

Pantech

Earning Release Q2 2004

26 July 2004

The financial results for 2Q of 2004 have been prepared on an un-audited basis, and may be subject to change during the independent auditing process.

Furthermore, forward-looking statements in this documents are subject to known and unknown risks and uncertainties that may cause actual results to differ from those stated or implied by such statements.

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Attached: Balance Sheet Summary

Q2/FY2004 Overview

● Margin Improved Despite its Sales Decrease

- Sales Revenue KRW 215 Bn: CDMA 147 Bn, GSM 58 Bn, Others 10 Bn
- Unit Sales 2,024K units: CDMA 1,705K units, GSM 319K units
- Operating Margin 6.7%: YoY 426.5%↑, QoQ 21.8%↑

● Steady Improvement of Brand Sales

- Sales Increase mainly in Russia and Latin America
- Brand Sales Growth Boost Margin Improvement

● Motorola Sales Increase

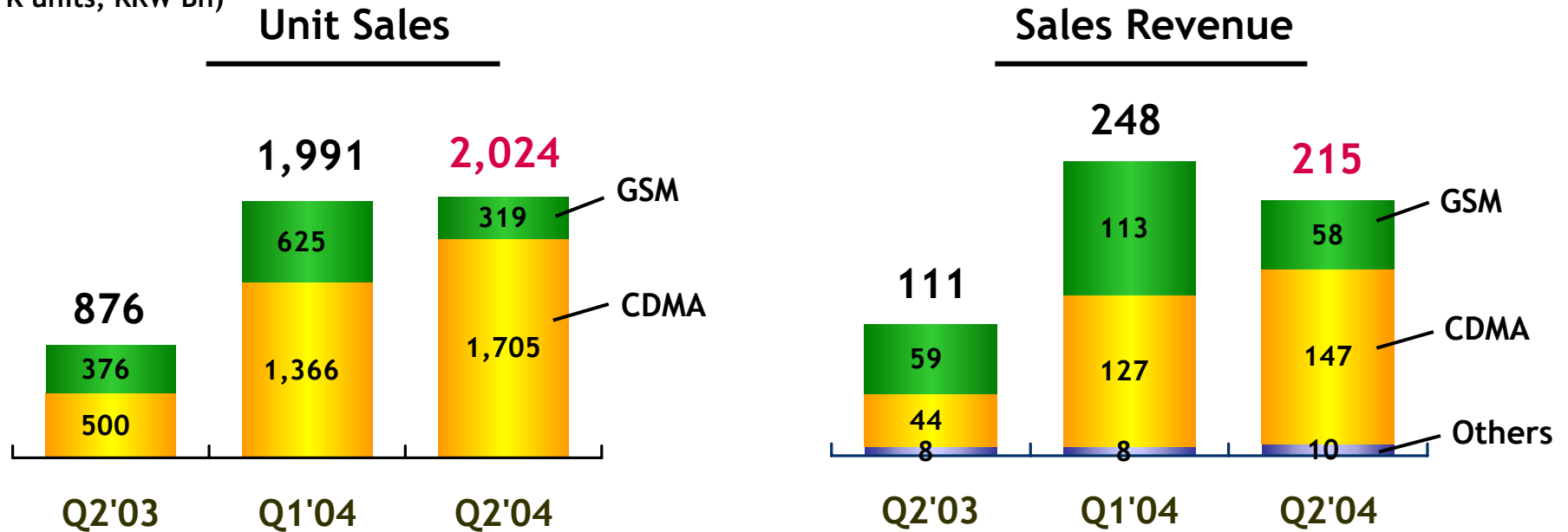
- Strong Sales of “Jupiter”, a Hit Model, thanks to Aggressive Marketing of the Service Provider & Product Competitiveness

● Minimize the Chinese Market Risk

- Focus on Profitability Rather than Unit Sales

Sales Performance - Quarterly Comparison

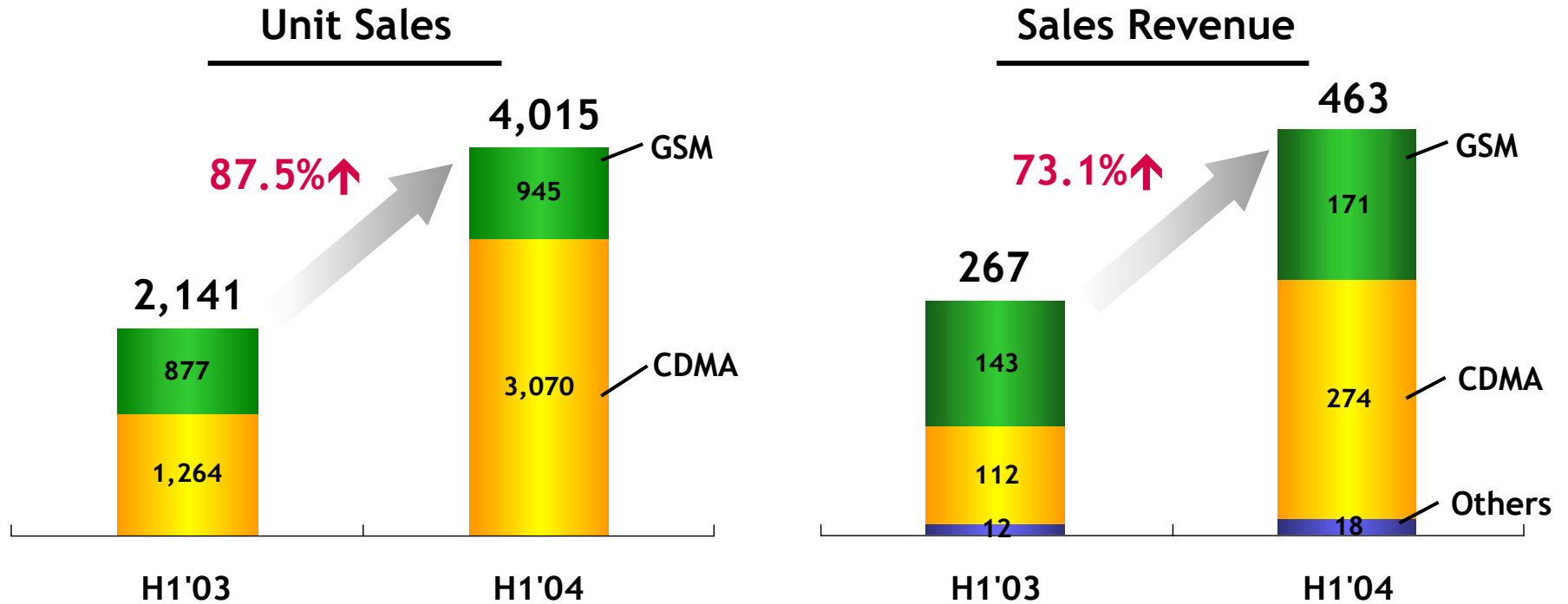
(Unit: K units, KRW Bn)



- Unit Sales 2,024K units: YoY 131.1%↑, QoQ 1.7%↑
- Sales Revenue KRW 215 Bn: YoY 94.4%↑, QoQ 13.3%↓
 - CDMA Sales Improved due to More Than 1.4Million Unit Shipment to Motorola
 - Chinese Sales Decreased: 1Q'04 - 535K → 2Q'04 - 251K
 - Brand Sales Steadily Increased: 4Q'03 - 47K → 1Q'04 - 124K → 2Q'04 - 161K

Sales Performance - 1st Half Comparison

(Unit: K units, KRW Bn)

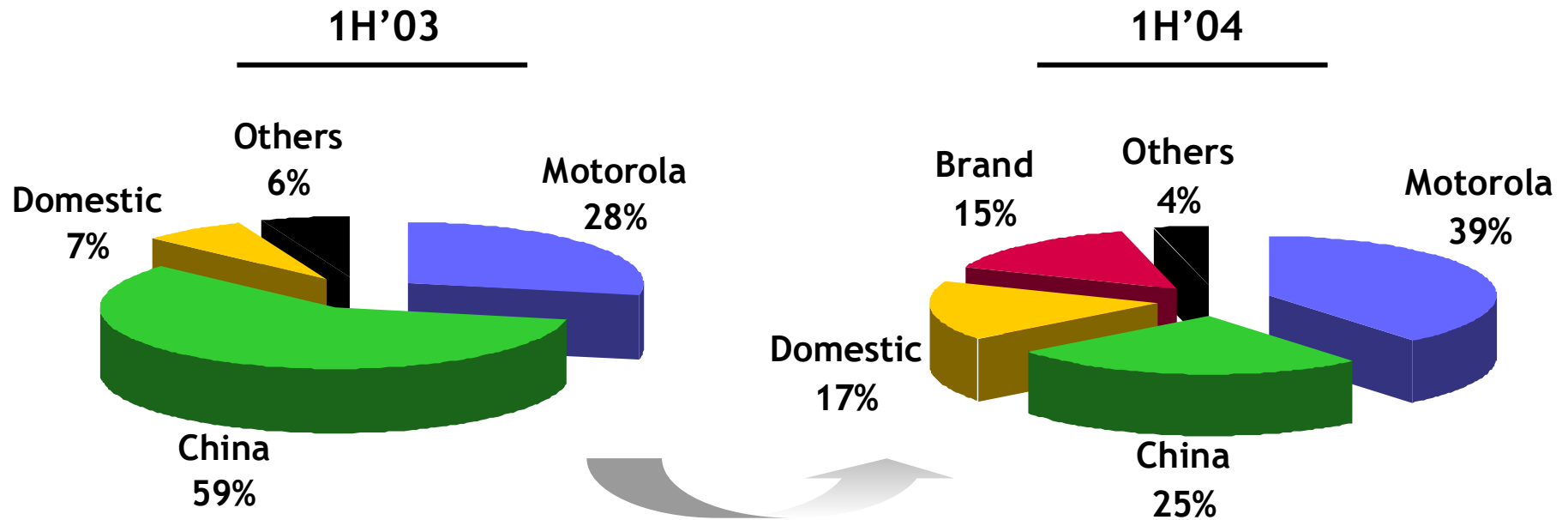


- **Unit Sales 87.5% ↑, Sales Revenue 73.1% ↑**

- CDMA Sales 144.2%↑: Strong Sales to Motorola & Hit Model Launch to Domestic Market
- GSM Sales 19.4%↑: Brand Sales Increased Despite of Sales Decrease in Chinese Market

Sales Performance - Market Mix

(Based on Sales Revenue)



- **Brand Sales Increased through Successful Brand Launch**
 - Product Competitiveness Led Brand Sales Growth within a Short Time.
 - Sales Structure Improved by Market Diversification.

Income Statement - Quarterly Comparison

(Unit: KRW Bn , %)	Q2'03	Q1'04	Q2'04	YoY	QoQ
Sales	110.5	247.8	214.9	94.4%	-13.3%
Gross Profit	16.0(14.4%)	32.9(13.3%)	36.5(17.0%)	129.0%	11.0%
Operating Profit	2.7(2.5%)	11.9(4.8%)	14.5(6.7%)	426.5%	21.8%
Recurring Profit	-2.8(-2.5%)	5.0(2.0%)	6.4(3.0%)	NA	29.3%
Net Profit	-1.4(-1.3%)	4.8(1.9%)	5.8(2.7%)	NA	20.1%

- Operating Profit KRW 14.5 Bn, YoY 426.5%↑, QoQ 21.8%↑
- Brand Sales Contributed to Margin Growth

Income Statement - 1st Half Comparison

(Unit: KRW Bn , %)	<u>H1'03</u>	<u>H1'04</u>	<u>YoY</u>
Sales	267.3	462.7	73.1%
Gross Profit	41.5(16%)	69.5(15%)	67.2%
Operating Profit	11.9(4.5%)	26.3(5.7%)	120.5%
Recurring Profit	2.7(1.0%)	11.4(2.5%)	326.2%
Net Profit	2.6(1.0%)	10.6(2.3%)	307.6%

Q3/FY04 Outlook

- **Active Growth in Brand Business**

- Expect Shipment Growth of New Models Launched Since Q2
- Expand Regional Market by Active Promotion Activity Focusing H2 Demand Growth

- **Launch Differentiated New Products & Growth in the Sales of New Models**

- Intenna Phone, Finger-print Phone, Sliding Phone, Advanced Camera Phone, etc.

- **Improve the Business Model for Chinese Market**

Attached. Balance Sheet Summary

(Unit: KRW Bn , %)

	Q1/04	Q2/04	Net Chg.
Assets	457.3	475.0	3.9% ▲
Current	264.4	271.2	2.6% ▲
Fixed	192.9	203.9	5.7% ▲
Liabilities	330.4	340.0	2.9% ▲
Current	240.8	258.4	7.3% ▲
Long-term	89.7	81.6	9.0% ▼
SE	126.9	135.1	6.4% ▲
Paid-in	12.4	12.5	0.8% ▲
D/E Ratio*	150.2%	133.1%	- 17%P
ROE*	15.54%*	16.56%*	+ 1.01%P

* D/E Ratio = Interest Bearing Debt / Shareholders Equity x 100

* ROE is annualized. (H1 figures times 2, Quarter figures times 4)