

Curitel Q4/2004 Earnings Release

2005. 1. 19

Disclaimer

Certain matters and figures in this presentation constitute forward-looking statements and are based on management's expectations and beliefs concerning future events impacting the company. There can be no guarantee that these future events will occur as expected or that the company's results will be as estimated.

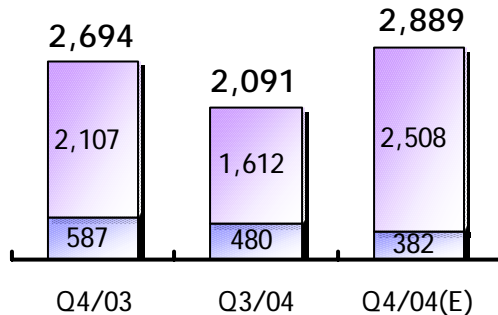
Content Overview

- Q4/FY04 & FY04 Earnings Summary
- FY05 Outlook

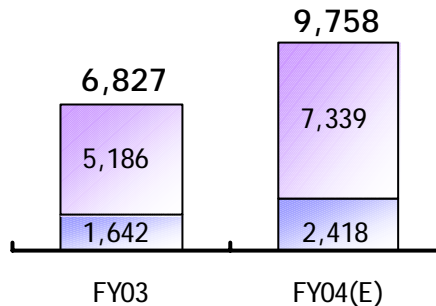
I. Q4/FY04 & FY04 Earnings Summary

Handset Sell-in

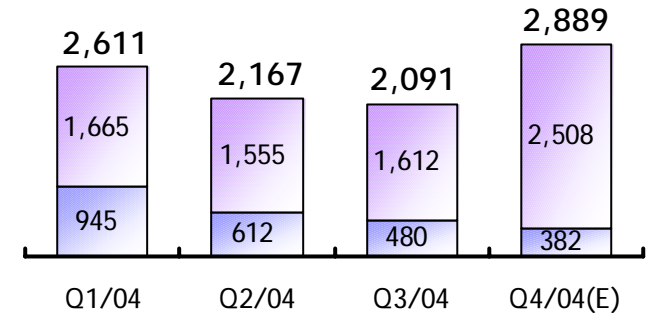
4Q/03, 3Q/04 vs. 4Q/04(E)



FY03 vs. FY04(E)



FY04(E)

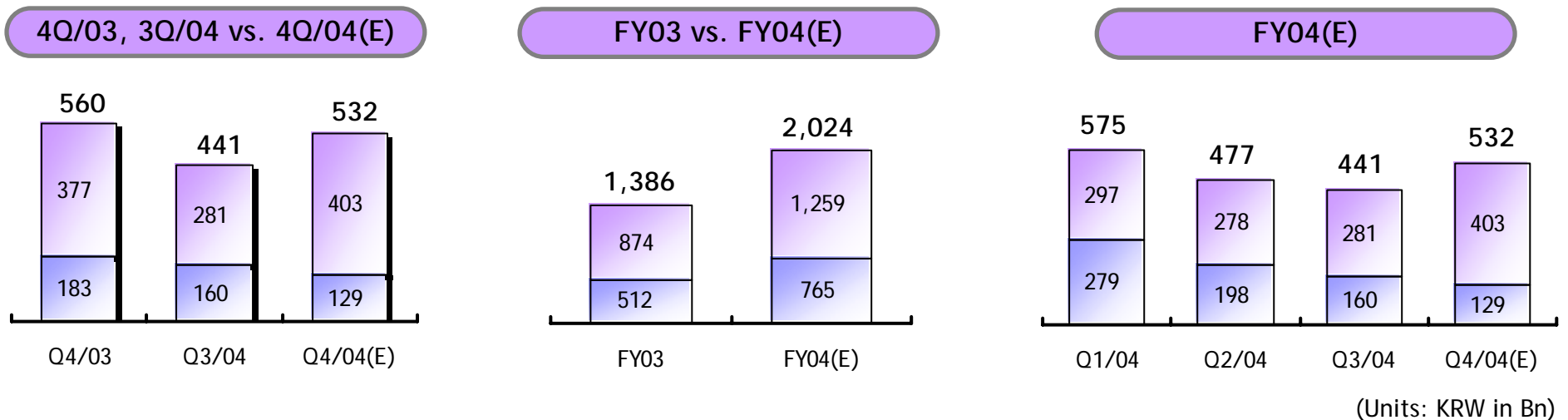


(Units in k)

- Q4 Sell-in: Domestic 382k, Export 2,508k (Total 2,889k)
 - Vs. 4Q/03: Domestic 35% ↓, Export 19% ↑ (Total shipment 7% ↑)
 - Vs. 3Q/04: Domestic 20% ↓, Export 56% ↑ (Total shipment 38% ↑)
- FY04 Sell-in: Domestic 2,418k, Export 7,339k (Total 9,758k)
 - Vs. FY03: Domestic 47% ↑, Export 42% ↑ (Total shipment 43% ↑)
 - QoQ (17% ↓ → 4% ↓ → 38% ↑): "U"-shaped Recovery to be Seen in Coming Quarters
- Sales Close to 10Mn units: Not a Small Guy Any More!!!
- 2 Consecutive Years with Growth over 40% (FY03 & FY04)
- Remarkable Success in North America (N.A.): M/S = 12%

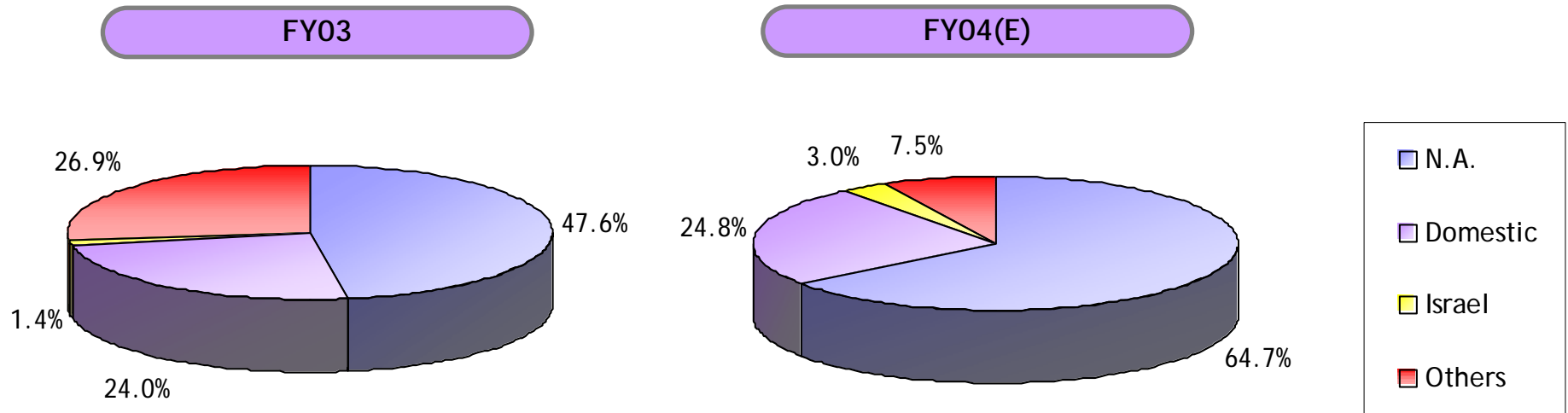
* N.A. CDMA market size in 2004 = 53M: Strategy Analytics (2004. 4)

Revenue



- Q4 Revenue: Domestic 129Bn KRW, Export 403Bn KRW (Total 532Bn KRW)
 - Vs. 4Q/03: Domestic 29% ↓, Export 7% ↑ (Total revenue 5% ↓)
 - Vs. 3Q/04: Domestic 19% ↓, Export 43% ↑ (Total revenue 21% ↑)
- FY04 Revenue: Domestic 765Bn KRW, Export 1,259Bn KRW (Total 2,024Bn KRW)
 - Vs. FY03: Domestic 49% ↑, Export 44% ↑ (Total revenue 46% ↑)
- Revenue over 2Trn KRW
 - Ranked 50 ~ 60 based on Revenue Size among the KSE-listed companies (53rd based on H1 Revenue)
- Awarded for \$900Mn Export by Korean Gov't (Base period: H2/03 ~ H1/04)
- Remarkable Growth despite Currency Risk, Severe Competition, Price Pressure, etc

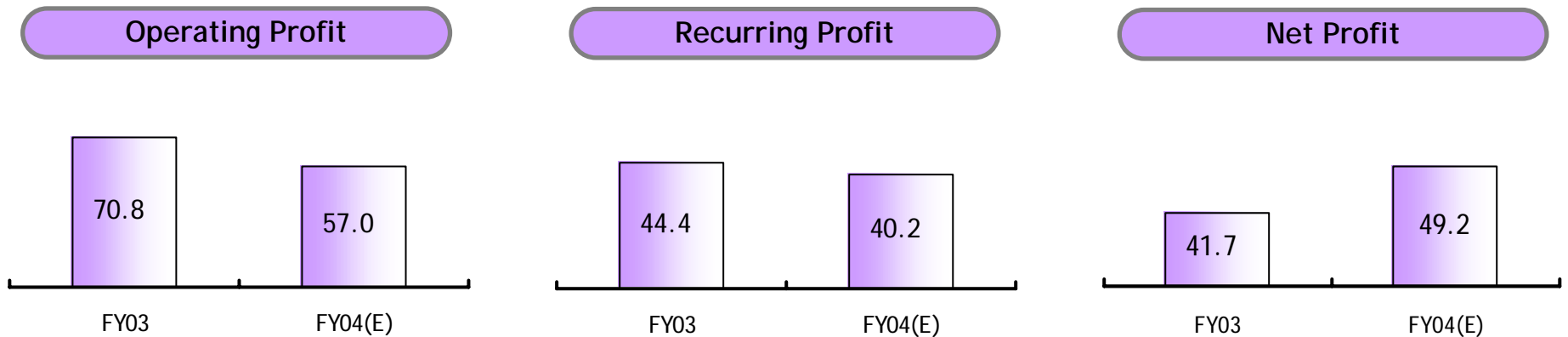
Sales by Major Segments



- Sales by Segments

- N.A. M/S over 10% → Curitel's Reliable Handsets with Quality, Well Appreciated!!!
- Domestic Sales Picking Up due to New Models and LGT MNP
 - ✓ Domestic M/S: 18% (December, 2004), 20%(E) (January, 2005)
- Surprisingly, #1 Handset Manufacturer in Israel CDMA Market

Profitability



(Units: KRW in Bn)

- Aggressive Marketing Spending in Korea for Better Brand Equity
 - Domestic Margin Worsened due to Heavy Marketing Expenditure (Inventory Clearance included)
 - ✓ 68Bn KRW (FY03) → 127Bn KRW (FY04E): Up 87% YoY
 - However, Export Margin Maintained due to Better Product Mix (Mid-to-high tier Oriented)
- Offsetting Effect between Non-OP Income and Expense → Not much Diff. between OP & RP
 - Gain on Foreign Currency Transaction: 46Bn KRW (20Bn KRW in FY03)
 - Intangible Write-down: 61Bn KRW (12Bn KRW in FY03)
 - Net Interest Expense = 1.4Bn KRW
- Tax Benefits through Healthy R&D Investment
 - R&D Expenditure: 118Bn KRW (FY04E) vs. 95Bn KRW (FY03)

Key Remarks

15% Market Share in Domestic Market

North America Shipment over 6.3Mn units

Mid-to-high-tier Handset Sales Increased

Sales Channel in N.A. in Good Shape

UMTS Handsets in Place

Key Financial Ratios

| | Q4/03 | FY03 | Q3/04 | Q4/04(E) | FY04(E) |
|---------------------|-------|-------|-------|----------|---------|
| GP margin(%) | 20.1 | 21.2 | 19.5 | 17.8 | 18.4 |
| OP margin(%) | 6.3 | 5.1 | 2.1 | 0.9 | 2.8 |
| NI margin(%) | 2.9 | 3.0 | 1.8 | 1.8 | 2.4 |
| ROA(%) | 9.8 | 8.0 | 4.1 | 4.8 | 6.4 |
| ROE(%) | 24.8 | 21.5 | 10.7 | 13.0 | 17.6 |
| Current ratio(%) | 116.6 | 116.6 | 143.1 | 113.5 | 113.5 |
| Fin. Debt/Assets(%) | 22.1 | 22.1 | 29.2 | 29.1 | 29.1 |
| D/E ratio(%) | 167.5 | 167.5 | 162.2 | 181.4 | 181.4 |

| | Q4/04(E) | | FY04(E) |
|-------------|-----------|-----------|----------|
| Growth (%) | vs. Q4/03 | vs. Q3/04 | vs. FY03 |
| Revenue | -5.0 | 20.6 | 46.1 |
| GP | -15.9 | 10.0 | 26.9 |
| OP | -86.3 | -47.7 | -19.5 |
| NI | -42.5 | 21.0 | 17.7 |
| Assets | 12.0 | 7.4 | 12.0 |
| Liabilities | 15.3 | 11.9 | 15.3 |
| S.E. | 6.4 | 0.1 | 6.4 |

FS Summary

| (Bn KRW, %) | Q4/FY03 | FY03 | Q3/FY04 | Q4/FY04(E) | FY04(E) |
|--------------------------|--------------|----------------|--------------|--------------|----------------|
| Revenue | 559.7 | 1,385.8 | 440.8 | 531.8 | 2,024.3 |
| Gross Margin | 112.2 | 293.6 | 85.8 | 94.4 | 372.4 |
| SG&A | 77.2 | 222.8 | 76.6 | 89.6 | 315.5 |
| Operating Profit | 35.0 | 70.8 | 9.2 | 4.8 | 57.0 |
| Recurring Profit | 16.7 | 44.4 | 2.6 | 1.6 | 40.2 |
| Net Profit | 16.3 | 41.7 | 7.7 | 9.4 | 49.1 |
| | | | | | |
| Current Assets | 544.2 | 544.2 | 536.9 | 496.8 | 496.8 |
| Cash | 200.7 | 200.7 | 164.7 | 106.8 | 106.8 |
| Inventory | 205.1 | 205.1 | 260.6 | 280.9 | 280.9 |
| Fixed Assets | 178.2 | 178.2 | 216.1 | 312.0 | 312.0 |
| Investment | 39.6 | 39.6 | 51.4 | 151.7 | 151.7 |
| Development costs | 85.4 | 85.4 | 105.7 | 95.9 | 95.9 |
| Total Assets | 722.4 | 722.4 | 753.0 | 808.7 | 808.7 |
| Current Liabilities | 420.8 | 420.8 | 375.1 | 437.5 | 437.5 |
| ST debt | 133.3 | 133.3 | 133.7 | 153.9 | 153.9 |
| LT Liabilities | 31.5 | 31.5 | 90.7 | 83.8 | 83.8 |
| Bonds | 0.0 | 0.0 | 59.8 | 59.8 | 59.8 |
| LT debt | 26.3 | 26.3 | 24.4 | 19.1 | 19.1 |
| Total Liabilities | 452.3 | 452.3 | 465.8 | 521.3 | 521.3 |
| Paid-in capital | 74.9 | 74.9 | 74.9 | 74.9 | 74.9 |
| Retained earnings | 100.2 | 100.2 | 140.0 | 149.4 | 149.4 |
| Total SE | 270.1 | 270.1 | 287.2 | 287.4 | 287.4 |

II. FY05 Outlook

LT Growth Engine: N.A. Channel & UMTS

N.A. Channel



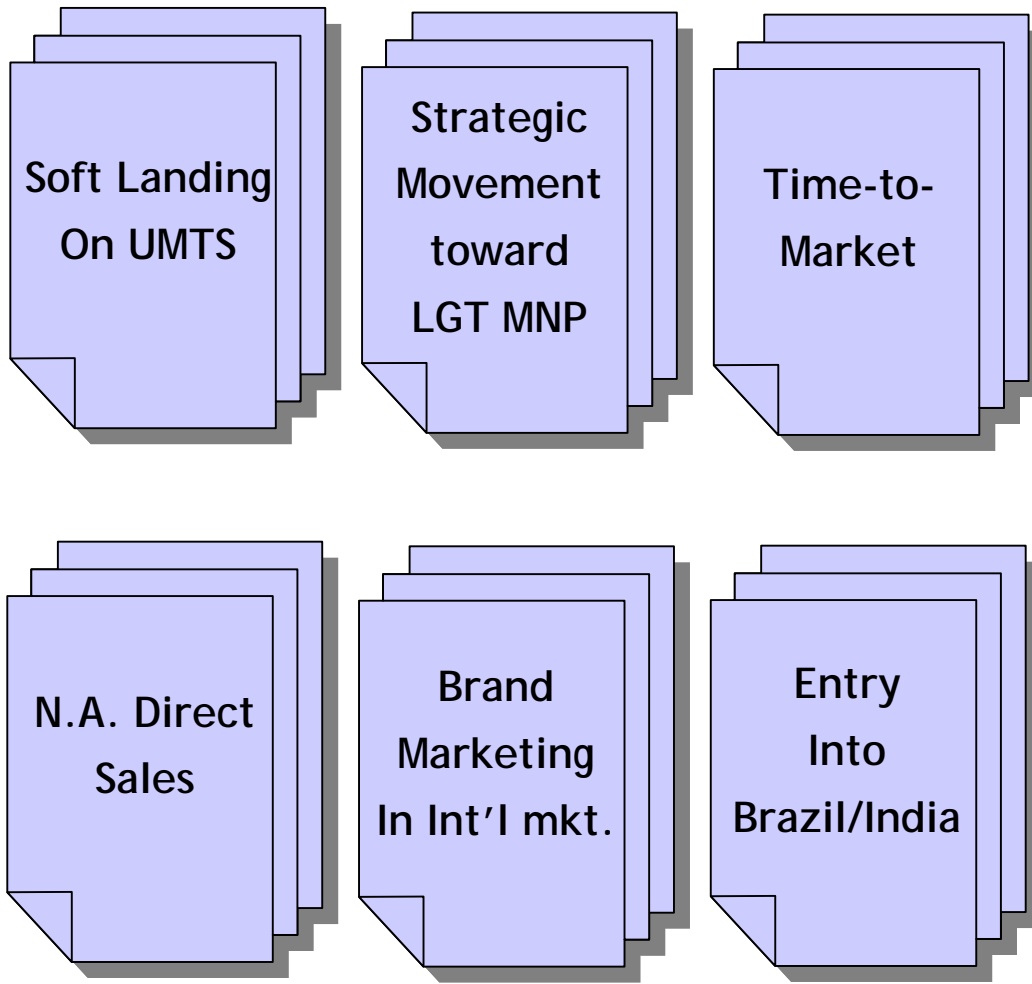
- Completed staffing Sales Heads for Major Carrier Accounts
 - Experienced & Skilled Experts from Global Handset Makers: Assigned on each Account
 - Each Sales Head currently Working on Each Account
- Total 6 ~ 8 models for Direct Sales to Carriers: 2 ~ 3 EV-DO phones included
- First Sales expected: Q2 (Latin), Q3 (N.A.)
- No Need to Pay Audiovox Distribution Margin → Margin Improvement
- N.A. Channel Sales to be Serious from 2006
- "Pantech" Brand Pre-exposure Effect through On-going Business with Audiovox

UMTS



- First UMTS Sales expected from Q3/2005
- Actively Negotiating with European Carriers
- Great Response from European Carriers
- Curitel's UMTS Handsets Well-appreciated by European Carriers
- R&D on UMTS Initiated from Q1/2004: Preparation for UMTS Growth in Europe
- Year 2005 → Preliminary Stage, Year 2006 → Growing Stage
- Business Opportunities in N.A.
 - GSM Carriers Expected to Service UMTS in 2006 to Compete with EV-DO Carriers
 - UMTS Target Markets: Not Only Europe, But Also N.A.

BP Summary



Revenue
2.5Tn KRW

Shipment
13.5Mn units

CAPX
38Bn KRW

R&D Investment
142Bn KRW

Thank You!!!

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