

Pantech&Curitel

2Q05 Earnings Release

2005. 7. 27 (Wed.)

Forward-Looking Statements

This document contains forward-looking statements about the company, including descriptions of plans or objectives of its management for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors, many of which are beyond the company's control, could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. Therefore, forward-looking statements speak only as of the date they are made. The company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events.

Content Overview

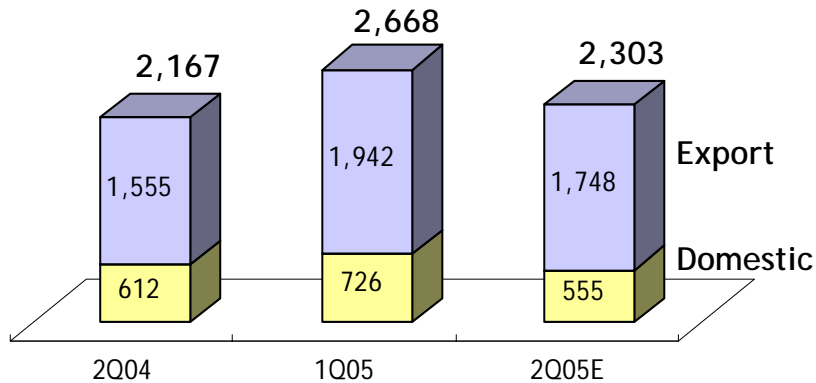
I. 2Q05 Earnings Results

II. 2H05 Outlook

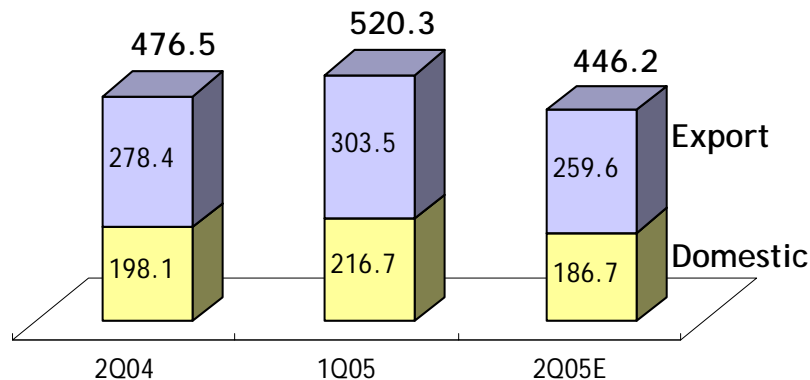
I. 2Q05 Earnings Results

2Q05 Sales Analysis (1)

Shipment (k)



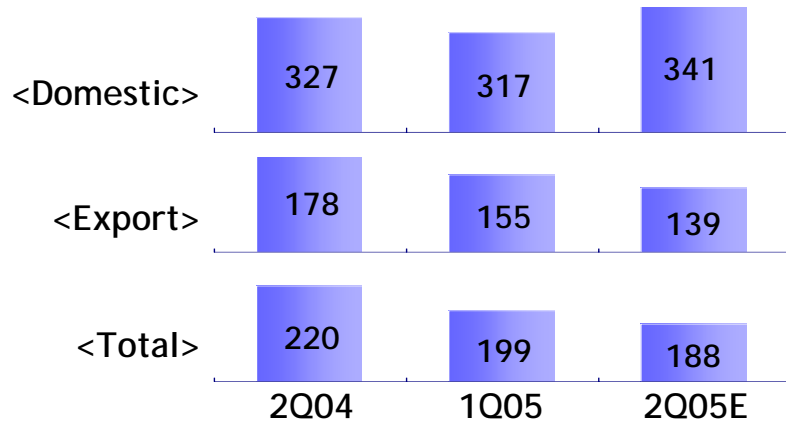
Revenue (KRW Bn)



- ❖ Shipment 2.3M, Revenue KRW 446Bn
- ❖ Export: Shipment 1.7M, Revenue KRW 260Bn
 - High inventory level in the US → Discretionary & intentional reduction of shipment
 - : Relatively weaker promotional activities compared to other competitors
 - : Promotion to be more active from 3Q05
 - EV-DO demand slower than expected (CDM-8940 model: 35% down QoQ)
 - Verizon's official handset vendor: Direct shipment from 3Q
 - Sales agreement with Indian TATA: Shipment from 3Q
- ❖ Domestic 0.6M, Revenue KRW 187Bn
 - Total market in 2Q = 3.2M (18% down QoQ)
 - Regulation risk → Sharp drop in the carriers' purchasing
 - Absence of demand-stimulator since MNP in 1Q
 - Maintained 17% M/S (SK Teletech excluded)
 - : M/S down from the 1Q's 18% due to the competitors' strong & aggressive marketing programs
 - Establishment of direct channel → Channel sales ↑

2Q05 Sales Analysis (2)

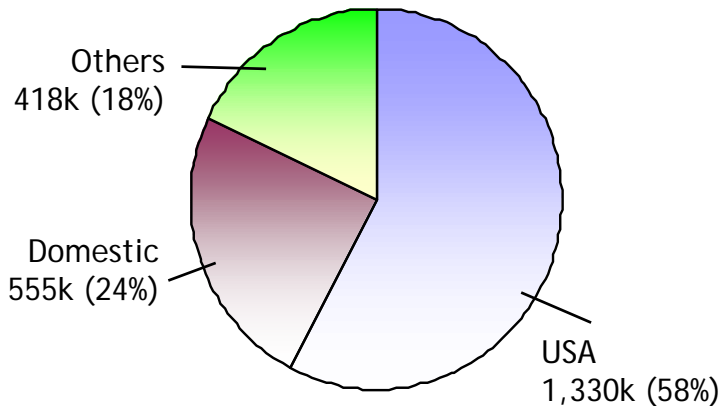
ASP (KRW k)



Shipment (k)

	2Q04	1Q05	2Q05E	1H05E
CDMA	2,092	2,647	2,243	4,890
Domestic	612	726	555	1,281
the Americas	1,397	1,800	1,551	3,351
Others	83	121	137	258
GSM	35	2	16	18
CDMA450	26	18	24	42
WLL	14	2	20	21
Total	2,167	2,668	2,303	4,970

Major segments



• ASP

- ✓ Domestic ASP
 - ⇒ Major demand for low-end in 1Q due to MNP
 - Healthy model mix toward mid/high-end in 2Q
 - ASP ↑ in 2Q
- ✓ Export ASP
 - ⇒ Most sales from the old running models → ASP ↓
 - ⇒ ASP expected to go up with the launch of new models (4 new models for 3Q)

* KRW Vs. US\$1: 2Q04(1,161.95), 1Q05(1,023.03), 2Q05E(1,009.78)

2Q P&L Summary

(KRW Bn, %)	2Q04	1Q05	2Q05E	1H05E
Revenue	476.5	520.3	446.2	966.5
Gross Profit	87.6(18.4%)	101.7(19.5%)	102.4(<u>22.9%</u>)	204.0(<u>21.1%</u>)
Operating Profit	15.5(3.3%)	16.5(3.2%)	11.8(<u>2.7%</u>)	28.4(<u>2.9%</u>)
Recurring Profit	18.2(3.8%)	7.0(1.3%)	-5.3(<u>-1.2%</u>)	1.7(<u>0.2%</u>)
Net Profit	16.0(3.4%)	9.2(1.8%)	1.5(<u>0.3%</u>)	10.7(<u>1.1%</u>)

- Improvement in gross margin
 - ✓ Bargaining power for components-sourcing ↑ → Cheaper procurement costs for raw materials
(Material costs as % of revenue: More than 250 basis points improved compared to 1Q)
 - ✓ Domestic gross margin improved due to better product mix and thus higher ASP
- Operating & Recurring P&L
 - ✓ Absolute amount of revenue ↓ → Heavier burden on the fixed overhead costs
 - ✓ KRW 8Bn up from 1Q in the expenses related to channel management
 - ✓ Sharp depreciation in KRW during June → Net loss incurred from currency hedging
⇒ KRW 18.9 depreciated against US dollars: KRW 1,005.50 (6. 1) → 1,024.40 (6. 30)

* FXN based on Opening price

2Q B/S Summary

(KRW Bn, %)	<u>FY04</u>	<u>1Q05</u>	<u>2Q05E</u>
Total Assets	810.1	860.2	946.2
Current Assets	501.3	547.9	621.5
(Cash & cash equiv.)	(73.8)	(43.5)	(134.1)
Fixed Assets	308.8	312.4	324.7
Total Liabilities	525.4	560.7	651.0
Current Liabilities	441.6	470.0	387.6
(ST Debt)	(153.9)	(185.5)	(130.7)
LT Liabilities	83.8	90.7	263.3
(LT Debt)	(19.1)	(18.6)	(6.0)
(Bonds)	(59.8)	(59.8)	(249.0)
Total SE	284.7	299.6	295.3
(Treasury Stock)	(-24.5)	(-24.4)	(-24.3)
Debt-to-Equity	184.5%	187.2%	220.5%
Financial Debt/Total Assets	29.0%	30.9%	41.0%

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2H05 Outlook

2H05 Outlook

Domestic Biz.

- Surfing on the 2nd Wave of DMB in Korea: First model on July (3~4 more to come out)
- Margin target: Break-even OR slight profits
- Shipment expected to be down from 1H
- Maximization of sales of profit-contributing models
- Optimal brand positioning between "SKY" and "Curitel" → Per-model profitability ↑

Export Biz.

- North America
 - Improvement in product mix toward small-to-medium carriers (i.e. Virgin Mobile, Metro PCS, AllTel)
 - Maximization of direct shipments to the carriers
 - More active on co-promotion with the carriers (i.e. "Back To School", "Buy-one-Get-One Free")
 - 2nd EV-DO model for mass volume (Low-tier EV-DO model)
- Other regions
 - Strengthened marketing/sales toward Indian carriers (TATA, Reliance)
 - Shipment to Brazil market initiated from 3Q or 4Q
 - Sales agreement with the European carriers (two or three) for UMTS handsets (However, not a huge volume; Real volume coming from 2006)
 - Entry into a "NEW" market: Very meaningful & promising

SK Teletech (“SKTT”)

Transaction Summary

- ❖ Total injection of KRW 292.4Bn (KRW 8Bn discounted from the original price of KRW 300Bn)
- ❖ 60% ownership with 4,542,000 shares
- ❖ Process: BOD meeting (5. 3) → Share purchase agreement (5. 6) → Approval on the transaction by Korean government (6. 23) → Official deal closing (7. 12)

Future Plan

- ❖ Integrated procurement among P, P&C, and SKTT → Efficiencies in components-sourcing ↑
- ❖ SKTT to focus on CDMA and UMTS
- ❖ “SKY” brand’s entry into KTF and LGT
- ❖ Dual-brand strategy: “SKY” positioned at premium while “Curitel” at mid-to-low
- ❖ Export brand, “Pantech”
- ❖ Current production scheme with SKC to stay for a while
- ❖ Partial & functional integration
- ❖ SK Mobile in China: Co-management through strategic partnership with SKT

Thank You!!!

Pantech&Curitel IR Team

- Tel: 82-2-3774-8228
- Fax: 82-2-3774-8362
- e-mail: bse21@curitel.com
- <http://www.curitel.com>