities emphasizing on the new brand image as adult casual beyond the limitation as a golf wear. We focused on store-oriented sales promotions, shut down inefficient stores and renewed the store VMD. We also expanded our product range and sales through differentiated planning tailored to the characteristics of stores such as department stores and agencies. In 2006, with a clear target of becoming No. 1 brand in segmentation, we will launch and stabilize the casual lines, thereby improving the agencies' profitability and firmly positioning ourselves as No. 1 brand in department stores. Furthermore, we will expand our business in China and give our utmost to become the best brand in Korea and abroad.

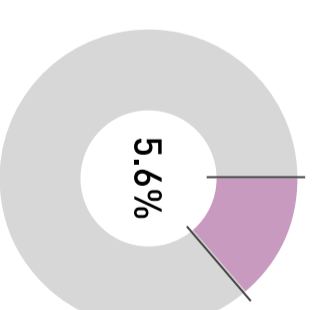
ELORD

Pursuing the best premium golf brand, 「Elord」 proceeded with various strategies to secure profit structure of the business based on well accumulated brand recognition and preference advantages through successful sport marketing activities including PGA, LPGA golf pros, Na Sang Wook and Ahn, Shi Hyun. Apart from the Seoul Metropolitan City, 「Elord」 continues to expand geographically by increasing its volume, pursuing more efficient local department store strategy and expanding street stores. In 2006, 「Elord」 will continue to enhance the premium image beyond the products' functionality and imported brand image while expanding our customer base with a wide product range. In terms of clothes, we will offer customer-oriented management by satisfying customers with perfectionism and for club customers, we will establish sales & customer management system to make our customers to become lifetime partners through specific customer database management program.

Premium Fashion

MARC JACOBS MARC JACOBS Christian Lacroix JIMMY CHOO

Our Premium Fashion Business includes 「Marc Jacobs」, 「Marc by Marc Jacobs」, 「Christian Lacroix」 and 「Jimmy Choo」. The sales in this business greatly increased in terms of absolute sales amount with expanded sales network and by each store. We have been expanding stable brand sourcing through strategic alliance with LVMH and focused on expanding sales network based on secured profit structure and improving the efficiency of the existing stores. We will continue to create synergies with the existing business lines by introducing the global standard of the world-class fashion company such as LVMH in FnC Koloni's other business lines as well. In 2006, we will set and achieve the target by store in order to establish profit-generating base for imported products. We will also try to reduce discount rate, improve sales ratio and expand our business based on efficient sales distribution network. To establish premium customer management system, we plan to provide 1:1 sales promotion and co-marketing while setting and achieving targets by VIP customer. In addition, we will continue our efforts to secure future growth engine by introducing global fashion brands and the brands with the potential to be a mega brand.



Enriching Your Luxury Life

MOJOOT Fashion

Corporate Profile

Spun off in 2000 from Kolon International Corp., Kolon Fashion is a leading fashion company with 7 high-profile brand portfolios in men's/women's/casual markets. While having started with a brand specialized in men's suit in department stores, Kolon Fashion tried to diversify its sales channels and expanded to casual markets by boldly changing its business model. Currently, Kolon Fashion operates men's fashion brand 'Manstar', 'Manstar Casual', 'Christian Lacroix Homme', 'Arpeggio', and 'GGIO II', which have proven Kolon Fashion's success in sales channel diversification, and a family brand 'J. Polack', at whose early stage explosive sales growth is expected, and a women's brand 'QUA'. Since December 2004 with the management integration with Fnc Kolon, Kolon Fashion is poised to leap forward as a specialized fashion company. Currently, Kolon Fashion hires a total of 190 employees with 315 distribution networks.



Kolon Fashion

Diversifying

Your Fashionable Life

M
MANSTAR
Christian Lacroix
Homme

'Manstar', 'Manstar Casual', and 'Christian Lacroix Homme' will reshuffle brand image with new BI and SI, renovate the interior designs and start the marketing activities in earnest starting 2006. To improve our sales power, we will increase customer's purchasing power by expanding the subscription of e-Kolon cards. 'Manstar' will expand young mind products such as 'Manstar blue line' and 'Manstar Casual purple line'. In addition, we will improve our target product selection ability by improving planning process and executing store-responsible order taking system. Furthermore, through strategic alliance with Italian companies, we will cut cost further while proceeding with overall renewals and relocating stores for better results.

A ARPEGGIO **G** GGIO II

A neo-traditional business suit, 'Arpeggio' and 'GGIO II' target young business men in their 20-30's, who pursue practical and comfortable lifestyle. With a success in channel diversification, these brands recorded No. 1 market share in discount stores (E-Mart and Homeplus). In 2006, we will further diversify our sales channels, secure cost competitiveness by increasing volumes, and enhance the brand capabilities through new BI renewal.

J. POLACK
NEW BRAND



Family casual brand 'J. Polack' is a newly launched brand in 2004. Since 2005, we have been striving to diversify sales channels, and as a fruitful result, recently saw explosive sales growth. Going forward, we will secure cost competitiveness through larger volume and reinforce our brand capabilities by increasing re-buying rate through marketing using star models and securing loyal customers.

QUA

Launched in 2001, 'QUA' is Korea's first SPA-type women's young casual brand. Unbound by a fixed concept, 'QUA' is a lifestyle-leading brand that suggests one-time/off-time wear and accessories, and other fashion items by introducing various products every two weeks, tailored to the seasonal fashion trend. In 2005, 'QUA' secured 40 sales channels and achieved KRW 25 billion in sales, rapidly growing to rank the 2nd most favored brand in the segment. In 2006, we will put our enduring efforts to improve brand recognition and preference by further reinforcing various marketing activities including cultural events, star marketing, low-cost PPL, and on-line marketing.

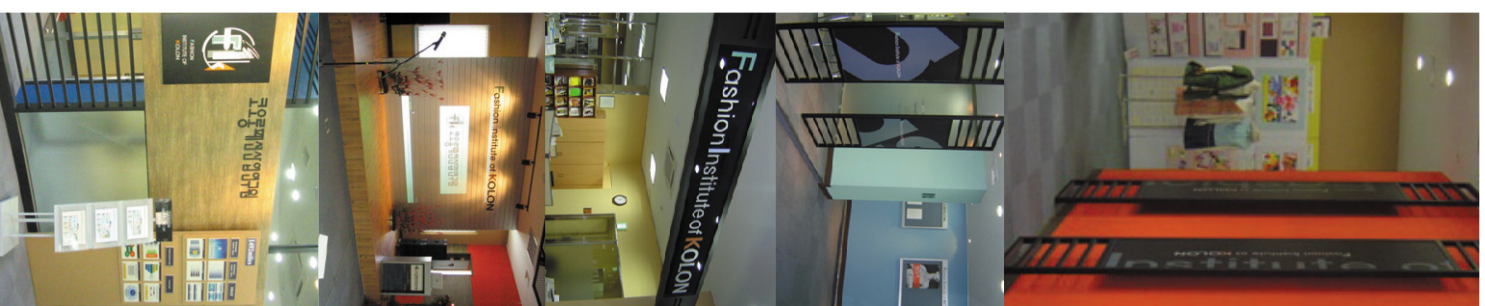
FIK (Fashion Institute of Kolon)

FIK (Fashion Institute of Kolon)

F.I.K was established in 1989 to foster fashion specialists so that Korea can leap forward as fashion-advanced country. Having narrowed the gap between university education and on-site operations and retrained staff in charge, F.I.K strove to offer on-site oriented job training to raise specialists to the requirement of fashion industry. The closely-related industry-academy project lectures with Korea's fashion powerhouse, FnC Kolon and active curricula prepared by practice-based professors consisting of actual staff in the site of fashion industry are just some examples of F.I.K merits that are differentiated from other institutions where simple cramming lectures are given.

Starting with its recent move to Kolon Headquarters at Tongui-dong, F.I.K is poised to take another grand leap forward with new vision and resolution to become a world-class fashion education institution while upgrading Korea's fashion specialists. F.I.K provides practical-based training services focused on sales and market to foster genuine specialists companies need. F.I.K will also make diversified efforts such as to invest abundantly in facilities to foster people needed by companies and global fashion business industry in an international era, diverse curriculum, upgraded industry-academic related programs, detailed school affairs management, employment of graduates and many others.

The regular course operated as Master courses is composed of curriculums with industry-academic programs to foster fashion business leaders for them to forecast new market changes and trend. The students are bestowed with F.I.K Master certificates, accredited in the industry, after passing a strict graduation exam supervised by staff in the industry. In case of on-site training course, F.I.K will introduce differentiated curriculums tailored to company on-site operations so that the staff on-site can have broader view and provide up-to-date fashion information suitable for fashion business development. Furthermore, F.I.K will be reborn as an innovative leading fashion specialized education institution strictly on-site oriented and best suited for fostering global fashion specialists.



FIK (Fashion Institute of Kolon) History

F.I.K was opened on March 20, 1989 in order to foster marketing-oriented fashion specialists by FnC Kolon. F.I.K aims to foster people in various areas into fashion specialists equipped with world-class practical knowledge, future-oriented and international capabilities.

F.I.K regular courses will be widened from 2006 as the qualifications gets wider from college graduates to include high school graduates, providing students with various education opportunities. In addition, F.I.K will prepare night staff courses so that on-site specialists get specialized knowledge and retraining of functions, thereby promoting further development of fashion industry. As such, F.I.K has grown up till now as a gateway to the fashion industry. F.I.K has also established its position as a fashion industry education leader since Jan. 1993 when F.I.K started information business after merging Kolon Fashion System (KFS) under Kolon Co., Ltd.

FIK Linkage Programs with Famous Foreign Fashion Schools

(1) Italian Domus Academy Education Linkage

In 2004, F.I.K started to provide European-style curriculums through linked education system with famous Italian fashion school Domus Academy. In accordance with strategic alliances between F.I.K and Domus Academy, F.I.K graduates will be provided with various benefits if they enter Domus Academy. To the request of F.I.K, both parties come together to discuss on such matters as curriculum development and education system operations. In addition, instructors in F.I.K and Domus Academy make lecture exchanges 2-3 times a year, while both parties holding various kinds of seminars. Located in Milano, Italia, Domus Academy was established as International Design Graduate School and famous for graduate-school level institution fostering specialists targeted on experienced staff.

(2) Creates Regular Fashion Related Courses at Zhongshan University in 2007

F.I.K will make inroads to China as the first Korean fashion education institute in 2007. F.I.K made agreement with Hwashin Group for the establishment of China Culture Education Investment Development Co., Ltd. (Interim), a Korea-China education venture company to foster international specialists through collaboration with Chinese fashion education sector. In accordance with the agreement, F.I.K will operate 3 fashion-related departments with 300 students including 'Fashion Design', 'Fashion Management', 'VM' from early 2007. The cultural programs and sophomore classes will be operated in China, while junior and senior classes will be operated in Korea to graduate genuine fashion specialists to the requirement international era. Located in Guangzhou, Zhongshan University is the best national university in Guangdongsheng. The university was first established by Chinese reformist Sun, Moon. With 4 campuses, 50,000 undergraduate and 15,000 graduate students, Zhongshan University is one of the most famous universities in China.



Brand Overview

Sketching Your Life with
Diversified Portfolios

KOLON SPORT™

TIMBERLAND™

HEAD

actib

ELORD

Quest Systems

1492 MILES

QUA

MARC JACOBS

JIMMY CHOO

Christian Lacroix

MARC JACOBS

MAN STARK

Christian Lacroix
Homme

GGIO II
지오부

ARPECCIO
아르페시오

J. Polack
WHITE THERAPIES

Henry Cottons

Brand Overview



KOLON SPORT®

「Kolon Sports」 is a 32-year old traditional outdoor brand that realizes the gist of outdoor wear and supplies by being faithful to nature and humanity and has firmly established itself as Korea's No. 1 outdoor brand. 「Kolon Sports」 has always pioneered to develop advanced products through actual tests and has been engaged in various activities to spread outdoor culture beyond providing products.

In 2005, through our TV-CF 'Born to be Extreme', 「Kolon Sports」 further strengthened the specialized outdoor image of overcoming the extremity. In addition, to spread more specialized mountain-climbing culture, we made 「Kolon Sports Challenge Team」, consisting of alpine and climbing sectors, and actively sponsors pro climbers, Son, Sang Won and Ko, Mi Yeong. 「Kolon Sports」 also holds various kinds of mountain-climbing competitions to help people polish their skills, which includes 「Mountain-climbing Competition」, 「National Athletic Meeting "Mountain"」 (Kolon Sports Ice-climbing Competition) among others. 「Kolon Sports」 supports 20-year-old (Kolon Climbing School) as a pioneer spreading specialized mountain-climbing culture. By operating 「Local Specialist」 system, 「Kolon Sports」 provides substantial and useful information about Korea's famous mountains on our homepage. At the same time, 「Kolon Sports」 delivered to the children cancer patients the total profits from the sales of specially planned (New Life to Children) T-shirts while providing various social contribution activities including rescue activities for Pakistani people.

In R&D, 「Kolon Sports」 successfully developed '8851 Expedition Series', in which overseas expedition team can stand in the extreme weather conditions by using new technology coupled with their challenge and will. We will continue to exert our efforts in R&D of technical wear going forward.

In 2006, 「Kolon Sports」 will accelerate ourselves to secure No. 1 outdoor market position by developing better commercial blocks through competition strategy map and by opening global stores.



Casual-style outdoor 「Timberland」, a world-famous lifestyle brand established in 1973, has been expanding its customer base since its first Korea launch in March 2004 through FNC Kolon. To overcome widely-held perception of 「Timberland」 as casual brand as it pursues the bridge zone between outdoor and traditional, we will further strengthen the outdoor functionality going forward. In this respect, we will present young and interesting factors by adding casual sentiment for details and design while still possessing high function as outdoor wear. In addition, by focusing on multi-looks enabling both town wear

and outdoor in such occasions as tracking, hiking and travels, we will differentiate the brand by suggesting wearable and natural outdoor look.

In 2005, 「Timberland」 expanded the customer base through co-promotion with Kia Motors and aggressively executed brand PR activities through co-marketing with Chrysler's Jeep at Seoul Motor Show. In addition, 「Timberland」 also spreads our love and thoughts for nature and environment through environment production campaign such as 「Earth Day」. We will focus on securing mania customers by forming brand culture through volunteer activities, cultural events and support for environment clubs as well as adding eco-friendly relationship.



Fashion sports leading brand「Head」 is a future-oriented sports wear that combines sports technology with fashion life in line with 'Hybrid Life Sports' concept.

With the brand name stemming from Howard Head, the originator of metal ski, 「Head」 started as a total sports brand since Head Group was established in 1993 when Austrian National Corporation Austria Tabak A.G. merged Tyrolia, Mares. 「Head」 has been reborn as a representative sports casual brand by launching new lines on trend and exerting R&D activities on high-functioning materials.

In 2005, 「Head」 tried to deliver the brand image of always being with sports by holding or sponsoring Korea's various famous tournaments or events in various sports such as Tennis, Marathon, Volleyball including 'Hi-Seoul Cheonggechun-Han River Marathon'.

In line with well-being trend, 「Head」 produced a pilates DVD with Dong Ah TV and generated profits from DVD sales while making PRs for the brand. Leveraging on our successful turnaround through income rise, 「Head」 is poised to take another leap as specialized sports wear.

In 2006 going forward, with our clear target as a cash-cow, we will develop various products, strengthen sales network, create more profits through sales boost for the Company, and be more preferred 「Head」 to customers through various sports marketing and promotion activities.



Korea's representative brand with 22-year history, 「Activ」 has always been there with sports history as an official partner for international games including '86 Asian Games', '88 Seoul Olympics, 2000 Sydney Olympics. As 「Activ」 has focused on order-taking business, we produce various items from sports wear, casual and uniform to fill the orders from public institutions and companies. 「Activ」 also focuses on developing new items ranging from outdoor leisure products and golf-related products. In addition, in line with customers' practical purchasing pattern change, 「Activ」 explored on-line and TV home shopping areas and continued its expansion in this area such as making strategic alliance with Korea's representative home shopping channel. In the future, 「Activ」 will make our firm position as national sports brand by taking steps toward customers' first through tailoring to reasonable and practical customers' fashion needs in various areas such as design, color, functional details, and materials.



ELORD

Pursuing the best premium golf brand, 'Elord' has been cherished by domestic golf fans through a delicate harmony between fashion and functionality after its launch in Sept. 1989. Using high-quality materials and highly-sensitive design, 'Elord' has formed mania customers as being evaluated as a specialized golf brand for fashionable and high-class golfers.

In 2005, with successful advance of pro golfers, Na Sang Wook and Ahn, Shi Hyun into the U.S, 'Elord' strengthened the image as 'Do-Golf' brand in the domestic market, drawing broad interest overseas. Furthermore, with successful CRM, we upheld our customer loyalty and succeeded to boost our market share amid serious sales decrease among competitors. In addition, by operating (Elord Golf Team) with 80 golfers, 'Elord' greatly contributes to the development of golf. Especially, through active R&D and investment in functionality, 'Elord' successfully positioned itself as high-functional well-being golf wear with 'Wellness'.

In 2006, through line segmentation, 'Elord' will be actively engaged in securing broad customer base by launching life-related products. In addition, while firmly establishing our base overseas, we will strengthen our positioning as No. 1 golf brand through premium fashion-oriented brand strategy.



Both tapped with the style and traditionalism of golf wear, 'Jack Nicklaus' is a high-premium golf wear, introduced in Korea through licensing contract with Golden Bear Co., Ltd., which is directly operated by Jack Nicklaus, the best golfer in the 20th century. Since its launch in 1985, 'Jack Nicklaus' has maintained market leading position in the golf wear market, creating trend and delivering prestige and dynamic image as golf wear one step ahead of others. 'Jack Nicklaus' also brings pride to customers as premium brand that satisfies them both as high-quality Do Golf wear and everyday wear fashions. By creating 'Golf Field Fund' based on charity golf competition created by Jack Nicklaus, 'Jack Nicklaus' raises funds to help incurable children and will continue to be actively involved in various social contribution activities in the future. Our bold inroad to Chinese market as part of our global business reaped tangible results as 'Jack Nicklaus' entered high-level golf brand sales in China in just 3 years after launch, thereby laying grounds for diversified overseas inroads. Along with our various activities,

'Jack Nicklaus' succeeded to secure young customers by launching trendy 'Jack Collection' line which reinterprets Jack Nicklaus' originality from modern point of views.

In 2006, we will expand our customer base as we plan to launch casual lines. 'Jack Nicklaus' will firmly secure our fame as a global brand keeping high-premium golf wear as traditional golf best golfer, Jack Nicklaus.

1492 MILES

'1492MILES' is a national casual brand pursuing the No. 1 brand power based on neat style and high-quality products. '1492MILES' is a combination of Columbus' great voyage in 1492 and a unit of distance 'MILES'.

'1492' stands for freedom and 'MILES' stands for youth. '1492MILES' suggests youngsters' challenging spirit seeking energy, passion and new future dream and hope of the 21st century and the lifestyle young generation can feel the freedom through fashion style and culture.

In the latter 2005, '1492MILES' renewed itself as trendy 'post traditional casual', drawing big response from young customers. By changing the existing ship-shape symbol to a seagull, '1492MILES' will deliver Jonathan Livingston's images such as challenge, dream, idea and sky, famous for 'A bird flying the highest looks farthest'. As a youngsters' culture spreader, '1492MILES' has done its crucial role by continuously sponsoring various cultural events such as university Daedongjae, festivals, PIPAN and many others where youngsters breathe. Going forward in 2006, we will totally renew the brand and strive to spread trendy young fashion while strengthening the brand substance. By setting 2006 as the first year as long-run brand, '1492MILES' will be reborn as more loved brand by customers. To deliver our 'free and delicate brand image, we will enhance V.M.D of stores, the meeting point with customers. In latter 2006, we will expedite ourselves to become the No. 1 post traditional casual brand.

QUA

Women's young casual brand 'QUA' is a representative women's brand, creating SPA-type brand boom in Korea since its launch in 2001 as SPASpecial store retailer of Private level Apparel-type brand. Recording 50-60% growth rate every year for the five years after 2001, 'QUA' has firmly established its position as unique SPA-type brand. With a slogan 'I am the Trend', 'QUA' plans to present products reflecting the trend 100% and we also seek various strategies for our customers to easily buy up-to-date products at a reasonable price range.

We also made diversified advertising, marketing and rationalized the overseas outsourcing and material purchasing as well. We also executed strategic brand management by increasing product turnover through weekly new product display and repeated purchasing of the products. Through information share with world-famous French fashion information company 'Nelliodi', 'QUA' swiftly reflects the world trend, thereby establishing its fame as SPA-type brand.

In 2002, we opened 'QUA Mall' on the Internet and the site gets very popular as ranked unquenchable No. 1 in Ranking.com's fashion sector site. The mall fast updates various fashion-related news and trendy products and operates customers' corner. 'QUA' opened a large-scale flagship store at Gangnam upon launch and in 2005, we opened various antenna shops at Apgujeong Redeo Street and Myung-dong, spreading leading trend as the shops feel and accept the trend. Agujeong store got popular as it used fashion graphic VMD as Nelliodi suggested. On the second floor of two-story Myung-dong shop, there locates a sweet cafe, which sells cheese cakes and beverages, offering young woman customers a unique place for rest and shopping. In 2006, 'QUA' will maintain its prestige as Korea's representative SPA-type brand.





MARC JACOBS

A signature brand of Marc Jacobs, Louis Vuiton's head designer, 'Marc Jacobs,' is leading the latest trend, spotlighted as the best designer brand. Especially, his handbags with world-famous celebrities' signatures has long been famous as a prerequisite item among trendsetters.

MARC JACOBS

'Marc by Marc Jacobs,' is a diffusion line of 'Marc Jacobs,' pursuing free and stylish mix & match and presenting hippy, pop art-style color sense, targeted at younger customers. With reasonable price and practical design, 'Marc by Marc Jacobs,' is a famous global brand in imported bridge line.

JIMMY CHOO

In 1996, 'Jimmy Choo,' was launched as a luxury shoes & handbag brand by Mr. Jimmy Choo, queen consort Diana's shoe maker, and Tamar Mellon, accessory editor of English Vogue. Dream shoes of many Hollywood stars and women worldwide, 'Jimmy Choo,' presents a set of collection that perfectly and luxuriously matches in any situations with extremely high and narrow heels and comfortable fits. 'Jimmy Choo,' is world famous as fascinating accessory brand loved by world celebrities and women and grows into a total accessory brand with its representative shoes, handbag of 'Itbag' and other small leader goods.

Christian Lacroix

'Christian Lacroix,' is French designer Christian Lacroix's representative brand, who is applauded worldwide broadcasting as 'Genius in Fashion, Alchemist of Creativity'. A famous Paris designer, Christian Lacroix presents unique color and characteristic prints by caring about color and magnificence and maximizing the expression of 'abundance,' a character of 1980's. 'Christian Lacroix,' suggests high-quality lifestyle to trendsetters through splendid and creative work, maintaining its prestige as premium brand.



MANSTAR

A brand for fresh and energetic businessman in their 30's and 40's.

'Manstar,' has established itself as the best men's brand since its first launch in 1983 based on tradition, design and technology. Based on a slogan 'Even Thinking about Customers' Health', in line with health marketing, 'Manstar,' has developed function-oriented suits by applying various technologies. 'Manstar,' has been forming its fame as Korea's best well-being brand as it introduced 'silver plus suit' that applies the characteristics of silver for health, 'vitamin suit' that contains vitamin in the clothes good for skins, 'air-conditioning suit' that circulates air by recognizing the body status, to name a few. The tailor-made suit, famous for zero errors by measuring the body on over 20 spots, is one of our popular products as high-quality tailor-made style suit. Along with these lines, we launched a high-quality, non-adhesive premium line 'black line', and held a wedding promotion where we offers a different benefits for customers before their wedding. In 2005, we launched 'blue line' for leading trendsetters and lead developing no-pad suit-tailoring technique and patterns for Korean body shape. In addition, we opened 'Manstar Webzine' (www.manstarzine.co.kr), an online magazine for men in their 30-40's, creating sound and interesting cultural spaces where men can enjoy their lifestyle.

In latter 2006, we will further solidify our standing as young and trendy men's representative brand by driving extensive brand renewal upon the strategy, 'Change everything but name.'



Christian Lacroix

Homme

'Christian Lacroix Homme,' is world-famous French designer men's brand, which was first introduced by Kolon Group through strategic alliance with LVMH Group.

Arid Massige market expansion as import goods expansion in men's wear market and increasing introduction of foreign brand into Korea, 'Christian Lacroix Homme,' has firmly secured its No. 1 position as trendy character men's wear creating 'metro sexual' fever since its launch in 2004.

Drawing attentions by fashion models and popular celebrities for trend-leading design, 'Christian Lacroix Homme,' has secured the trend-leading brand recognition through successful PPL of famous man stars such as Cho, In Sung in drama 'Spring Day'.

Along with this popularity, 'Christian Lacroix Homme,' has shown high sales performance compared with 2004 by opening stores in major department stores at Gangnam such as Galleria Apjusong, Shinsegae Gangnam and Hyundai Trading Center. In 2005, our color marketing was evaluated as very successful to show brand color effectively as we presented an event 'Free Orasoma (Color therapy for soul)', through which we can understand the status of body, emotion, ego and soul by its color energy that reflects own soul's color and genuine shape, get rid of imbalance, and heal the soul. In December 2005, 'Christian Lacroix Homme,' also held 'Before Christmas Party' for customers at a club garden in Apjusong, commemorating the 2nd anniversary of Korean launch.

In 2006, 'Christian Lacroix Homme,' will further strengthen its position as a trend-leading brand through securing sales network of major premium-brand stores and executing differentiated design strategy.





ARPEGGIO
아르페지오

ARPEGGIO

Launched upon the birth of reasonable and practical men's wear market, men's total brand 'Arpeggio,' has established its position as the best men's wear brand in discount stores. Targeting consumers in their 20-30's pursuing reasonableness, 'Arpeggio,' gets popular by providing reasonable Korean men with best quality products at reasonable prices. Soft modern & natural style concept 'Arpeggio,' suggests formal & casual wear through practical design for both business and everyday life. In addition, 'Arpeggio,' will pursue elegant men's style by continuously developing solid-pattern that emphasizes slimy men's silhouette. Ranking No. 1 in men's wear in E-mart stores and continuously maintaining its fame, 'Arpeggio,' will take mega brand strategy through active sales network expansion and highest customer satisfaction.

GGIO II

A men's brand pursuing modernism of city emotion, GGIO II has been greatly loved by many customers for its elegant design and reasonable prices after its launch in 1992. Brand name GGIO II stemmed from 'Giotto Club', a club formed around young Italian nobleman Duke Giotto in the mid 14th century. 'Giotto Club' is a representative noble club that leads advance culture through activated discussion, sponsor for arts coupled with changed vision with the advent of the Renaissance culture that notified the creation of new world. 'GGIO II,' spreads its brand value by taking their lifestyle, which is represented by advance mind, excellent cultural thoughts, an open lifestyle without any boundaries. 'GGIO II,'s modern and emotional brand ideology advocates leading young men and thereby solidifies its position as trendy men's wear. Furthermore, 'GGIO II,' is perceived by customers as 365-day honest brand through reasonable price, high-quality design and materials. In 2005, 'GGIO II,' drew big attention as promising brand as it grew by 168% in sales compared with 2004. Suit line 'M2FLY' continues to be popular among customers by suggesting the patterns that greatly enhance the active style and silhouette. Furthermore, 'GGIO II,' solidifies its standing as a brand presenting abundant cultural experience and delivering value through brand marketing using brand model actor Lee, Seo Jin, various seasonal events and promotions. In 2006, 'GGIO II,' will further strengthen its standing as reasonably-priced flagship men's brand by putting spurs on expansion of recognition and store as well as sales increase.



GGIO II
지은복



J. Polack WHITE TRADITIONAL

Clean and white color-based 'J. Polack,' is a flagship 'white traditional casual' brand. Since its launch in 2004 based on the concept 'Delight in Bright Warm Beauty', 'J. Polack,' pursues new lifestyle that interprets the existing traditional image as modern. Suggesting new-sense casual through a harmony of diverse cultures, 'J. Polack,' contains a brand philosophy of respecting various culture and spirit as it represents Join+ Polychrome + Culture Block Especially 5 basic colors delivers differentiated brand emotions as follows: red [Life and warmth], orange [Will of change, good nature], blue [Culture and youth of high education, festival], beige [Trust and sincerity with harmony of white and brown], navy [Treatment and rest, good heart and wit]. The 5 brand colors reflect positive philosophy of brand and bring bright and delightful images to customers. In addition, 'J. Polack,' suggests a family fashion style by putting its main targets at men and women in their 25-35 who know how to enjoy their leisure time and create new emotion-style. The year 2005 was a turning point to be stabilized after the brand launch through product power strengthening and focused investment based on customer analysis. In 2006, 'J. Polack,' will make efforts to enhance the brand recognition through model contracts with top woman talent Lee, Da Hae, who won fame through drama 'My Girl' and, top man talent, Cho, Yeon Woo, famous in drama 'Oh, Please God'.



J. Polack
WHITE TRADITIONAL



Henry Cottons

'Henry Cotton's,' is a decent traditional brand whose style naturally combines the British traditional restraint and the Italian modern refinement. 'Henry Cotton's,' stems from British golfer Thomas Henry Cotton when he first started selling golf wear and products with his name on them. 'Henry Cotton's,' gathers very deep mania layer customers by suggesting comfort and functionality while presenting designs combining both sporty style and classical elegance. In 2005 celebrating 10th anniversary, 'Henry Cotton's,' focused on expanding customer base through diversified and high-quality goods and received favorable response by suggesting refined design both with prestige and fashion through premium line of 'Collezione Premio' using top-quality details and cloth. Also by offering denim-made 'bluefeet' line, 'Henry Cotton's,' firmly set its standing as trendy traditional brand for those in their 20-30's. Entering 2006, 'Henry Cotton's,' will make further efforts to enhance brand recognition and preference using aggressive PPL, marketing using popular movie director and periodic DM sending utilizing e-Kolon cardholders and department store database. In addition, we will expand our sales and change profit-generating structure through concept differentiation and store-oriented product development. By cutting cost through Chinese production and efficiently operating products in accordance with degrees of stores, 'Henry Cotton's,' will be able to reborn as Korea's traditional brand.

Henry Cottons



Snapshots in 2005



Sports Marketing

- Golf**
- 01 Held the 48th Kolon · Hana Bank Korea Open Golf Successfully held the competition through co-marketing with Hana Bank, Choi, Gwang Soo Pro ranked the 1st.
 - 02 PGA Saeng Wook Na Pro, LPGA Shi Hyun Ahn Pro By sponsoring clothes and golf-related products to world-class players, Kolon maximized the broadcasting and press exposures.
 - 03 Operates 'Eldor', Golf Team Composed of 80 players and contracted pros, dedicated to developing Korea's golf sector.
 - 04 Opened DLGA (David Leadbetter Golf Academy) Fosters pro golf players through DLGA by the world famous golf coach, David Leadbetter.

Sports

- 05 Held Hi-Seoul Cheongyecheon-Han River Marathon Sponsored Masters Marathon Competition held to commemorate the restoration of Chungyecheon (11,000 participants).
- 06 Hosted the 21st Kolon High School Marathon The largest-scale high school marathon competition expanded to middle school students from Year 2006.
- 07 Held the 14th 'Head', Cup National Tennis Club Tournament Korea's largest club tennis tournament (Participants up to: 7 parts, total of about 2,500 players)
- 08 Supported National Volleyball Team and Sponsored Pro Volleyball All Star Competition Maximized public exposure by providing National Volleyball Team and pro volleyball tournament with various clothes and sports products.
- 09 Operates 'Kolon Sports', Challenge Team Composed of players Mi-Young Ko and Sang Won Son, the Team infuses 'Kolon Sports', challenge spirit and sophisticated & functional products
- 10 Held the 4th National Kolon Sports Ice-climbing Competition Enhanced 'Kolon Sports', brand image by sponsoring winter mountain-climbing sports.

Marketing

- 11 FNC Kolon and Kolon Fashion Held 'One', Heart Athletic Meeting 700 people including Kolon employees and workers throughout our sales network gathered together for the one-hearted occasion.
- 12 FNC Kolon · Kolon Fashion Held 'Brand Day', Brand day held monthly at Gwacheon Headquarters, promoting public exposures through various events and occasions.
- 13 Participated in helping poorly-fed people in Rice Ball Concert of MBC 'Sunday Sunday Night', Made contribution by sponsoring 'Rice Ball Concert' to help undernourished population.
- 14 Held 'Kolon Sports', 'New Life to Children' Campaign Helped children with cancers by campaign through 'New Life to Children' T-shirts.
- 15 'Head' Launched Pilates Headline DVD 'Head', launched a pilates DVD with Sun Mi Song, a model & actress who is renown for the athletic life style. (12,000 copies sold)
- 16 'Andwelt', Promoted Movie Marketing in 'April Snow' Sponsored clothes for main actor Yong Joon Bae and other supporting actors in the movie 'April Snow'.
- 17 'Head', PPL on SBS 'Hard Tack' Teacher and Star Candy' Promoted brand exposure by providing 'Head', clothes to popular SBS drama, 'Hard Tack' Teacher and Star Candy, starring Korea's top class actor and actress, Yoo Gong and Hyo Jin Gong.
- 18 '1492 MILES', & 'Qua', Sponsored PIPAN Sponsored the 9th PIPAN (Puchon International Fantastic Film Festival), one of Korea's 3 international film festivals.
- 19 'Manstar', Held 'Bolsnoi on Ice' Promotion Event Sponsored clothes for Bolsnoi Ice Show and held the promotional events for customers.

Co-Marketing

- 20 FNC Kolon & Kia Motors Co-Marketing Held a sweepstake promotion for customers together with Kia Motors.
- 21 Carried Out 'Eldor', & Janssen Korea Co-Marketing Held 'Eldor', fashion show with Janssen Korea, a pharmaceutical company, renowned for 'Tylenol'.
- 22 Held 'Timberland', & JEEP Co-Marketing Conducted co-marketing at 2005 Seoul Motor Show with Chrysler Jeep and held a summer camp.
- 23 'Head', & 63 Sea World (63 Bldg) Co-hosted Aqua Fashion Show Held a cool bathing suit fashion show in 63 building in the midst of hot summer.

Financial Section

Numbers that matters

Financial Section

Management's Discussion & Analysis

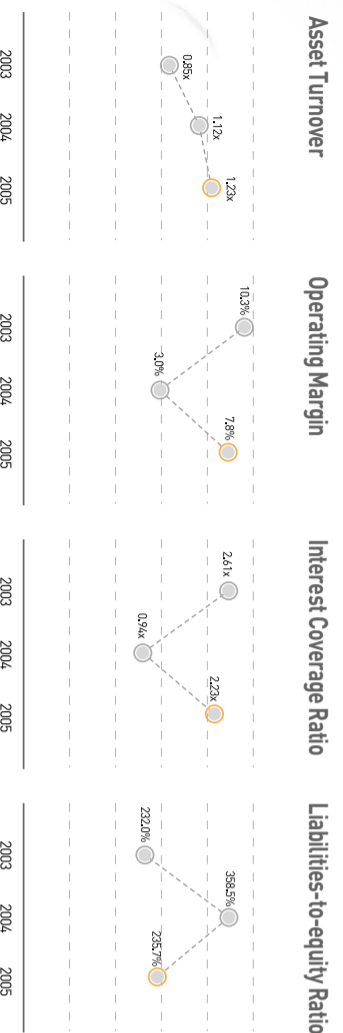
FNC Kolon MD&A

Overview

Established in 1954 and celebrating its 51st anniversary, FNC Kolon (‘the Company’) is a prominent fashion and sportswear company in Korea with an extensive brand portfolio comprising sports/casual/golf/premium fashion brands. Originally started as the apparel division of the former Kolon International Corp., the Company was reborn as FNC Kolon on December 1, 2000, when Kolon International was divided into three separate entities. Among a total of 13 brands including 9 licensed brands and 4 directly imported premium fashion brands, ‘Kolon Sports,’ ‘Jack Nicklaus,’ and ‘Head,’ are highly recognized in the market. The Company possesses excellent brand management capabilities and efficient sales network operation know-how as well. Amid rapid ‘Kolon Sports,’ sales growth spurred by explosive surge in the outdoor market, the Company’s productivity efficiency has greatly improved through expanded Chinese production and integrated outsourcing management system with Kolon Fashion and the productivity also showed great improvement with the increased normal sales proportion.

For the years ended Dec. 31, 2005, FNC Kolon’s sales amounted to KRW 335.7 billion, up by 4.4% from the previous year. Sportswear Business showed steady and progressive growth backed by ‘Kolon Sports,’ and Casual/Golf Businesses also showed more efficient sales growth trend. Since Dec. 2004, FNC Kolon has established the most stable and optimum market portfolio through management integration with Kolon Fashion, thereby laying a solid foundation toward becoming a world’s great sports/fashion company. In addition, the Company has established cash flow-oriented management system on the back of positive effects from strategies initiated for efficient brand sales structure and cost innovation from late 2004. The Company’s strategies to pursue both sales growth and efficiency since the latter 2005 made a big success and a large-scale sales increase and profitability improvement has been expected since the 4th quarter 2005.

Major Financial Ratios



Korea’s 2005 economic growth rate recorded 4.0%, slightly higher than early expected 3.9%. However, the disposable income increase was less than 1% due to rising raw material prices and aggravated trading conditions mainly caused by appreciated Won. Especially, last year’s economic growth was able to increase mainly backed by the private consumption growth of 3.2%, getting out of decreasing trend prolonged two-year in a low. Exports also increased by 9.7%, slightly lower than 21% in 2004, and the growth of capital expenditure also greatly increased by 5.1%, higher than 3.8% of 2004. With the slow recovery of domestic economy, the fashion industry can overcome the lagged recession and continued its growing trend since the latter half of 2005. Against this backdrop, FNC Kolon was able to maintain strong growth position by initiating more efficient sales through selection and focus and recovering the profitability through cost innovation rather than pursuing external growth in size. Amidst earnest domestic economic recovery expected in 2006, Korea’s fashion industry is expected to show high growth at 4.6%, Especially since 4th quarter 2005, the fashion industry has entered a serious recovery phase spurred by explosive growth. Therefore, leveraging these favorable conditions, FNC Kolon will continue to grow based on our 4 core strategies of ‘Enhancing Business Portfolio,’ ‘Reinforcing Core Business Capabilities,’ ‘Innovating Cost’ and ‘Initiating Store-oriented Management.’

Operating Results

Sales

With strategies of achieving efficient sales through selection and focus and improving profitability through cost innovation, FNC Kolon recorded KRW 335.7 billion sales in 2005. Despite the scraps of some brands, the Company maintained a robust growth of 4.4% and the growth became more evident after the 4th quarter 2005, which saw 12% rise. Newly launched brands grew explosively over 100% while other sectors showed ups and downs respectively: Sports 11.6%, Premium Fashion 43.1%, Casual -1.9% and Golf -0.3%. Specifically, ‘Kolon Sport,’ grew by 18%, ‘Henry Cotton’s,’ by 10% and ‘Elordi,’ by 9%, each showing considerable growth in each business sector.

The gross income came in at KRW 188.9 billion, up by 8.8% from 2004 with an improved gross income margin of 56.3%, up by 2.3%p. This improved gross margin was mainly achieved through improved normal sales (excluding discount sales) ratio by 1.6% (67.8% in 2005), efficient sales structure with inefficient shut-down stores, improved profitability by securing cost competitiveness through expanded overseas production and integrated production outsourcers.

Sales, Operating Income, Ordinary Income, Net Income

	2004	2005	2006 (E)
Sales	321.6	335.7	359.3
Gross Income	173.7	188.9	210.3
Operating Income	9.6	26.3	36.1
Ordinary Income	△111.1	19.7	22.8
Net Income	△14.0	13.5	15.9

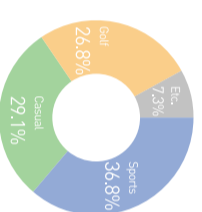
(In Billions of KRW)

By business sector, with 「Kolon Sports」, 「Activ」, 「Timberland」, sales of Sports Business rose by 11.6% to record KRW 132.1 billion, while Casual Business comprising 「1492MILE」, 「Henry Cotton」 and 「Andwelt」 slightly declined by 1.9% to KRW 91.7 billion. Mainly led by 「Jack Nicklaus」, 「Elordi」, Golf Business maintained almost the same sales level as 2004 at KRW 85.9 billion. With almost similar sales portion among the three business lines, Sports Business accounted for the largest at 36.8% mainly backed by 「Kolon Sports」, while Casual Business and Golf Business slightly contracted to 29.1% and 26.8%, respectively.

Sales by Business

Business	2003			2004			2005		
	Sales	Change	Share	Sales	Change	Share	Sales	Change	Share
Sports	85.5	11.6%	36.8%	118.4	38.3%	36.8%	132.1	11.6%	36.8%
Casual	104.7	-1.9%	29.1%	93.5	-10.7%	29.1%	91.7	-1.9%	29.1%
Golf	86.6	0.0%	26.8%	86.2	-0.5%	26.8%	85.9	-0.5%	26.8%
Others	14.0	0.0%	7.3%	23.6	68.6%	7.3%	25.9	9.7%	7.3%
Total	290.8		100.0	321.6	11.0%	100.0	335.7	4.3%	100.0

(In Billions of KRW)



Despite aggravated domestic economic conditions, Sports Business showed a robust 11.6% sales growth leveraged by FnC Kolon's representative outdoor brand 「Kolon Sports」. The domestic outdoor market is rapidly growing based on favorable market conditions such as the expansion of five-day-work-week system, recovered consumption sentiment and heightened awareness on health. In addition, group delivery and sales increase through home shopping channels also helped the sales increase in Sports Business. However, the Casual Business reacted sensitively to the recessed domestic economy. Casual Business also showed weak trend as the overall fashion mega trend has moved from casual to sports sector. In the meantime, with heightened competition, Golf Business maintained similar sales level to the past year.

Profitability Improvement

Since 2005, FnC Kolon has been improving the profitability by putting focus on the following matters. First, the Company improved production efficiency. FnC Kolon recently expanded large portion of its outsourcing production to China, which mainly depended on domestic production in the past as FnC Kolon depends 100% of production on outsourcing systems. Furthermore, the integrated management of domestic outsourcers with Kolon Fashion greatly contributes to improving production efficiency. Second, FnC Kolon reduced selling and administrative expenses by a large portion. Through personnel restructuring and innovative savings of controllable cost, the selling and administrative expenses has been greatly reduced. Especially, the Company maintains its marketing expenses at 5% of its total sales through more efficient marketing activities.

Operating Income & Ordinary Income

Despite KRW 7.4 billion increase in commissions paid linked with sales amount and KRW 4.8 billion in profit sharing paid for exceeding 2005 targets, the Company's operating income explosively increased by 174% (224% excluding PS) to KRW 26.3 billion. A benchmark of efficient management and cost savings, the selling administrative expenses ratio to total sales decreased by 3.6% to 19.1% from 22.7% in 2004. The increase in operating income was achieved by saving KRW 10.9 billion in marketing expenses through efficient activities, and KRW 3.0 billion savings for controllable expenses. Ordinary income was KRW 19.7 billion, improved by KRW 30.8 billion from 2004. This improvement was mainly caused from KRW 8.6 billion in asset disposal income and improved equity-method valuation of KRW 0.9 billion in income from the deep losses of KRW 15.7 billion in 2004. As invested companies showed a sign of improving profitability in 2005, FnC Kolon has laid future growth foundation as the first year of earnest recovery of our investment from the investee companies.

Financial Position

Improved Profitability and Financial Structure Stability

FnC Kolon has initiated a variety of efforts to improve the Company's profitability and secure financial position stability since 2002. In line with our efforts, in 2005 FnC Kolon sold or dissolved non-fashion related businesses worth a total of KRW 14.3 billion interest which include 2,040,000 shares of Kolon Construction, 1,630,000 shares of World Wide Net, 430,000 shares of YTN Media. Kolon Mart's asset was delivered to GS Logistics at KRW 43.5 billion in March 2005 and other non-related businesses such as a subsidiary in LA, Nextree, Merrys Wedding Consulting, etc. were all asset transferred or dissolved. In the meantime, in order to focus more on fashion business, FnC Kolon established a subsidiary in Shanghai, China as part of our 2nd FnC KOLON in China strategy and made a dramatic turnaround by focusing the investment in Kolon Fashion. Furthermore, the Company created synergies such as improved profitability by integrated management. In addition, FnC Kolon introduced advanced system such as ERP and sales information systems while actively learning advanced system and technique through strategic alliance with LVMH.

FnC Kolon continued our restructuring efforts in brand, personnel, cost, financial position to secure stable financial structure. The Company sold out 「Lucas」 for brand restructuring in line with the Company's brand portfolio restructuring program of scraping unprofitable brands. Executives and employees were also restructured and currently 561 employees are working for the Company. At the same time, the Company saved 19% of controllable expenses through cost innovation and saved KRW 14.0 billion marketing expenses through efficient management. The Asset restructuring process has now finished as the Company sold a total of KRW 72.5 billion tangible and intangible assets including real estates and equity securities.

Assets & Liabilities

FnC Kolon's assets stood at KRW 268.5 billion while liabilities at KRW 183.3 billion. Total net borrowings were recorded at KRW 117.0 billion, decreased by KRW 44.6 billion from KRW 161.6 billion as the Company redeemed KRW 20.0 corporate bonds due and KRW 30.0 commercial papers (CP). The repayment made possible with operating cash flows of KRW 23.4 billion and cash from the asset disposition. The Company's liabilities-to-equity ratio fell greatly to 236% in 2005 from 359% in 2004. The interest coverage ratio, a benchmark for stability from operating cash, largely improved to 2.32 times from 0.94 times in 2004.

Based on the abundant retained cash in the Company, FnC Kolon will continue putting the priority on the sound and stable financial structure to leap further toward Korea's No. 1 sports/fashion company.

2006 Forecast and Strategy

Korea's 2006 economic growth rate is expected to record approximately 5% backed by stabilized world economy and increasing trend of domestic capital expenditure and exports. Korea Development Institute (KDI) forecasts that in 2006, exports continue to expand and domestic economy enters its recovery stage in earnest, recording 5% level growth, considerably higher than 3% of 2005.

Amid expected full recovery of domestic economy, Korea's fashion market is forecast to grow by 4.6% during 2006. Especially, the fashion market has entered a full recovery phase since the 4th quarter 2005 on the back of explosive growth in the market. However, FnC Kolon will focus more on efficiency rather than sales expansion centered on the management strategies of 'Enhancing Business Portfolio,' 'Reinforcing Core Business Capabilities,' 'Innovating Cost,' 'Initiating Store-oriented Management.' All things considered, FnC Kolon's 2006 sales are expected to reach KRW 359.3 billion, up by 7% from 2005. Especially, the sluggish Casual Business is forecast to recover in a rapid phase. Without launching new brands, FnC Kolon will focus on maximizing the sales efficiency of the existing brands.

In 2006, the Company's gross income is expected to grow by 11.3% to KRW 210.3 billion. The gross margin will also rise by 2.2% to 58.5% compared with 2005 as the Company's cost innovation efforts such as overseas production and production outsourcing integration show tangible results and profit structure has become efficient with lowered inventory level and shut down of non-core stores. Leveraged by continued cost innovation efforts since 2005, FnC Kolon's operating income is expected to grow by 37.3% to KRW 36.1 billion in 2006 while operating margin enters 10% level, up by 2.2p%. With the financial condition restructuring finished, the Company has no further plan to sell assets. Repaying KRW 25.0 billion debt using continuously generating operating cash flows, FnC Kolon's total borrowings are expected to fall to KRW 98.0 billion at the end of 2006. In addition, long-term borrowings will compose over 50% so that the Company secures financial stability and the liabilities-to-equity ratio will decrease to 193%, improving by 43p, further stabilizing sound financial structure.

Kolon Fashion MD&A

Spun off in December 2000 from Kolon International Corp., Kolon Fashion is a specialized fashion company with 7 highly-recognized brand portfolios in men's/women's/casual fashion markets. As of the end of Dec 2005, Kolon Fashion's assets stood at KRW 85.0 billion and the Company successfully turned around from net loss to KRW 0.6 billion in net income with KRW 10.6 billion in operating income and KRW 132.0 billion in sales.

This turnaround was made possible through various company efforts during the year that include cost reduction using low-cost overseas production lines, development and expansion of various sales network such as street stores, profit maximization by focusing on rapidly growing brands such as 'GnA', 'J. Polack', 'QUA', enhancing profitability and management efficiency through rigorous restructuring, securing financial transparency and stability through capital injection. Especially in December 2004, Kolon Fashion laid a firm foundation to be born as integrated fashion company with improved profitability through created synergies with integrated management with FnC Kolon.

In addition, Kolon Fashion further saved 25% cost by increasing overseas production rate in China to 34% level. The Company uplifted operating income through savings of controllable expenses, personnel restructuring and effective use of marketing expenses. FnC Kolon's financial structures could be further stabilized by reducing borrowings and capital enhancement, thereby considerably reducing interest expenses. Going forward, Kolon Fashion will continue to increase sales level by cutting cost, saving controllable expenses, while improving profitability. Furthermore, Kolon Fashion will assure its company image with sound and stable financial structure.

Operating Results

By focusing on profitability improvement by cost cut in 2005, Kolon Fashion's sales increased by 11.4% to reach KRW 132.0 billion. With increasing normal sales portion and further cost cut, gross income also improved by 34.4% to KRW 82.4 billion, while gross margin greatly improved to 62.5%, up by 10.8%p from 51.7% in 2004. With greatly reduced selling and administrative expenses after rigorous restructuring and savings in marketing expenses, operating income amounted to KRW 10.6 billion, greatly improved from KRW -4.1 billion in 2004. Net income turned around to black ink with reduced interest expenses of KRW 2.2 billion despite the reflection of KRW 8.3 billion of goodwill impairment losses.

Financial Position

Total borrowings of Kolon Fashion decreased to KRW 17.5 billion from KRW 35.0 billion at the end of 2004. The liabilities-to-equity ratio fell to 100% level, dramatically down from 239% in 2004, while interest coverage ratio reached 6.38 times. The Company's future growth based has been firmly established with sound and stable financial structure.

Balance Sheets

NON-CONSOLIDATED BALANCE SHEETS

As of December 31, 2005, 2004

(In KRW)

Fnc Kolon CORP. Assets	2005	2004
I. Current Assets	140,167,818,270	116,530,560,910
<i>(1) Quick Assets</i>	<i>70,572,294,023</i>	<i>41,492,265,321</i>
Cash and Cash Equivalents	5,749,135,684	29,452,233
Short-term Financial Instruments	203,748,592	309,690,891
Account Receivables	40,823,068,929	29,700,464,348
Allowance for Doubtful Accounts	(-)14,477,041,989	(-)14,251,844,371
Non-trade Receivables	3,426,638,045	694,900,457
Allowance for Doubtful Accounts	(-)224,282,493	-
Accrued Revenues	173,696,465	385,741,412
Allowance for Doubtful Accounts	(-)17,673,876	-
Advance Payments	250,715,509	385,741,412
Prepaid Expenses	734,236,899	114,095,560
Short-term Deposit	116,500,187	1,135,242,868
Deferred Income Tax Assets	23,745,426,100	94,342,052
Other Current Assets	68,125,971	13,130,051,790
	-	150,128,081
<i>(2) Inventories</i>	<i>69,595,524,247</i>	<i>75,038,295,589</i>
Merchandises	19,163,500	835,573,855
Processed Goods	65,607,410,426	68,918,073,802
Allowance for Valuation of Inventories	(-)12,631,553,625	(-)1,033,432,877
Finished Goods	637,892,191	67,884,640,925
Work-in-process	153,375,425	337,059,671
Raw & Sub Materials	700,815,301	155,123,877
Goods in Transit	5,038,213,016	494,402,223
	70,208,013	5,202,004,405
	-	129,490,633
II. Fixed Assets	127,698,767,043	160,125,088,402
<i>(1) Investment Assets</i>	<i>90,236,645,239</i>	<i>84,466,569,528</i>
Long-term Financial Instruments	15,500,000	215,500,000
Available-for-sale Securities	4,842,918,570	10,907,360,562
Equity-method Investment Securities	56,220,784,290	31,240,185,558
Long-term Loans	2,843,189	12,903,249
Long-term Trade Receivables	1,220,829,556	1,147,231,341
Alliance for Doubtful Accounts	(-)1,002,945,015	(-)1,002,945,015
	217,884,541	144,286,326

Fnc Kolon CORP.	2005	2004
Long-term Non-trade Receivables	1,025,067,306	1,025,067,306
Allowance for Doubtful Accounts	(-)194,285,475	(-)194,028,675
Guarantee Deposits	12,041,439,643	84,781,831
Deferred Income Tax Assets	9,921,005,877	8,033,046,623
Other Investment Assets	6,889,487,298	26,940,731,718
	-	6,887,773,661
I. Current Liabilities	162,117,256,353	131,737,578,380
Trade Payables	21,375,975,887	17,632,753,000
Short-term Borrowings	23,000,000,000	41,715,560,911
Non-trade Payables	20,899,674,794	12,090,373,122
Advances from Customers	477,317,073	456,745,280
Deposits Received	10,416,787,244	14,639,145,340
Withholdings	5,703,009,533	4,906,248,844
Current Portion of Long-term Debt	80,000,000,000	40,000,000,000
Discounts on Bonds Payable	(-)136,873,461	(-)133,261,164
Other Current Assets	79,963,126,539	39,966,738,836
	281,365,283	330,013,077
II. Intangible Assets	1,520,478,356	3,641,417,411
Goodwill	1,174,197,173	3,278,093,840
Industrial Property Right	254,321,681	263,377,427
Telecommunications	2,000	2,000
Facilities Service Fees	91,957,502	99,944,144
	-	99,944,144
Total Assets	267,866,585,313	276,655,649,312
Liabilities	162,117,256,353	131,737,578,380

Fnc Kolon CORP.		2005	2004
<i>(In KRW)</i>			
II. Long-term Liabilities			
Bonds Payable	20,000,000,000	25,944,570,793	84,580,735,348
Discounts on Bonds Payable	(-)276,682,641	19,723,317,359	(-)107,824,100
Provisions for Severance Benefits	11,334,427,425	10,143,261,594	79,892,175,900
Contribution to National Pension Plan	(-)213,567,466	(-)250,921,266	(-)1250,921,266
Deposits for Severance Benefits	(-)14,899,606,525	6,221,253,434	(-)15,203,780,880
Total Liabilities	188,061,827,146	216,318,313,728	216,318,313,728
Shareholders' Equity			
I. Capital Stock			
Common Stock	63,641,085,000	63,641,085,000	63,641,085,000
Preferred Stock	60,018,000,000	60,018,000,000	60,018,000,000
	3,623,085,000	3,623,085,000	3,623,085,000
II. Capital Surplus	29,312,774,369	35,651,629,207	35,651,629,207
Additional Paid-in Capital	11,921,729,773	11,921,729,773	11,921,729,773
Gains on Revaluation	16,976,518,219	16,976,518,219	22,000,000,000
Other Additional Capital	414,526,377	414,526,377	1,729,899,434
III. Retained Earnings (Accumulated Deficit)	13,487,455,332	(-16,753,381,215)	(-16,753,381,215)
Legal Appropriated Retained Earnings	-	-	1,300,000,000
Retained Earnings for Accumulated Deficit before Disposition (Net Income (Loss) of KRW 13,487,455,332 and KRW (-)13,951,192,457)	13,487,455,332	13,487,455,332	(-)8,053,381,215
IV. Capital Adjustments			
Treasury Stock	(-)126,636,556,534	(-)132,201,997,408	(-)132,201,997,408
Gains (Losses) on Valuation of Available-for-sale Securities of Equity in Capital Adjustments of Affiliates	203,914,751	203,914,751	(-)11,655,002,819
Negative Equity in Capital Adjustments of Affiliates	-	-	714,986,265
Total Shareholders' Equity	79,804,758,167	60,337,335,584	60,337,335,584
Total Liabilities and Shareholders' Equity	267,866,585,313	276,655,649,312	276,655,649,312

Fnc Kolon CORP.		2005	2004
<i>(In KRW)</i>			
I. Sales			
Sales-Exports	1,026,140,922	335,654,712,207	321,623,526,939
Sales-Domestic	328,020,965,073	310,811,758,092	310,811,758,092
Other Sales	6,607,606,212	7,215,159,776	7,215,159,776
II. Cost of Goods Sold	146,712,397,336	147,886,661,063	147,886,661,063
Cost of Sales-Exports	713,650,460	3,387,459,937	3,387,459,937
Cost of Sales-Domestic	145,998,746,876	144,499,201,126	144,499,201,126
III. Gross Income	188,942,314,871	173,736,865,876	173,736,865,876
IV. Selling, General and Administrative Expenses			
Salaries	25,023,455,284	21,185,757,692	164,125,587,930
Severance Benefits	2,518,345,243	2,401,793,232	2,401,793,232
Employee Benefits	2,514,290,370	2,697,615,662	2,697,615,662
Training Expenses	466,993,102	526,502,484	526,502,484
Compensation Expenses Associated with Stock Option	47,740,200	-	-
Travel Expenses	1,748,676,903	2,532,044,344	2,532,044,344
Communications Expenses	461,826,450	494,955,884	494,955,884
Utility Expenses	292,400,238	318,209,215	318,209,215
Taxes and Dues	1,530,232,540	1,573,419,285	1,573,419,285
Rent	4,251,826,678	2,889,602,894	2,889,602,894
Depreciation	8,002,353,809	7,789,923,360	7,789,923,360
Amortization	571,778,441	771,089,409	771,089,409
Repairs	939,215,968	1,021,421,365	1,021,421,365
Insurance Premium	608,096,430	268,802,052	268,802,052
Entertainment	528,698,067	616,900,183	616,900,183
Supplies	1,281,974,649	1,874,259,199	1,874,259,199
Advertising	10,627,930,403	21,279,632,119	21,279,632,119
Samples	523,361,563	871,588,487	871,588,487
Packaging	509,270,490	554,474,846	554,474,846
Custody Charges	45,667	187,440	187,440

Income Statements

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2005 and 2004

Fnc Kolon CORP.		2005	2004
<i>(In KRW)</i>			
Freight Expenses	1,942,899,486	2,103,088,433	
Service Fees	89,849,000,827	82,463,330,467	
Publication	361,122,973	419,917,377	
Vehicle Maintenance	651,935,166	734,827,242	
Sub-materials	236,746,525	231,081,878	
Sales Promotion	6,612,493,478	6,929,136,320	
Meetings	31,558,800	50,473,520	
Ordinary R&D	249,273,508	1,057,224,937	
Bad-debt Expenses	225,197,618	468,328,604	
V. Operating Income	26,333,573,995	9,611,277,946	
VI. Non-operating Income	19,125,563,144	9,841,975,943	
Interest Revenues	653,242,002	942,297,589	
Dividend Income	13,950	120,235,200	
Gains on Foreign Currency Transaction	348,181,644	355,711,918	
Gains on Foreign Currency Translation	14,881,478	9,978,200	
Gains on Sale of Investment Securities	2,979,086,810	2,134,539,831	
Gains on Sale of Property, Plant, and Equipment	6,706,152,935	4,195,250,894	
Gains on Sale of Intangible Assets	628,576,903	-	
Equity-method Income on Investment	6,222,370,502	428,817,172	
Miscellaneous Income	1,573,056,920	1,655,145,139	
VII. Non-operating Expenses	25,793,754,662	30,575,916,103	
Interest Expenses	11,334,436,383	10,191,963,711	
Losses on Foreign Currency Transaction	372,966,132	454,222,943	
Losses on Foreign Currency Translation	95,084,625	114,299,716	
Losses on Disposition of Trade Receivables	-	47,885,964	
Losses on Sale of Investments	994,289,068	5,882,545	
Equity Losses on Investments	5,310,399,332	16,099,072,913	
Losses on Disposition of Property, Plant and Equipment	718,399,020	372,399,955	
Additional Payment of Income Taxes	2,345,449,130	33,187,390	
Donations	292,140,935	251,289,259	
Other Bad-debt Expenses	241,956,369	601,158,153	
Impairment Losses on Intangible Assets	1,624,566,667	-	
Miscellaneous Losses	2,464,067,001	2,404,553,554	
VIII. Ordinary Income (Loss)	19,665,382,477	(11,122,662,214)	
IX. Income (Loss) before Income Tax Expenses	19,665,382,477	(11,122,662,214)	
X. Income Tax Expenses	6,177,927,145	2,828,530,243	
XI. Net Income (Loss) [Ordinary Earnings (Losses) per Share and Earnings (Losses) per Share of KRW 1,216 in 2005 and KRW 1,373] in 2004]	13,487,455,332	(13,951,192,457)	

Statements of Retained Earnings

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

For the years ended December 31, 2005 and 2004,
Dates of Appropriation : March 24, 2006 for 2005 and March 25, 2005 for 2004.

Fnc Kolon CORP.		2005	2004
<i>(In KRW)</i>			
I. Retained Earnings [or Accumulated Deficit] before Appropriation		13,487,455,332	(-18,053,381,215)
Unappropriated Retained Earnings [or Accumulated Deficit]		-	5,918,213,839
Carried over from Prior Years		-	(-120,402,597)
Cumulative Effect of Equity Method		13,487,455,332	(-13,951,192,457)
Net Income (Loss)		-	-
II. Disposition of Accumulated Deficit (in 2004)		-	8,053,381,215
Transfer from Discretionary Appropriated Retained Earnings		-	1,300,000,000
Transfer from Other Legal Appropriated Retained Earnings		-	1,729,899,434
Transfer from Appropriated Revaluation Gains		-	5,023,481,781
III. Appropriations of Retained Earnings (in 2005)		3,299,939,225	-
Legal Appropriated Retained Earnings		299,994,475	-
Dividends		2,999,944,750	-
A Cash Dividends		2,999,944,750	-
[Dividend per Share(Rate)]:			
Common : KRW 250 (5%) in 2005			
None (0%) in 2004			
Preferred : KRW 300 (6%) in 2005			
None (0%) in 2004			
IV. Unappropriated Retained Earnings [or Accumulated Deficit] to be Carried forward to Following Year		10,187,516,107	-

Cash Flow Statements

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2005 and 2004

	2005	2004
Fnc Kolon CORP.		
<i>(In KRW)</i>		
I. Cash Flows from Operating Activities		
1. Net Income (Loss)	13,487,455,332	(1)13,951,192,457
2. Addition of Expenses not Involving Cash Outflows	20,173,923,485	28,435,607,058
Depreciation	8,002,353,809	7,789,923,360
Amortization of Intangible Assets	571,778,441	771,089,409
Impairment Losses on Intangible Assets	1,624,566,667	-
Severance Benefits	2,664,181,483	2,401,793,232
Amortization of Discounts on Bonds Payable	215,264,1040	279,987,775
Loss on Disposition of Property, Plant and Equipment	718,399,020	372,399,995
Loss on Disposition of Investment Assets	994,289,068	5,882,545
Loss on Foreign Currency Translation	95,084,625	114,299,716
Loss on Equity-method Valuation	5,310,399,332	16,099,072,913
Other Bad-debt Expenses	-	601,158,153
3. Deduction of Revenues not Involving Cash Inflows	(1)16,551,068,628	(1)17,317,905,566
Gain on Foreign Currency Translation	14,881,478	9,978,200
Gain on Disposition of Property, Plant and Equipment	6,706,152,935	4,195,250,894
Gain on Disposition of Intangible Assets	628,576,903	-
Gain on Disposition of Investment Assets	2,979,086,810	2,134,539,831
Equity Method Income	6,222,370,502	428,817,172
Amortization of Present Value Discount	-	549,319,469
4. Changes in Assets and Liabilities Resulting from Operating Activities	6,326,241,371	(1)4,752,219,128
Decrease (Increase) in Trade Receivables	(1)10,984,842,934	2,569,928,437
Decrease (Increase) in Non-trade Receivables	(1)2,512,637,880	12,536,683,197
Decrease (Increase) in Accrued Revenues	229,718,823	(1)178,929,115
Decrease (Increase) in Advance Payments	(1)136,619,949	1,766,446,497
Decrease in Prepaid Expenses	401,005,969	94,485,484
Increase in Current Deferred Income Tax Assets	(1)10,615,374,310	-
Decrease (Increase) in Other Current Assets	82,002,110	(1)18,447,750
Decrease (Increase) in Inventories	5,442,771,342	(1)22,226,226,468
Decrease (Increase) in Long-term Trade Receivables	(1)73,598,215	188,801,400
Decrease in Long-term Deferred Income Tax Assets	16,793,301,455	2,828,530,243
Increase (Decrease) in Trade Payables	3,757,525,915	(1)687,597,148
Increase in Non-trade Payables	8,809,715,575	608,671,866
Increase (Decrease) in Advances from Customers	20,571,823	(1)982,103,760
Decrease in Deposits Received	(1)4,222,119,396	(1)12,995,296
Increase in Withholdings	796,760,689	1,529,296,870
Decrease in Other Current Liabilities	(1)48,647,794	(1)206,508,747
Transfer of Provision for Severance Benefits	59,719,203	68,597,449
Severance Benefits Paid	(1)1,510,364,855	(1)2,720,666,187
Decrease in Contribution to National Pension Plan	37,353,800	89,813,900

Fnc Kolon CORP.

(In KRW)

	2005	2004
II. Cash Flows from Investing Activities		
1. Cash Inflows from Investing Activities	152,884,077,514	55,523,087,713
Decrease in Short-term Financial Instruments	90,706,062,916	24,783,115,129
Decrease in Short-term Guarantee Deposits	16,209,791,270	17,185,041
Decrease in Investment Securities	4,030,270,975	5,191,359,579
Decrease in Long-term Loans	10,060,060	25,440,678
Decrease in Guarantee Deposits	297,752,210	1,359,754,659
Decrease in Deposits for Severance Benefits	304,174,395	1,015,697,536
Disposal of Land	22,078,033,986	20,881,405,391
Disposal of Buildings	16,838,189,653	1,350,566,283
Disposal of Structures	1,543,776,361	776,975,326
Disposal of Machinery	-	950,000
Disposal of Vehicles	96,009,303	50,818,180
Disposal of Other Tangible Assets	119,956,425	69,839,911
Disposal of Industrial Property Rights	650,000,000	-
2. Cash Outflows from Investing Activities	(1)37,763,370,438	(1)64,373,092,073
Increase in Short-term Financial Instruments	90,400,120,617	-
Increase in Short-term Guarantee Deposits	16,234,489,427	-
Increase in Long-term Financial Instruments	-	200,000,000
Increase in Available-for-sale Securities	4,306,165,230	4,241,941,762
Increase in Guarantee Deposits	20,108,964,770	2,890,803,360
Increase in Equity Investments	1,713,637	35,000,000,000
Increase in Other Investments	-	6,102,110,801
Acquisition of Buildings	11,900,000	2,970,347,556
Acquisition of Structures	-	1,324,768,888
Acquisition of Machinery	157,369,410	16,280,000
Acquisition of Vehicles	5,625,284,772	76,950,072
Acquisition of Property, Plant and Equipment	820,553,425	9,914,184,526
Increase in Construction-in-progress	96,829,150	304,188,000
Increase in Intangible Assets	-	1,331,517,108
III. Cash Flows from Financing Activities		
1. Cash Inflows from Financing Activities	198,162,424,815	265,726,544,400
Increase in Short-term Borrowings	172,284,439,089	265,713,845,420
Increase in Bonds	19,612,288,122	-
Disposal of Treasury Stock	6,265,697,604	12,698,980
2. Cash Outflows from Financing Activities	(1)231,000,000,000	(1)259,294,032,670
Decrease in Short-term Borrowings	191,000,000,000	238,000,000,000
Decrease in Current Portion of Long-term Debt	40,000,000,000	20,000,000,000
Stock Floating Cost	-	16,737,723
Acquisition of Treasury Stock	-	720,072,397
Payment of Dividends	-	557,222,550
IV. Net Increase (Decrease) in Cash (I + II + III)		
	5,719,683,451	(1)3,202,723
V. Cash and Cash Equivalents at the Beginning of the Year		
	29,452,233	32,654,956
VI. Cash and Cash Equivalents at the End of the Year		
	5,749,135,684	29,452,233

History

1900s	
1954 12.17	Established as Gyeonyung Trading Co. Ltd.
1964 12	Renamed to Samkyeong Corp.
1973	Launched 'Kolon Sports.'
1979 07	Renamed to Kolon International Corp.
1981	Launched 'Head.'
1982 04	Held the First National High School Marathon
1984	Launched 'Activ.'
1985	Launched 'Jack Nicklaus.'
1986 09	Official sponsor of 1986 Asian Game Seoul
1988 05.25	Listed on the Korea Stock Exchange (Public offering)
09	Official sponsor of 1988 Seoul Olympic Games
1989 03	Opened Fashion Institute of Kolon (FIK)
1990	Launched 'Elord.'
09	Held Elord Cup Korean Open Golf Tournament
1996	Launched 'Henry Cotton.'
1999	Launched '1492MILL ES.'
10	Kolon Mart and Kolon Motors spun off
2000s	
2000 12	Kolon Fashion spun off
2001 12.01	Divided Kolon International into 3 companies
2002 05	Held 'FNC KOLON In The World' (a festival in support of the World Cup)
09	Established Chinese subsidiary for 2 nd FNC Kolon in China
10	Held the first IR session since the spin-off
	Made a strategic alliance with LVMH, a world-class fashion group
11	Held the first overseas road show since the spin-off
2003	Launched 'Marc Jacobs.'
02	Changed FNC Kolon's corporate identity (CI)
03	Implemented ERP(Enterprise Resource Management) system
06	Included in KOSPI 200
08	Launched 'Marc by Marc Jacobs.'
09	CEO Je Hwan Suk inaugurated
10	Ahn Shi Hyun, member of the Elord Team, wins CJ Nine Bridges Classic Competition of the LPGA Tour
2004	Launched 'Timberland.'
	Launched 'Christian Lacroix.'
	Launched 'Jimmy Choo.'
	Launched 'Andwelt.'
12	Integrate operation management with Kolon Fashion
2005 09	Held the 48th Kolon-Hana Bank Korea Open Golf Competition
	Exceed KRW 100.0 billion in sales of 'Kolon Sports.'

Organization Chart

