

# **Curitel Communications Q3/FY04 Earnings**

**2004. 10. 25**

# 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.

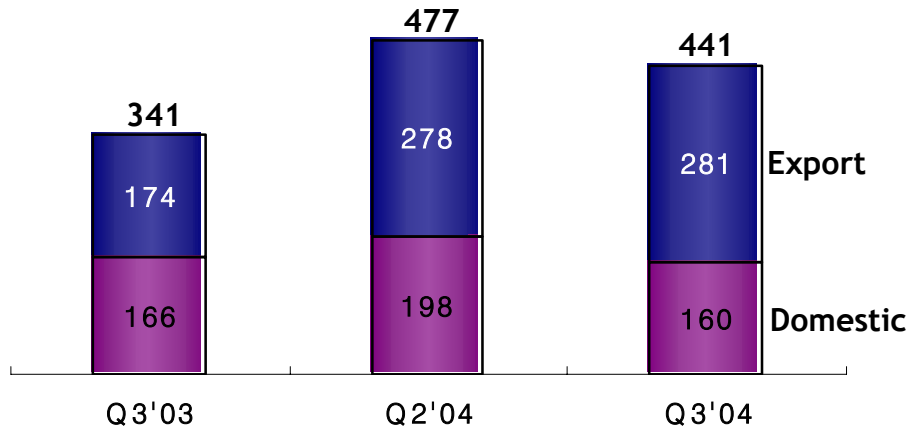
# Content Overview

- Q3 Earnings Summary
- Q4 Outlook

# **Q3 Earnings Summary**

# Q3 Sales Performance

## Revenue (Bn KRW)

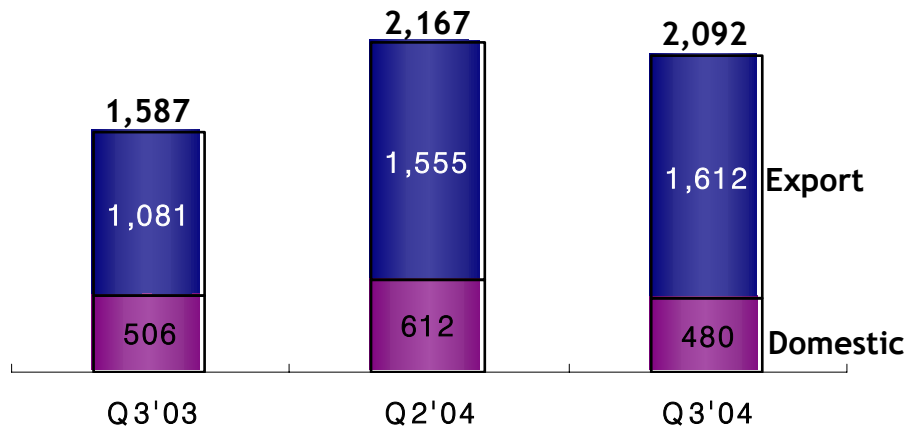


### ❖ vs. Q3/03 (YoY)

#### • Revenue 29.4% ↑, Shipments 31.8% ↑

- ✓ Export: Revenue 61.3% ↑, Shipments 49.1% ↑  
⇒ More Shipments to each N.A. Carrier thanks to Better "Product Mix" & # Models Increased  
⇒ Color/Camera Phones ↑, Monochrome phones ↓
- ✓ Domestic: Revenue 4.0% ↓, Shipments 5.2% ↓

## Shipments (k)



### ❖ vs. Q2/04 (QoQ)

#### • Revenue 7.5% ↓, Shipments 3.5% ↓

- ✓ Export: Revenue 1.0% ↑, Shipments 3.7% ↑  
⇒ New Products Launched to N.A. Carriers (Verizon, etc)
- ✓ Domestic: Revenue 19.4% ↓, Shipments 21.6% ↓  
⇒ Suspension on Domestic Carriers: Effective all through Q3  
⇒ Total Domestic Market down by more than 20%

# Q3 Sales Analysis

- **Stable Revenue Growth in N.A.**

- ✓ Shipments 92.7% ↑ (YoY), 2.2% ↑ (QoQ) despite Channel Inventory Increase and Diminished Replacement Demand (Revenue 99.6% ↑ (YoY), 0.4% ↑ (QoQ))
- ✓ New Shipments of Mid-tier Camera Phones (330K) to such N.A. Carriers as Verizon, Virgin Mobile, and Bell Mobility

- **Poor Performance in Other Areas than N.A.**

- ✓ Suspension on Domestic Carriers
- ✓ Under-performance in CDMA450 & GSM

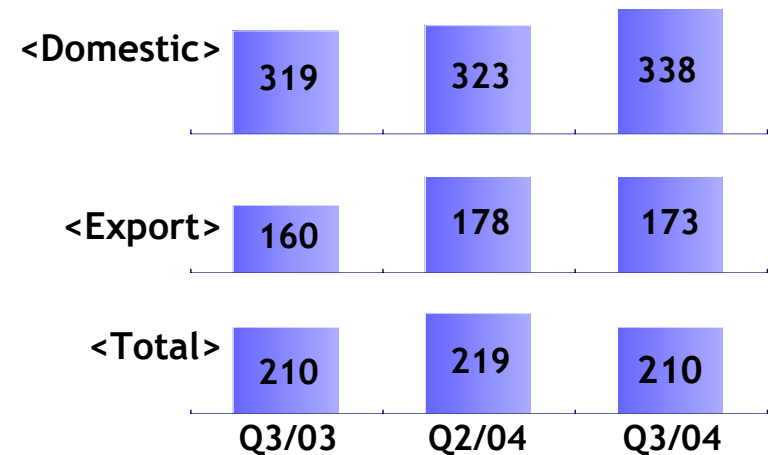
- **Slight Decrease in ASP due to Domestic Shipments ↓**

- ✓ Domestic: More High-tier Phones on the Market (323K → 338K)
- ✓ Export: 178K → 173K
  - ⇒ Price Discount on the Old Models
  - ⇒ Mid-tier Camera Phones (330K) Penetrating on Mass Market

Shipments (k)

	Q3/03	Q2/04	Q3/04
CDMA	1,401	2,092	2,034
Domestic	506	612	480
N.A.	741	1,397	1,428
GSM	79	35	19
CDMA450	60	26	14
WLL	47	14	24
Total	1,587	2,167	2,091

ASP (k KRW)



# Q3 P/L Summary

(Unit: Bn KRW, %)	Q3'03	Q2'04	Q3'04E	YoY	QoQ
Sales	341	477	441	29.4%	-7.5%
GP	73(21.4%)	88(18.4%)	87(19.8%)	19.7%	-0.6%
OP	15(4.3%)	16(3.3%)	10(2.2%)	-34.7%	-37.8%
RP	10(2.9%)	18(3.8%)	3(0.7%)	-70.4%	-83.7%
NP	13(3.8%)	16(3.4%)	9(1.9%)	-34.9%	-46.7%

- **GP Margin: 140 Basis Points Up from the Previous Quarter**
  - GP Margin Improved thank to Sales Increase in Camera Phones in Export Market
- **OP Margin: 110 Basis Points Down from the Previous Quarter**
  - Poor Performance in Most Areas except for N.A.
  - Quite a large Increase in Marketing & R&D-related Expenses (Mostly for Domestic Market)
    - ⇒ Marketing Expenses 24 Bn KRW, compared to H1 total of 26 Bn
    - ⇒ R&D-related expenses 13 Bn KRW, compared to H1 total of 18 Bn
- **Non-Operating Expenses: Intangible Write-downs 10 Bn KRW (Q2 figure = 4 Bn)**

# Q3 BS Summary

(Unit: Bn KRW, %)	<u>Q2'04</u>	<u>Q3'04</u>	<u>QoQ</u>
<b>Total Assets</b>	741	754	1.7%
<b>Current Assets</b>	544	538	-1.1%
(Cash & cash equiv.)	(120)	(125)	3.8%
<b>Fixed Assets</b>	197	216	9.5%
<b>Total Liabilities</b>	450	466	3.5%
<b>Current Liabilities</b>	410	375	-8.5%
(ST Debt)	(125)	(134)	7.4%
(Current portion ~)	(2)	(2)	53.9%
<b>Fixed Liabilities</b>	40	91	126.0%
(LT Debt)	(25)	(24)	-3.2%
(Bonds)	(10)	(60)	499.4%
<b>Total SE</b>	291	288	-1.1%
(Treasury Stock)	(-13)	(-23)	74.7%
<b>Debt/Equity Ratio</b>	154.6%	161.7%	+710BP



# Q4 Outlook

# Outlook on Q4

## Q4 Market

- **Q4 Seasonality Effect Milder than Previous Years**
  - ✓ Total Handset Market up by 10 ~ 13% from Q3 ('03: 17%, '02:24%)
  - ✓ "Too" Strong Replacement Demand in the First Half → Channel Inventory Issues & Diminished Demand for Handset Replacement in Europe & N.A.
- **Domestic Market to be Shrunk due to Conservative Purchasing by Domestic Carriers**
  - ✓ Strong Restrictions on Subsidies
  - ✓ Profit-oriented Purchasing by the Carriers
    - ⇒ SKT: VOD Phones, LGT: Mobile Banking Phones

## Q4 Curitel

- **N.A. Market: "Looking Goo~~~d"**
  - ✓ Shipments 30 ~ 40% ↑ (QoQ): Over 2M Shipments (ex. Q4/03: over 100% ↑ (QoQ))
  - ✓ Bulky Shipments of Mid-tier Camera Phones (330K) to Verizon, Virgin Mobile, Bell Mobility, etc
  - ✓ More Demand for Low-tier Color Phones in N.A. & Latin America
- **Strategic Fit to Domestic Carriers' Purchasing Policy (High-featured, Differentiated Design, High-priced)**
  - ✓ P1(Single type, 2M CCD), PH-S3500(3D Game), PH-K1000V(3M, TV): Newly Launched from Sept.
  - ✓ EV-DO Products (PH-S5000V, PH-S3000V): To be on the market from Oct.
  - ✓ Curitel's Own Distribution Channel in Domestic Market from Q4 → Sales Expansion

# Three “Amigos” for Better Q4/04

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## 3 Mega TV Phone

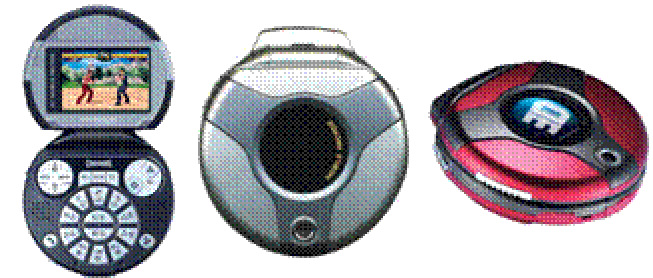
Specifications	
Availability	September, 2004 (SK Telecom, KTF)
MSM chip	MSM 5500
Display	262k TFT LCD
Camera	3.1 Mega CMOS
MP3	Yes
Others	Portable TV, VOD, MOD, Radio, Mechanical Shutter



2

## 3 D Game Phone

Specifications	
Availability	September, 2004 (SK Telecom)
MSM chip	MSM 6100
Display	262k TFT LCD
Camera	350k CMOS
MP3	Yes
Others	3D Graphic Card, 3D Surround VOD, Game-oriented Keypad



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## 2 Mega “Dica” Phone

Specifications	
Availability	September, 2004 (SK Telecom)
MSM chip	MSM 6100
Display	1.9” 260k QVGA LCD
Camera	2.1 Mega CCD
MP3	Yes
Others	Mini SD Card, 3D Surround, VOD M-Commerce, TTS (Text To Speech)



# Current Affairs!!!

## Audiovox

- Currently Selling 7 Models (1.43M units on Q3) through ACC
- 3 ~ 4 More Models through ACC (Till late 2005 or early 2006)
- First Model directly Supplied to US Carriers: H1/05
- HR issues: Key Staff already in Place

## WCDMA

- First WCDMA Phones to be out in Europe around Q3/05
- In Talks with 4 major European Carriers & 2 Handset Makers

## DHI

- Out of the Picture (the other two companies finally chosen)

## Share Buyback

- Share Buyback Up-to-date → 12,150k (8.1% of Total Shares)
- 850k Shares Left

\* DHI: Daewoo Heavy Industries & Machinery