

Curitel Communications Q2/FY04 Earnings

2004. 7. 15

This document contains the financial and operational figures & numbers that are not audited by the company's official accounting firm. Therefore, those numbers and figures in the document may change according to the results of auditing by the accounting firm (Price Waterhouse Coopers).

Furthermore, it should be acknowledged that forecasts mentioned in this document for upcoming quarters can be different from actual results.

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Q2/FY04 Earnings Summary

Q2/FY04 Earnings

(KRW in billions, %)

	Q2/03	Q1/04	Q2/04E	QoQ	YoY
Sales	224.3	575.2	476.5	-17.2%	112.5%
Gross Profit	42.8	104.6	87.5	-16.3%	104.7%
Operating Profit	2.1	27.0	15.5	-42.7%	652.6%
Recurring Profit	7.1	17.8	17.7	-0.7%	150.4%
Recurring Profit(%)	3.2%	3.1%	3.7%	-	-
EBITDA	14.5	28.9	29.2	1.2%	101.3%
ASP(KRW in k)	183.1	221.4	218.6	-1.3%	19.4%

H1/FY04 Earnings

(KRW in billions, %)

H1/03

H1/04E

YoY

Sales

485.5

1,051.7

116.6%

Gross Profit

108.5

192.1

77.0%

Operating Profit

20.9

42.4

102.6%

Recurring Profit

17.7

35.6

100.7%

EBITDA

31.8

58.1

82.9%

ASP(KRW in k)

190.4

220.1

15.6%

Financial Ratios

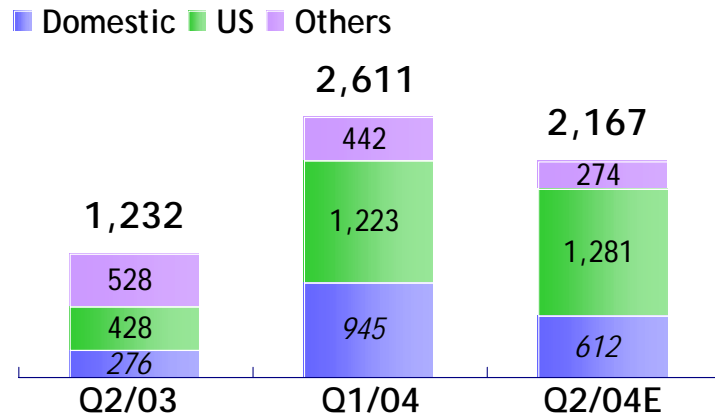
(KRW in billions, %)

	Q2/03	Q1/04	Q2/04E	H1/03	H1/04E
GP margin	19.1	18.2	18.4	22.4	18.3
OP margin	0.9	4.7	3.2	4.3	4.0
RP margin	3.2	3.1	3.7	3.7	3.4
Interest coverage (x)	1.3	14.0	10.5	9.6	12.5
D/E ratio	218.0	174.9	153.7	218.0	153.7
ROE*	15.0	23.0	23.1	19.6	23.4
EPS* (KRW)	183	429	447	233	438

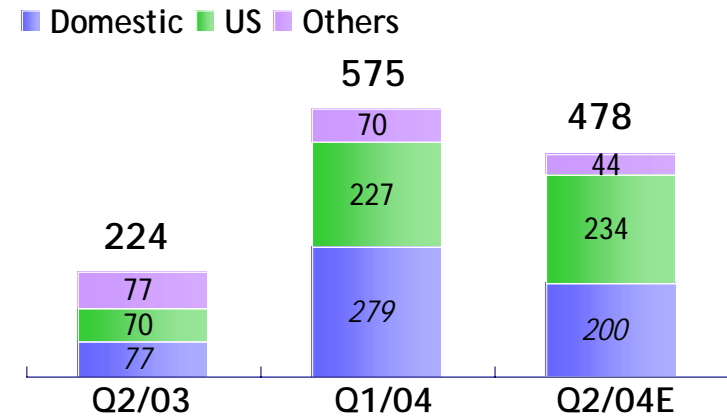
* ROE and EPS figures above are annualized. (H1 figures times 2, Quarter figures times 4)

Q2/FY04 Sales

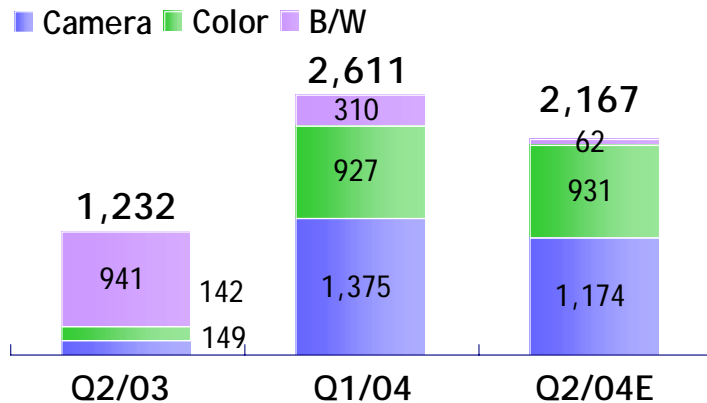
Unit Sales (k's)



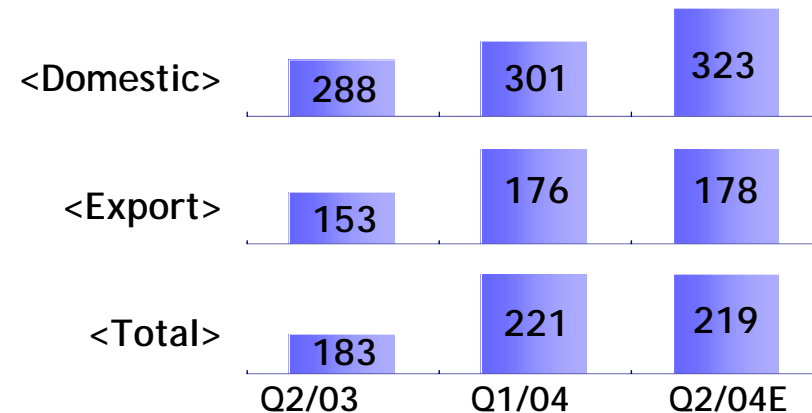
Revenue (bil. KRW)



Unit Sales by Products (k's)



ASP (thousand KRW)



Q2/FY04 Ups

+

Started supplying handsets to Sprint PCS

- Up to the first half this year: 250k units shipped to Sprint PCS
- First mega-pixel camera phone in US supplied by Curitel to Sprint PCS (Initial shipments from June)

+

Strengthened business relations with Curitel's #1 customer "Verizon"

- Best-ever semiannual performance: Supplied over one million units

+

Walked away from Audiovox deal & Currently setting up own sales channel in US

- Positive effects on Curitel's long-term outlook offsetting short-term risk

+

Domestic model "Di-ca phone" expected to be a big hit

- June sales close to 50k

+

Most-ever semiannual revenue: 1,052 billion KRW

+

Growth in US market for 5 consecutive quarters (Unit base)

- Average QoQ growth: 42.1%
✓ 250k(1Q03) → 428k(2Q03) → 673k(3Q03) → 1,146k(4Q03) → 1,223k(1Q04) → 1,281k(2Q04E)

Q2/FY04 Downs



Disappointing performance in such markets as India and China

Delays in product launching


- Decrease in sales and profits due to delays in Market- & Tech-leading products



Profitability in domestic business worsened

- Domestic business down due to fierce competition and suspension on domestic carriers

“Not-looking-good” COGS structure

- GP margin (Q2) of 18.4%: Much worse than expected
- 

[Q2/03 ~ Q1/04]

VS.

[Q3/03 ~ Q2/04]

TTM Performance

(KRW in billions)	[2003.4.1 ~ 2004.3.31]	[2003.7.1 ~ 2004.6.30]	Growth (%)
Revenue	1,699.9	1,952.1	14.8%
Operating Profit	78.9	92.3	17.0%
Recurring Profit	51.6	62.3	20.6%
EBITDA	91.1	105.8	16.1%
Interest Coverage(x)	11.0	13.1	-
ASP(KRW in k)	205	214	4.3%
OP margin(%)	4.6%	4.7%	-
ROE(%)	24.2%	29.3%	-
D/E ratio(%)	174.9%	153.7%	-
EPS(KRW)	393	485	23.4%

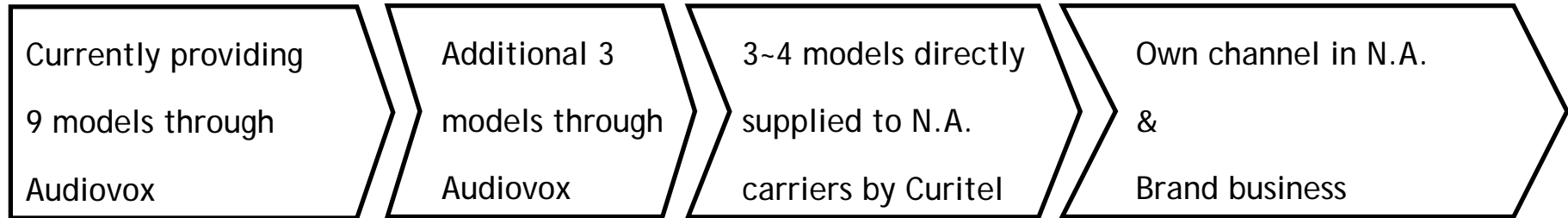
Remarks on TTM performance

- Growth trend sustained & Profitability improved
 - ✓ Revenue 1,952 bil. KRW: 14.8% up from the previous TTM revenue (1,670 bil. KRW)
 - ✓ EBITDA 106 bil. KRW: 16.1% growth
 - ✓ OP increased by 17%
 - ✓ OP margin improved: 4.6% → 4.7%
- Brand equity improved & Stability strengthened
 - ✓ ASP 214k KRW: Increase in Sales price due to better brand recognition
 - ✓ Improvements in such stability ratios as D/E and Interest coverage ratio
- Corporate value up
 - ✓ EPS 485 KRW: 23.4% up
 - ✓ ROE: 24.2% → 29.3%

Outlook for H2/FY04

Sales Channel in N.A. market

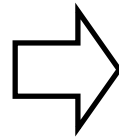
- Business plan



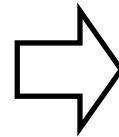
- Infra set-up



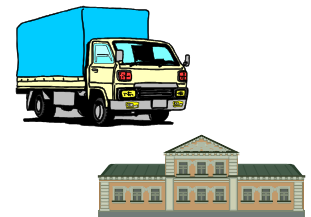
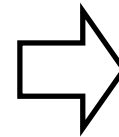
Recruiting in process
(mostly local employees)



Integration of Irvine
& San Jose offices



H/Q office to be
incorporated in L.A.



Operation of logistics
and A/S centers

H2/FY04 Forecast

H/FY04 Outlook

Domestic

- Market shrinks mainly due to suspension penalty
- Main targets: High-featured & High-priced phones

North America

- Increase in sales of mega-pixel phones
- New camera phone models to Verizon, Virgin Mobile

Asia

- Main targets in India: Reliance, TATA
- Strategic models to Israel and Thailand

Others

- New models (camera, sliding) for CDMA450 (Russia, etc)
- Focus on more shipments

Products Ahead

- High pixel camera phones (2M, 3M)
- MP3, EV-DO(VOD/MOD), Exterior memory, etc
- Design differentiation: Clam-shell, Sliding, Candy bar, Swivel, Lighting, etc
- Diverse features: Game, TV, Push-To-Talk, Outdoor style, etc