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# Earnings Release Q2 2006

August 1, 2006

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The financial results for 2<sup>nd</sup> quarter of 2006 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 document are subject to known and unknown risks and uncertainties that may cause actual results to differ from those stated or implied by such statements.

## I. Q2 2006 Earnings Highlights

- Sales & Profit
- Domestic vs. Exports
- Balance Sheet

## II. Outlook

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# I. Q2 2006 Earnings Highlights

Sales & Profit

Sales 282.4 b. KRW, Shipments 1,704 K units

Domestic: Subsidy effect overpowered by Gov. monitoring affected high-end sales.

Exports: Sales down largely by channel inventory build-up in CIS and price competition.

## Quarter-to-Quarter

(b.KRW, K unit, %)

	Q2.06	Q1.06	Q2.05 (Note 1)	QoQ	YoY
Sales	282.4	387.6	338.9	-27%	-17%
Shipments	1,704	2,382	1,758	-28%	-3%
Operating Profit	- 14.8 (-5.2%)	17.6 (4.5%)		NA	
Net Profit	- 16.2 (-5.7%)	6.2 (1.6%)		NA	

## Half year-to Half year

(b.KRW, K unit, %)

	1H.06	1H.05 (Note 1)	YoY
Sales	670.0	658.8	2%
Shipments	4,086	3,523	16%
Operating Profit	2.8 (0.4%)		
Net Profit	- 10.0 (-1.5%)		

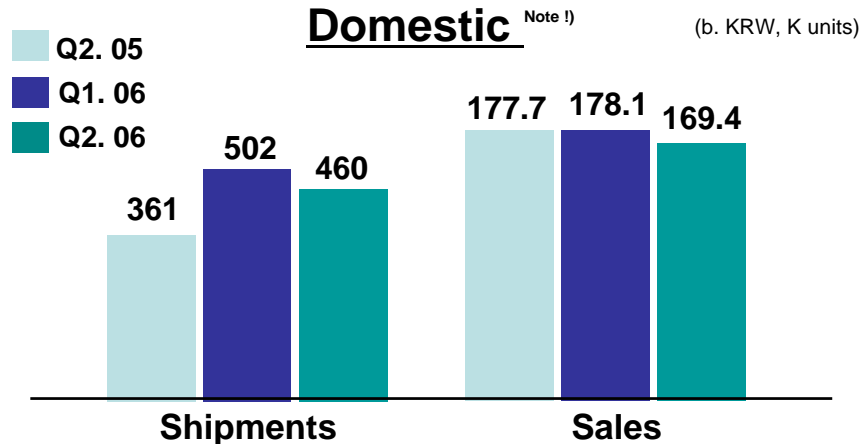
Note1) These represent a sum of Pantech and SKYTT in Q2 and 1H of the pre-merger period in 2005.  
The figures were unaudited and provided for your reference only.

# I. Q2 2006 Earnings Highlights

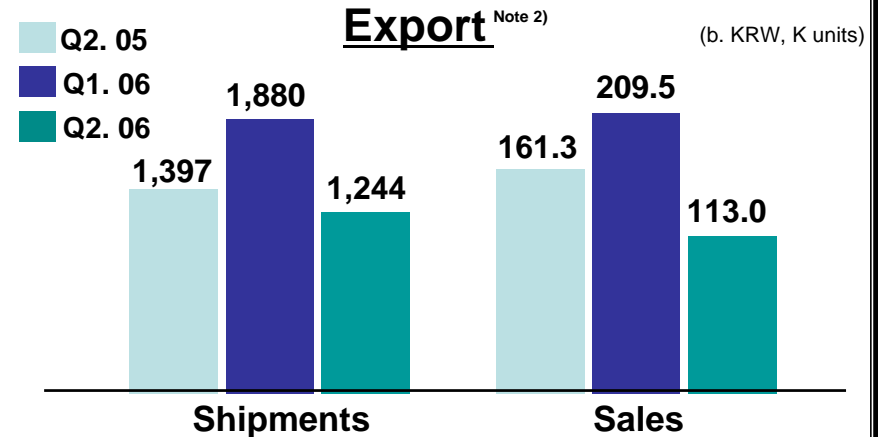
Domestic vs. Export

**Domestic:** Shipments 460K, Sales 169.4 b. KRW (962K, 347.6 b. KRW in 1H 06)

**Export:** Shipments 1,244K, Sales 113.0 b. KRW (3,124K, 322.4 b. KRW in 1H 06)



- YoY Sales 5%↓, Shipment 27%↑
- Weaker performance resulted from carriers' passive marketing responsive to Gov. monitoring
- Further expansion into PCS businesses (KTF and LGT) w/ strategic models



- YoY Sales 30%↓, Shipment 11%↓
- Russia & S.E. Asia: Channel inventory reduced by the quarter end.
- LATAM: Sales slightly decreased due to seasonality.
- N. America: C300 launch into Cingular to continue thru. 3Q.

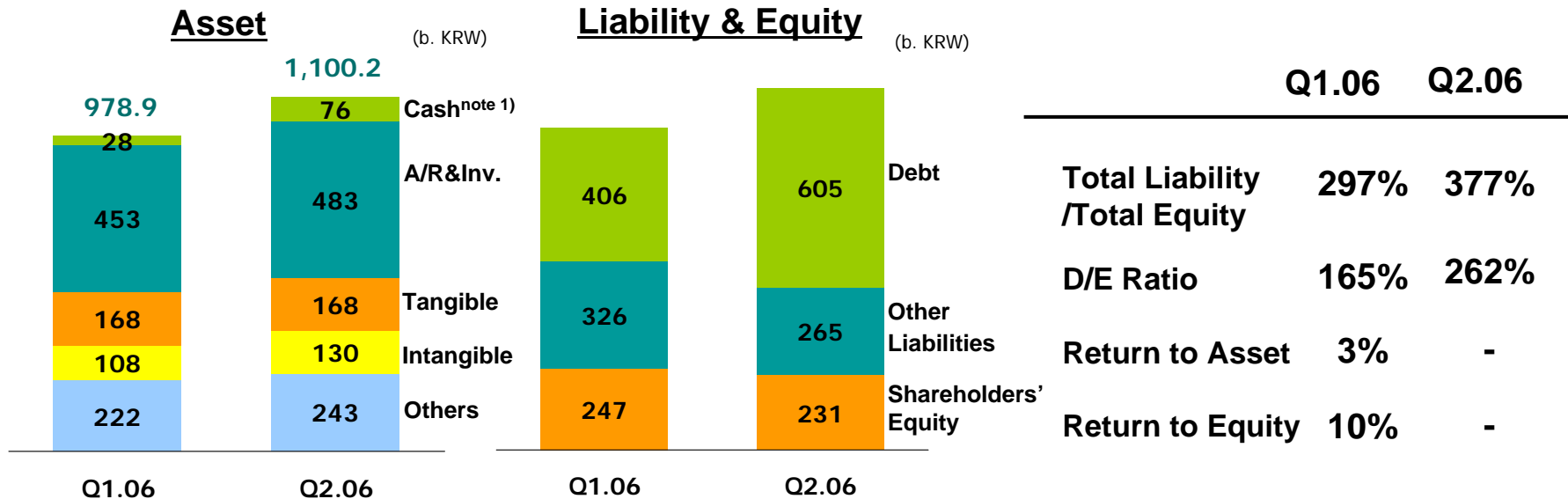
Note1) Figures representing Q2'05 are un-audited estimation of Pantech's domestic ODM sales and SKYTT's domestic sales.

Note2) Figures representing Q2'05 are estimated data for Pantech's Q2'05 export sales. They are un-audited and provided for as a reference.

# I. Q2 2006 Earnings Review

B/S

Asset and liability increased by 121 bill KRW, 137 bill KRW, respectively since Q1.



## Improvement Plan for Capital Structure for 2H '06

- To reduce interest-bearing debt by approx. 100 b. KRW .
  - Capital surplus expected from improved cash flow from operation.
  - Improvement in asset turnover.
  - Minimizing capex throughout the 2<sup>nd</sup> half.
  - Sale of fixed and non-performing assets.

Note 1) Cash = Cash & Cash Equivalents + Short-term financial investments

## II. Outlook for the 2<sup>nd</sup> Half

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SKY new lineups and N. America expansion to shape up Q3 sales momentum.  
Integrated operating system to begin to contribute to profitability from Q3.

### Market Trends

- Competing domestic subsidy in rise and MNP competition more intensified
- 3G expansion around the globe
- Seasonality-led demand to peak in 2H.
- Design & price to become major selling points in the market.

### Business Outlook

- **Domestic**
  - More competitive SKY lineups in the pipeline
  - Introduce tech-driven products like HSDPA to lead the market trend.
  - Capitalize PCS businesses.
- **Export**
  - Enhance N. America operation and deliver market-driven diverse models.
  - Reinforce presence in LATAM and expand into new market in the region.
- **Management Focus**
  - Streamline operational structure.
  - Elevate competing edge thru. integrated operating system.
  - Increase overseas outsourced production.
  - Maximize productivity. (sales in units/model)