

What's  
Samsung Digital... it to you?

Samsung Digital...

Advanced **technology**  
creating a more  
**advanced** world.



What's  
Samsung Digital... it to us?



Leading the industry into the  
**digital Age.**

Samsung's success, enables us to rapidly respond to global competition with advanced technology and quality products that will bring us closer to consumers everywhere. And lead the industry into the digital age.

# Helping people digitally **improve** their lives.

More than simply a purveyor of products, Samsung has a new vision of meeting the needs of the digital age through the creation of intellectual property, value, and life-styles. By tapping our full creative potential, we seek to improve the quality of life for consumers around the world.



## FINANCIAL HIGHLIGHTS

Billions of Korean Won

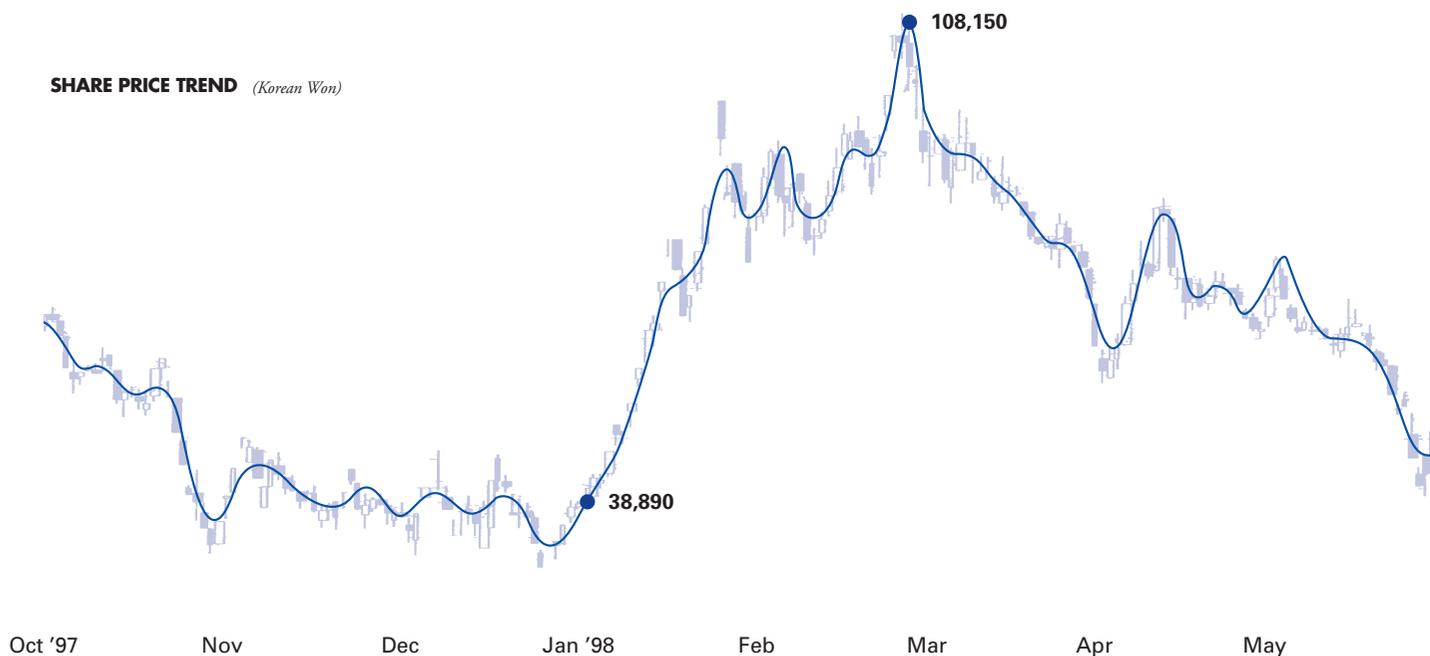
Millions of US Dollar

For the years ended December 31, 1998 and 1997

	1998	1997	1998	1997
Sales	20,084	18,465	16,640	15,299
Gross profit	6,108	5,764	5,061	4,776
Operating profit	3,100	2,856	2,568	2,366
Net Income	313	124	260	102
EBITDA	4,778	3,812	3,959	3,158
CAPEX (Capital Expenditure)	1,646	2,543	1,363	2,107
EBITDA - CAPEX	3,133	1,269	2,596	1,051
Debt (Short Term + Long Term)	10,219	12,979	8,466	10,753
Equity	6,970	5,830	5,775	4,830
Debt to Equity	147%	223%		
Current Ratio	110%	132%		

- EBITDA means earnings before interest, tax, depreciation and amortization
- Current Ratio: Current assets/Current liabilities
- US\$ amounts calculated at US\$1=1,207 won

### SHARE PRICE TREND (Korean Won)

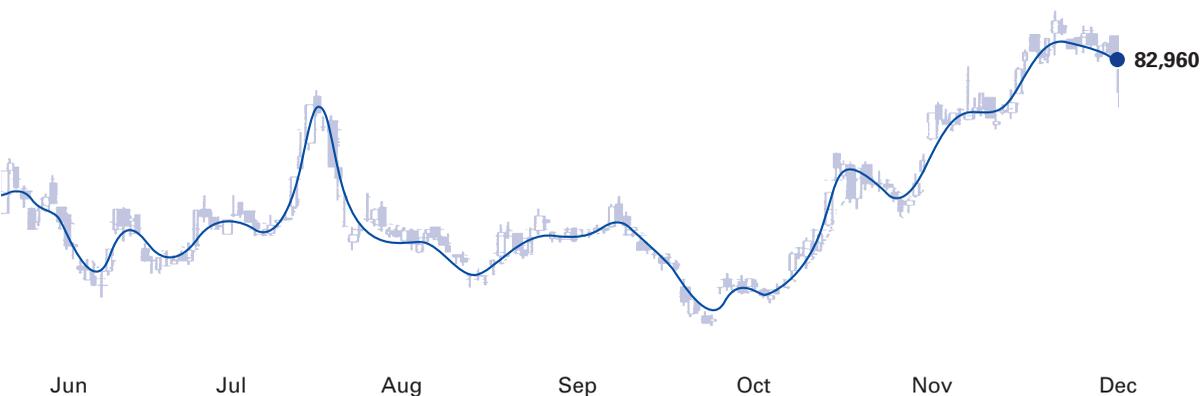


## TO OUR CUSTOMERS AND SHAREHOLDERS

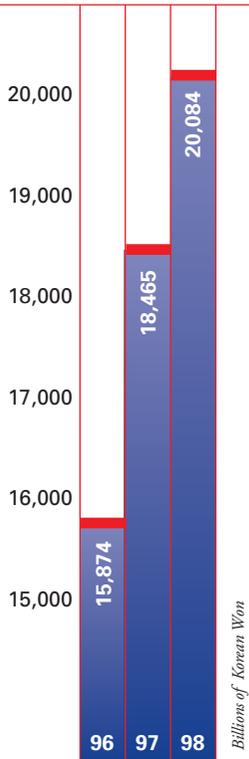
1998 was an extremely challenging year for Samsung Electronics and countless other companies in Korea and throughout Asia. It will be remembered as a year where companies unable to adapt to the rapidly-changing business environment and financial crisis either went bankrupt or faced serious difficulties. Through this period of upheaval, it has been the trust and support of our shareholders that has been our greatest source of strength in overcoming the challenges of the past year. Thank you for standing behind us! On that note, it is my pleasure to brief you on our 1998 business performance.

**Q** What is your analysis of the business conditions in 1998 and Samsung Electronics' performance during the year?

**A** In the wake of the IMF bailout, we faced the most difficult business conditions in our company history. Aside from the U.S. and parts of Europe, markets worldwide continue to remain stagnant. Countries in Southeast Asia, the CIS, and Latin America saw their economies and markets contract, sharply affecting the prof-



## SALES



itability of certain major product categories. Rapid restructuring and innovations in the way we do business combined with a 110 percent effort on the part of our entire workforce enabled us to survive and grow in the midst of this adversity. Taking a long-term growth perspective, we made every effort to strengthen our core capabilities in tomorrow's promising industries. Despite the stagnation of sales at home and abroad, Samsung's gross sales were up 8.8 percent from 1997, reaching 20 trillion won. After-tax profit was up 190 billion won to 310 billion won. An outstanding 158 percent year-on-year increase resulted from an increase in sales and across-the-board cost reductions. Annual dividends were at 12 percent, up two percent over 1997. As a result of these efforts and achievements, *Forbes Global Business & Finance* named us the world's premiere consumer goods and services company in January 1999, further enhancing our position as a global player.

**Q** What particular restructuring steps did Samsung Electronics take in 1998?

**A** Last year's restructuring strategy can be summed up with the expression "select and focus." In the area of business structure, we refocused our resources on core business fields, exiting several marginal businesses and selling off other operations that were able to stand on their own. In the area of personnel, we cut our domestic and

## 1998 TIMELINE



**Feb 7-22** Official wireless communications sponsor of the Nagano Olympic Winter Games. We provided some 13,000 mobile phones, high-

speed pagers, trunked radio system terminals, and free calls home for athletes. **Feb 20** Chonan TFT-LCD plant begins operations. Our third LCD production line in Korea mass produces 600mm x 720mm substrates, the world's first, and was completed six months ahead of schedule. **Mar 3** World's first sub-

100g PCS phone developed. We unveiled a 98g (68g without battery) digital PCS phone with innovative dialing features. **Mar 24** Samsung Austin



Semiconductor (SAS) begins operations. The first phase of our new US\$7 million Austin, Texas (U.S.) facility produces 13,000 8-inch wafers a month and 64Mb PC-100 SDRAM chips for the U.S. market. **Apr 15** World's first MPEG-2-based high-definition digital VCR developed. Capable of recording up to 270 minutes of HDTV-quality

international workforces by 26 and 33 percent, respectively, to realign our staffing levels with market realities. Finally, we moved away from our previous focus on external growth, making profitability, financial soundness, and cash flow our top priorities. This allowed us to slash inventories and debt, dispose of non-performing assets, and cut expenses, improving our financial structure and bottom line.

**Q** What results did the innovation initiatives launched in 1997 have in 1998?

**A** The greatest accomplishment of 1998 was the doubling of productivity throughout our production lines. As we worked to become a more responsive organization, breakthroughs resulted in more efficient processing procedures. We changed our operating cycle for production, sales, and inventory management from a monthly to weekly basis. In the area of personnel, we implemented a new decision-making and responsibility structure centered around the business presidents. This decentralization of power from headquarters to the divisions has strengthened divisional autonomy and decision-making speed, implanting an organizational culture that emphasizes simplicity, speed, and autonomy.

**“** *Forbes Global Business & Finance* named us the world’s premiere consumer goods and services company in January 1999, further enhancing our position as a global player. **”**



ity video, this VCR interfaces with TVs and set-top boxes via the high-speed IEEE 1394 interface. **Apr 30** World’s first 256Mb DRAM chips produced. Manufactured with 0.18-micron process technology and operating at 167MHz, an industry first, the chips are the same size as current 64Mb products. We now have a

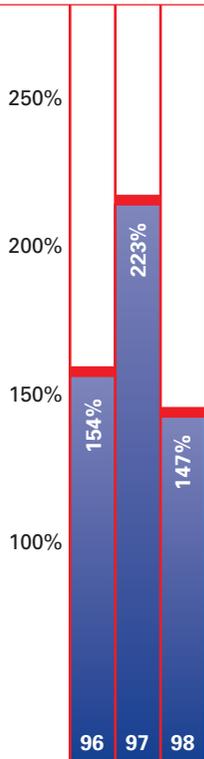
one-year lead over the competition in this chip category. **June 18** Alpha Processor Inc. established. This U.S. subsidiary will handle sales, marketing, and software development support for the 64-bit Alpha processor line, the world’s fastest. Strategic alliances with Compaq and Microsoft are also formed during the

year. **July 10** TFT-LCDs capture No. 1 global market share position. Our market share shot up 175% over 1997, giving us 18% of the world market.



**Aug 19** Flat-screen TV developed. A 2-year, US\$8 million project resulted in a 29-inch TV that offers zero screen distortion and a computer-like pro-

### DEBT TO EQUITY



**Q** What business strategy and plans does Samsung Electronics have for 1999?

**A** First, we will work to more effectively implement restructuring and innovation initiatives. As we continue to bolster our core capabilities in today's and tomorrow's promising industries, our goal is to secure a competitive advantage that can firmly weather any crisis. In particular, we will continue to enhance our product competitiveness in the memory semiconductor, monitor, and TFT-LCD fields where we are the global market leader. We will do the same for the microwave oven, mobile phone, and printer fields where we are striving to move from No. 2 to No. 1. As for our business structure, we will concentrate on laying the foundation for profitability in each business field through creative restructuring. We will also step up the pace of innovation, focusing on the 3Ps (processes, products, and personnel). We will expand our present focus on process innovation to the product and personnel areas, our focus on domestic to overseas production, and our focus on manufacturing to marketing.

**Q** What is Samsung Electronics' mission in the 21st century?

**A** The greatest change in our business environment as we move into the new millennium is the arrival of the digital and network age. In this new age, the electron-

gressive scan display technology that doubles picture quality. **Sep 24** 1Gb DRAM samples shipped. We continued to extend our lead in the memory sector, paving the way for memory modules of up to 4Gb in capacity in the near future. **Sep 28** Third generation cellular/PCS "folder-type" phone developed. Our digital CDMA cellular and



PCS technology continued to evolve, producing lighter and smaller hand sets. **Oct 30** World's first mass

production of digital TVs. Timed with the launch of digital broadcasts in the U.S., we shipped 55-inch wide-screen digital TVs to that market.



**Nov 4** World's first 144Mb Rambus® DRAM chip developed. Able to process data at up to 1.6Gb/sec, this next-generation memory technology is up to 25x faster than EDO DRAM and 5x faster than PC-100 SDRAM. **Dec 3-20** Official sponsor of the Bangkok Asian Games. In addition to supplying audio/visual and home appliance prod-

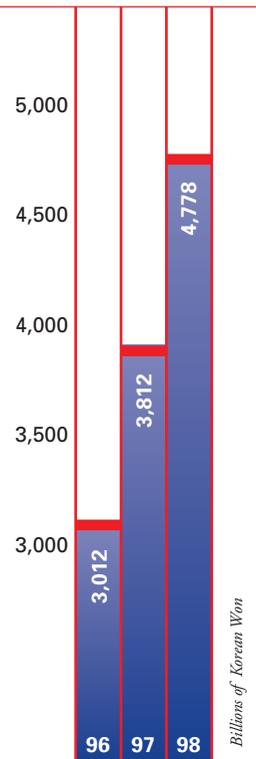
ics industry will experience a fundamental paradigm shift. The very source of corporate competitiveness and added value is shifting from hardware manufacturing to brand equity, marketing, distribution, core components, and standardized technologies. With a focus on accelerated restructuring, fiscal soundness, innovation initiatives, and a marketing-focused organization, we will reinvent ourselves with a competitive edge that is in tune with this new age.

In closing, 1999 marks Samsung Electronics' 30th year in business. Given that the average corporate life span in the U.S. and Japan over the past century has been about 30 years, we are taking nothing for granted. As we enter our fourth decade, we are now more dedicated and focused than ever on preparing for the 21st century. We hope you will join us as we continue our single-minded mission to become a global leader in the digital and network age.



**Jong-Yong Yun** / President and CEO

**EBITDA**



ucts, we conducted an Asia-wide and on-site promotional campaign that included opening exhibition halls and naming a Samsung MVP award.



**Dec 17** CDMA cellular system ordered by Hutchison Telecom Australia Ltd. This 10-year, US \$210 million contract covers the equipment, installation, and maintenance for CDMA cellular communications systems in the Sydney and Melbourne regions.



**Dec 23** Power Device Division acquired by Fairchild Semiconductor Corporation. Our restructuring master plan led to the sell-off of operations and interests in peripheral areas, enabling us to sharpen our focus on core businesses.

# Samsung Digital...

# What's it to you?

Extreme freedom. Basic equipment for surfing used to be just a board and your body. But now my Samsung Digital TV allows me to check the Internet and get a clear picture of surf heights and weather conditions.



Man, that's what I call surfing the web.

**Ian McCormick**, surfer





Sales	
Multimedia & Home Appliances	
9,000	
8,000	8,018
7,000	7,843
6,000	7,858
5,000	
	96 97 98

Billions of Korean Won

Digital technology is revolutionizing the multimedia and home appliance fields, making life more convenient. Samsung Electronics' advanced multimedia products and user- and environmentally-friendly home appliances are enhancing the lives of people around the globe.

## What's it to us?

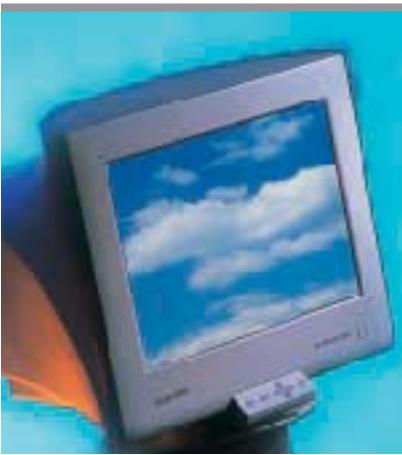
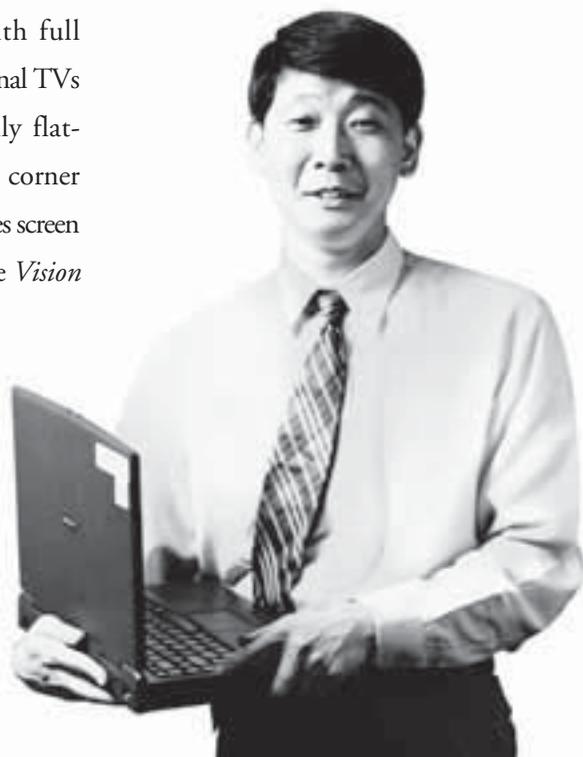
**[video]** One of the newest, most exciting applications of digital technology is digital TV. Coinciding with the launch of digital broadcasts in the U.S. in late 1998, Samsung was the world's first to mass-produce digital TVs. Following on the heels of the HCH551W, the world's first 55-inch, 16:9 screen model, we intend to continue our digital TV leadership in 1999 by introducing the world's first 65-inch high-definition (HDTV) set, 65-inch standard-definition (SDTV) set, and 43-inch rear-projection set. The latter product is designed to connect to our stand-alone integrated receiving device (IRD) to provide uncompromising picture and sound quality, taking the home theater concept to the next level.

While cultivating its digital TV technology, Samsung commands an 8 percent share of the world analog TV market because of a continued boom in sales in 1998.

Leading the way was our flagship *Vision Plus*, a 30-inch TV with a picture tube 1-inch horizontally wider than conventional 29-inch TVs, providing the viewer with full broadcast images conventional TVs usually cannot. A virtually flat-screen TV that eliminates corner picture distortion and reduces screen glare is also included in the *Vision Plus* line.

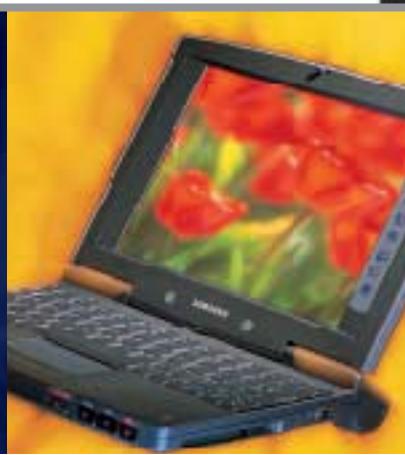
**Otsuka Tatsuhiro**  
senior researcher

*"DVD and other optical storage technologies are changing the way everything from movies to books is experienced. To me and my team, it's a great opportunity to give people new ways to enjoy themselves and learn. And low-cost digital storage is making it a reality."*



### FLAT-SCREEN MONITOR

New 17- and 19-inch *DynaFlat* monitors with perfectly-flat screens and a maximum resolution of 1,600 x 1,200 raise the bar for graphics performance.



### HANDHELD PC

The new *iZZi Pro* handheld PC offers a VGA-class display, comfortable keyboard, and full Internet connectivity for on-the-move professionals.

During the year, we became the world's fourth to offer flat-screen TVs, once again reinforcing our leadership in the visual media business. Our first CRT-based flat-screen TVs come in 29- and 32-inch sizes and offer reduced glare, a perfect 180-degree viewing angle, and a progressive scan picture display, the same technology used in computer monitors. Also featured in our new *PAVV* line of big-screen rear projection TVs, progressive scan

doubles the display rate to 60 frames-per-second, creating a clearer, more stable picture.

Our DVD player lineup continued to do well in 1998, particularly in Europe where we rolled out the DVD-907, a versatile player with the unique ability to play NTSC, PAL, or SECAM titles on any PAL or SECAM TV. Finally, we unveiled a folding megapixel digital camera with progressive scan CCD (charge coupled device) that approaches the resolution of traditional film, expanding the possibilities of consumer-level digital still photography.

#### **[computers and peripherals]**

After a slow start, portable computing devices are becoming increasingly popular as their features and capabilities grow to rival their desktop cousins. In addition to our desktop PC line, we've continued to roll out ultra-thin, high-performance portables.

#### **DIGITAL TV**

When the U.S. began digital broadcasts late in 1998, Samsung was ready with the world's first mass-produced digital TV.

#### **DVD PLAYER**

The DVD-907, a versatile player with the unique ability to play NTSC, PAL, or SECAM titles on any PAL or SECAM TV, debuts in Europe.

#### **MP3 PLAYER**

The new *yepp* portable players take near-CD quality MPEG-3 music downloaded over the Internet anywhere. Innovative features include FM radio reception and voice recording.



Our new *izzI Pro* is an evolution of our mobile lineup that offers a comfortable keyboard and 8.2-inch VGA DSTN(video graphics array dual-scan super twisted nematic) screen, while our *izzI Palm* offers a touchscreen, voice recording pims, and advanced data synchronization features in an ultra-lightweight palm-sized form factor. In 1998, Samsung *SynMaster* monitors continued to win accolades from leading PC magazines, such as Germany's *PC Professional*, as we racked up a market-leading 14 percent share. Late in the year, we introduced our *DynaFlat* line of 17- and 19-inch monitors with perfectly-flat CRTs and a 1,600 x 1,200 maximum resolution, ushering in a new level of CRT-based graphics performance.

Keeping pace with the industry trend, our *SpinPoint* hard disk drives continued to grow in capacity and performance during the year, reaching storage capacities of 12.9-gigabytes. With a market share of just under 8 percent, we're now the world's sixth-largest producer of hard disk drives.

**[appliances]** 1998 saw Samsung produce its 50 millionth microwave, a feat we accomplished in only 19 years. To put this in perspective, the only two other firms to have passed this milestone took over 30 years. Aiming for a 30 percent market share by 2001, we maintained a strong second place in the product category with 18.2 percent of the market in 1998.

In their first full year on the market, vacuum cleaner sales also posted strong growth due to their noise-arresting gamma-shaped ( ) air-flow system, up to 1,600 watt motors, and 6-stage micro-filtration system. Refrigerator sales also soared



**DIGITAL CAMERA**  
The new NEXCA folding digital camera with megapixel progressive scan CCD delivers near film resolution to the consumer market.

in 1998 on the strength of a US\$140 million contract with Whirlpool. The contract covers up to 550,000 units over the next five years, including our top-of-the-line *Zipel* side-by-side models. In early 1999, we joined the Internet music revolution with the *yepp* line of ultralight portable MP3-players. A new format for delivering near-CD quality music over the Internet, MP3 (MPEG Audio Layer 3) is getting popularity among the computer users.



**MICROWAVE OVEN**  
Microwave shipments surpass the 50 million mark in only 19 years, making Samsung the No. 2 maker with 18.2 percent of the global market.



**HARD DISK DRIVE**  
*SpinPoint* drive capacities reach 12.9Gb. Samsung is the No. 6 maker with 8 percent of the global market.

# Samsung Digital...

# What's it to you?

There's no escaping me. Being connected is critical in my business. That's why I use a high quality, dependable Samsung digital phone.

Information is instant and communication is almost infallible. So no matter where I am – at home with my kids or in Katmandu – I'm never out of touch.

The whole world is my digital office.

**Haley Johnson, journalist**





DAILY MARKETS AND FUND REVIEW AND OUTLOOK  
**OUR INVESTMENTS**

# Building the Right Foundation

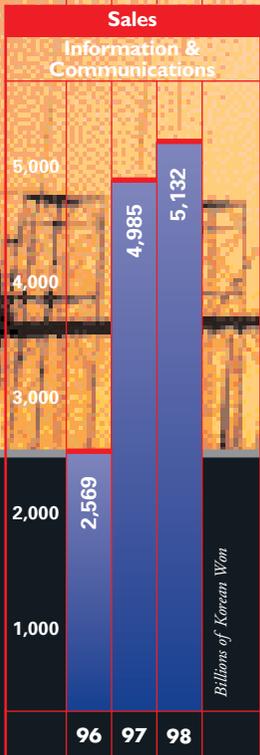
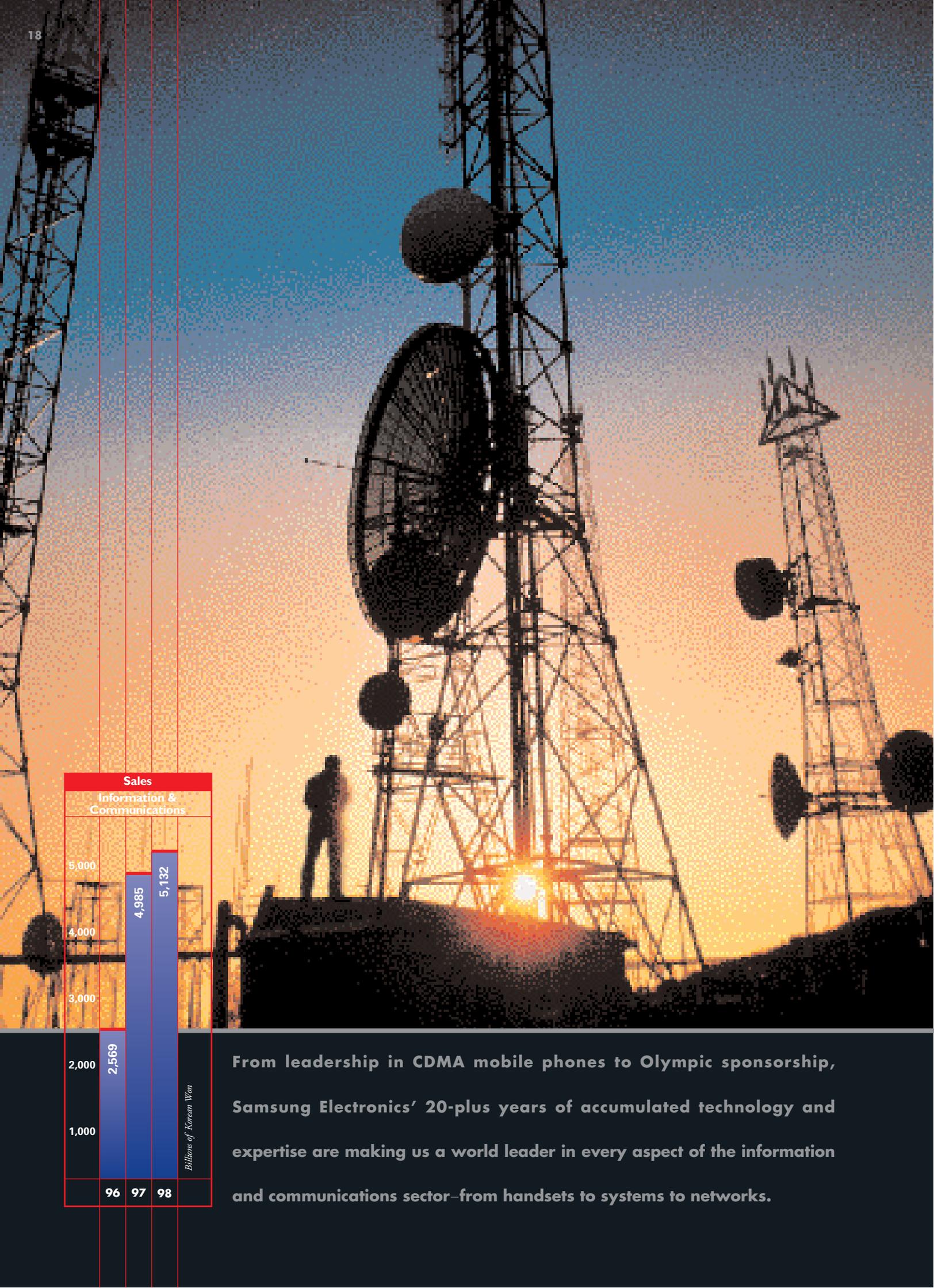
ERAs or 401(k)s? Taxable Accounts or Tax-Deferred? Don't Get It Wrong in Your New Asset-Lite World by Creating the Right Foundation

## State Core L.

As the world's largest...  
...investing...  
...asset...

**F**irst...  
...investing...  
...asset...





From leadership in CDMA mobile phones to Olympic sponsorship, Samsung Electronics' 20-plus years of accumulated technology and expertise are making us a world leader in every aspect of the information and communications sector—from handsets to systems to networks.

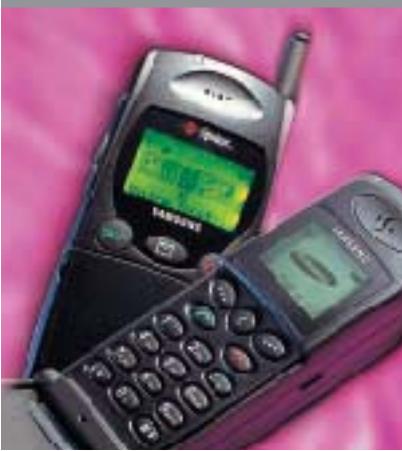
# What's it to us?

**[wireless handsets]** Digital technology has touched our lives in the field of information and communications more than any other industry. In 1998, we continued to raise the performance and value standards that have made Samsung CDMA (code division multiple access) phones international best-sellers. In addition to our ongoing PCS handset supply agreement with Sprint PCS in the U.S., we finalized a \$40 million CDMA cellular phone deal with Brazil's two largest carriers and a US\$60 million contract with ICO (Intermediate Circular Orbit Global Communications), a worldwide digital voice, data, and GPS (global positioning service) carrier, to provide GMPCS (global mobile personal communications by satellite) handsets for the next two years. Adding user-friendly features such as

voice dialing and local language menu service support across our entire CDMA and GSM (global system for mobile communications) phone lineup, ongoing R&D advances helped us become the world's first to break the 100g PCS (personal communications services) handset barrier in March with the 98g SPH-4100 flip phone. In September, we added the sleek SCH-800 and SPH-7000 models, a duo of high-tech "folder-type" cellular and PCS phones with the largest LCD displays on the market.

**Eric Floyd**  
sales manager

*"It's incredible how fast digital communications are catching on. I'm proud to be selling systems from a maker like Samsung that's constantly pushing the boundaries of technology. To me, digital technology is about bringing people closer together. And Samsung does it very well."*



**MOBILE PHONES**

The compact SCH-2100 (CDMA PCS) and SGH-600 (GSM cellular) phones debuted on international markets with voice-activated dialing and other advanced features.



**WATCH PHONE**

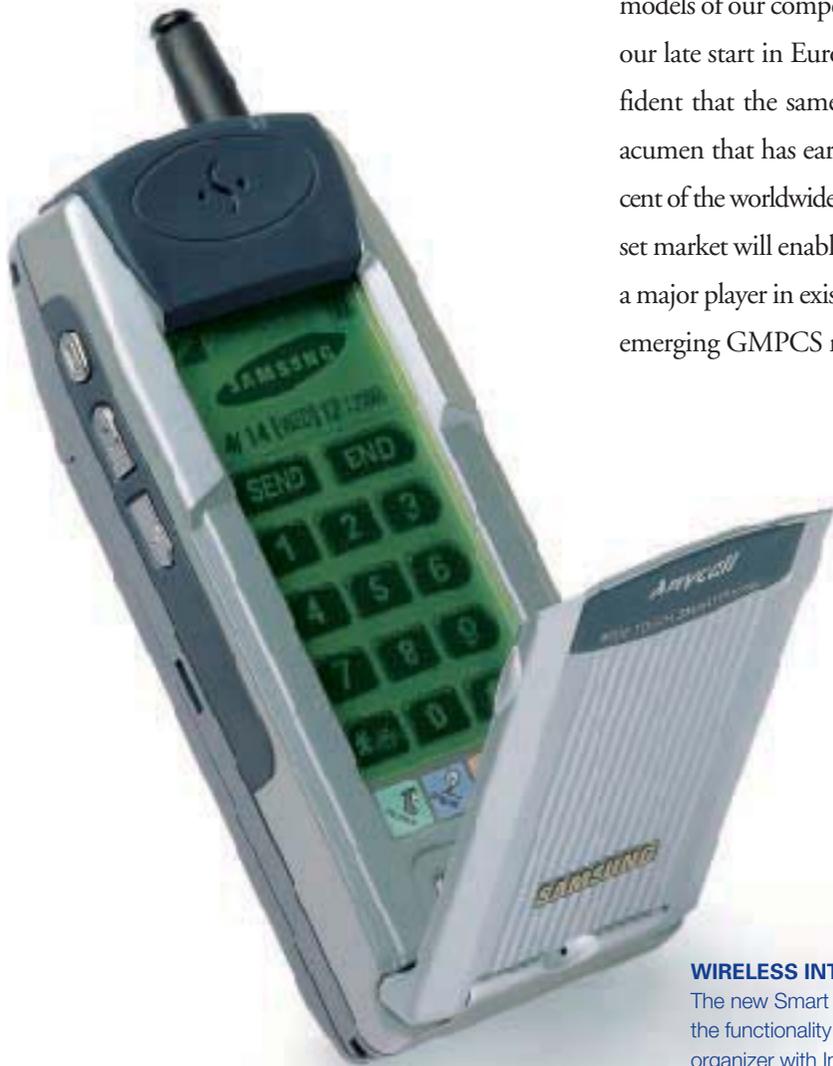
Samsung miniaturization technology puts a full-featured CDMA phone into a compact 39g package worn on the wrist.

In late 1998, we began a major advance into Europe's GSM markets with the SGH-600, a 95g GSM Phase 2-compatible phone that is comparable to the top-selling GSM models of our competitors. Despite our late start in Europe, we're confident that the same technological acumen that has earned us 55 percent of the worldwide CDMA handset market will enable us to become a major player in existing GSM and emerging GMPCS markets.

With our digital wireless technology, we succeeded in the development of wireless internet phone, or Smart Phone, which combines the functions of a phone and PDA (personal digital assistant) with stand-alone Internet connectivity, and a 39g Watch Phone that shrinks a full-function CDMA handset down to wrist size.

**[wireless systems and equipment]**

By leveraging our position as the world's No. 1 CDMA handset maker, we've also emerged as a leading worldwide supplier of CDMA systems and equipment. In addition to winning a number of equipment and service certifications in the fast-growing Chinese market, we were selected by Hutchison Telecom Australia Ltd. to provide a complete CDMA cellular system on a turnkey basis. The 10-year, US\$210 million contract will result in a network of some 500 base stations in the Sydney and Melbourne regions, with commercial service



**WIRELESS INTERNET PHONE**

The new Smart Phone offers the functionality of an electronic organizer with Internet access and e-mail.



**SET-TOP BOX**

New FTTC set-top boxes bring high-speed Internet access, cable TV, and telephony services into the living room.



**WDM: ACEWAVE-161**

Supporting a variety of networks, this high-performance DWDM solution can transfer 16 data streams up to 640km over a single optical fiber at 40Gb/sec.

slated to begin in April 2001.

1998 also brought several orders for CDMA WLL (wireless local loop) equipment, an extremely cost-effective way to provide phone service in areas without an existing communications infrastructure. The SCW-F200 WLL phone attracted orders of US\$20 million and US\$12 million from Russia and Nigeria, respectively.

**[wired systems and equipment]**

Samsung's key phone systems and *LightRacer* multiplexing equipment lines continue to help businesses and communications service providers keep up with commerce at light speed. In addition to securing a US\$17 million network installation deal in Sri Lanka, we continued the rollout of a new generation of products aimed at speeding up the Internet for consumers and generating new opportunities for cable service providers. Our new FTTC (fiber-to-the-curb) set-top boxes handle it all, bringing high-speed Internet, cable

TV, and telephony services into the living room. For cable operators using existing copper cable networks, the *InfoRanger* cable modem enables them to offer speedy Internet access and telephony, opening up new revenue streams.

**[fiber-optic cable and equipment]**

Fiber-optic cable and components are a key part of today's integrated communications solutions. Among our most recent advances are the world's first MCVD (modified chemical vapor deposition) process capable of pre-forming optical fiber up to 360 km in length. This cutting-edge technology has already been adopted in our optical cable product line,

enabling us to sell US\$50 million worth of cable to South Africa. In the area of fiber-optic components and equipment, our exceptional packaging and production capabilities have come together to produce a full line of high-tech, high-performance, highly-reliable products including pump laser diodes, optical isolators, WDM EDFAs (wave division multiplexing erbium-doped fiber amplifiers), optical multiplexers and demultiplexers, and VCSELs (vertical cavity surface emitting lasers). This combination of technology and product line depth is an important facet of our total solution approach to customer needs.



**WEB VIDEO PHONE**

Based on the H.323 videoconferencing standard, the Web Video Phone combines the functionality of a phone with full Internet access, including e-mail and videoconferencing.



**PICO BTS**

This compact, high-capacity base transceiver station drastically reduces deployment and operating costs, giving PCS and cellular operators a "plug-and-play" network solution.



**980nm PUMP LD**

The 980nm pump laser diode module is a core component of EDFAs, devices which amplify optical signals over long distances.

# Samsung Digital...

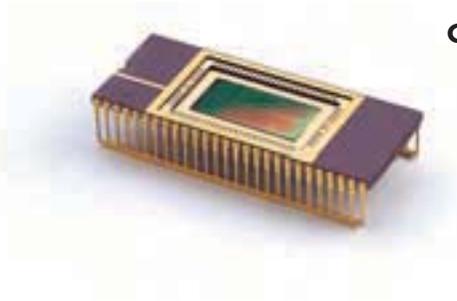
# What's it to you?

The promise of peacefully connecting this world. And maybe others. Samsung semiconductors have benefited every aspect of our lives – from the way we work, to the way we learn, to the way we communicate.

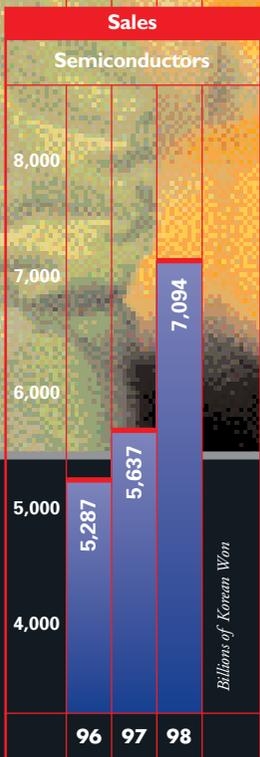
They are the digital souls of our computers, phones, TVs, stereos, satellites, and space vehicles. But the real promise of this digital technology is something much greater. One world where all ideas and people will be connected.

Peacefully, freely, and harmoniously. Do you dream digitally? I do.

**Chris Nolan**, astronaut







Now marking its sixth consecutive year as the world's largest memory producer, Samsung Electronics is also a premier technical innovator with credits that include the world's first 256-megabit and 1-gigabit DRAM chips and 4-gigabit DRAM process technology, setting standards as it sets the pace for the industry.

## What's it to us?

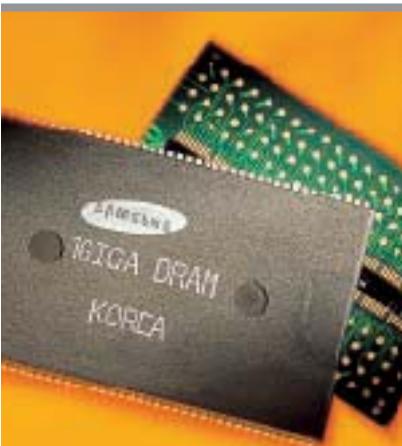
**[memory chips]** Semiconductors are the building blocks of digital technology that make all digital products possible. Samsung continued its leadership in the memory sector in 1998, capturing 18.5 percent of the DRAM (dynamic random access memory) market, 20.5 percent of the SRAM (static random access memory), and 3 percent of the flash memory market. One of the key events of the year was the beginning of our generation-shift from 64-megabit to 256-megabit chips with the launch of 128-megabit chip sample production and 256-megabit chip shipments, the latter an industry first that puts us one to two years ahead of the competition. Using 0.23- and 0.18-micron manufacturing technology respectively, these advances offer double and quadru-

ple the capacity of their 64-megabit predecessor while meeting the PC-133 standard for the next generation of motherboards. During the year, we also unveiled the world's first 1-gigabyte SDRAM module, which uses 18 stacked pairs of the 256-megabit chips to offer an unprecedented amount of memory in a single slot, and delivered samples of the world's first 1-gigabit SDRAM chips to PC makers. At the same time, we completed development of 144-megabit \*Rambus® DRAM chips, positioning ourselves for continued leadership in this next-generation memory field.

\*Rambus®, RDRAM and the Rambus logo are registered trademarks of Rambus Inc. All other brands or product names are the property of their respective holders.

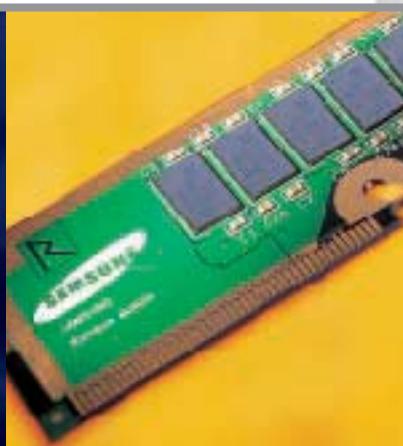
**Nam-Hee Hwang**  
line operator

*"Every day at work, I remind myself that I'm helping make the chips that are making the digital revolution happen. To me, digital technology is about making dreams come true and helping people have a better life. And I'm glad to be a part of a company that feels the same way."*



### 1Gb DRAM

Engineering samples of the world's first 1Gb DRAM chips debut, paving the way for multi-gigabyte workstation memory configurations in the near future.



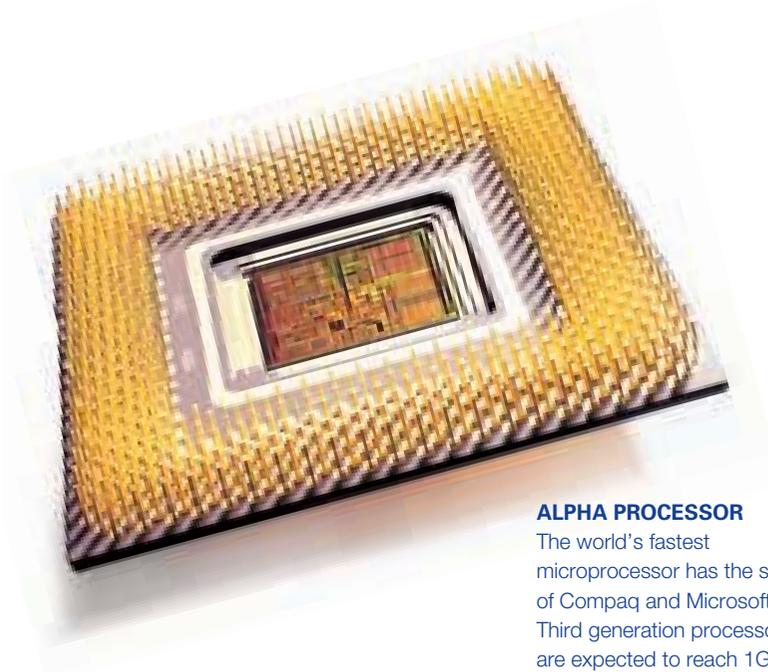
### 144Mb RAMBUS® DRAM

The world's first 144-megabit chips and 144-megabyte modules using the next-generation high-speed Rambus® memory architecture are unveiled.

A worldwide glut of memory chips depressed prices to new lows during the first half of the year, leading us and other companies to shut down production for a week during the summer. This as well as recovering demand in the PC industry following the introduction of Windows 98 helped push prices and profits up substantially during the latter part of the year.

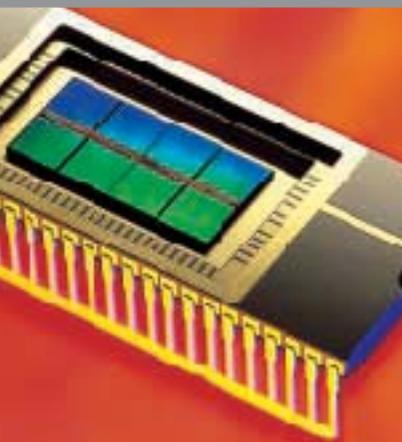
1998 also saw the start of commercial production at our first overseas semiconductor fabrication plant in Austin, Texas (U.S.). Producing 8-inch wafers and 64-megabit DRAM chips, the facility is a prime example of how our world-class process technology is making inroads in the world's leading semiconductor market.

**[non-memory chips]** Following our acquisition of the rights to Digital Equipment Corp.'s Alpha microprocessor technology in 1996 and the introduction of our 633 MHz Alpha 21264 design in 1997, we invested US\$40 million to set up Alpha Processor Inc. in the U.S. to handle marketing as well as technical support for both hardware and software developers. With ongoing in-house development of even faster processors, technical and procurement support from Compaq, and Microsoft's pledge to consider support for the processor in its next-generation Windows



#### ALPHA PROCESSOR

The world's fastest microprocessor has the support of Compaq and Microsoft. Third generation processors are expected to reach 1GHz.



#### 256Mb DRAM

Jumping 1 to 2 years ahead of the industry, Samsung is the world's first to start production of PC-133 256Mb chips with 0.18-micron technology.



#### HYPER 3D MONITOR

Applications for the world's first 3D TFT-LCD monitor include remote viewing of inhospitable areas, military simulation, medical operations, and virtual reality games.

NT 5.0 operating system, the Alpha processor's prospects are now brighter than ever.

LSI (large scale integration) chips are another area where we made a number of advances during the year. In addition to a full lineup of LSI chips for monitors, we completed development of a key CDMA chip-set for the fast-growing communications market. We also made considerable progress with media products that combine Internet and PC functionality as well as MML (merged memory with logic) products that combine DRAM and LSI technology.

**[TFT-LCDs]** One of the most remarkable accomplishments of the year was our growth in the TFT-LCD (thin-film transistor liquid crystal display) business. In just one year, we went from third to first with 18

percent in market share, recording an amazing 175 percent year-on-year growth rate.

With a solid lead in the 13- and 15-inch display segment and production of 15-inch XGA (extended graphics array) and SXGA (super XGA) panels underway, we're now preparing to expand production of 17-, 18-, and 21-inch models before the end of the century.

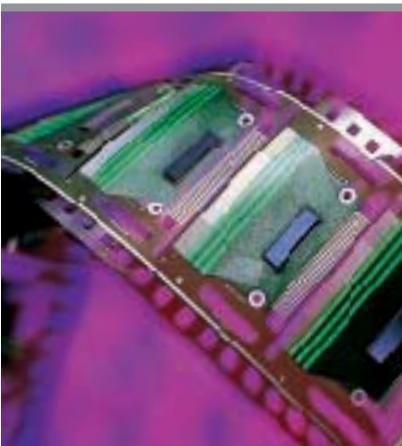
We continued to introduce larger screens using technology originally developed with our industry-

first single-panel 30-inch TFT-LCD displays and also debuted the *Hyper 3D* Monitor which delivers unparalleled three-dimensional realism with an innovative TFT-LCD display that cuts power consumption by one-third and weight by one-fifth over current designs.



#### **30-INCH TFT-LCD**

Only 4.5kg in weight and 4.5cm in thickness, this advanced monitor can display over 16.7 million colors, making the wall-hanging TV a reality.



#### **LCD DRIVER IC**

Controlling the LCD displays found in mobile phones, notebook computers, and other consumer electronics, this chip is in increasing demand as products with LCD displays multiply.



#### **COMBI CHIP**

Imbedded in security passes, debit cards, electronic wallets, and other devices, this chip allows information to be easily stored and updated without a physical connection.

## RESEARCH & DEVELOPMENT

**[patents & licensing]** In 1998, Samsung was awarded 1,306 patents in the U.S. alone, making us the world's sixth most active company in this category. We currently hold 1,600-plus patents worldwide covering digital TV and other core digital technologies. Overall, technology licensing generated US\$25 million in income during the year, a figure we expect to triple to US\$75 million in 1999. In addition to providing another revenue stream, this licensing is opening the door for cross-licensing agreements with other key digital patent holders in the DVD player, digital camcorder, digital satellite broadcast receiver, digital TV, and set-top box fields, enhancing our competitiveness across the entire digital product spectrum.

**[alliances]** Many of today's high-technology products require expertise across a broad range of fields, making it financially impossible or risky for one company to do it all. At Samsung, we're partnering with industry leaders like Intel (Rambus® DRAM), Microsoft (Windows CE, home networking), Compaq (*Alpha processor*), Siemens (smart card ICs), IDC (B-CDMA WLL), Cisco Systems (cable modems), Sun Microsystems (Java software, home networking), Thomson Multimedia (TVs, VCRs, DVD players), Toshiba (VCRs), Lexmark (printers), and others to create best-of-breed products in each of our business areas.

**[multimedia & home appliances]** Samsung continues to make advances in the way people watch TV. From CRT-based flat-screen TV to the first mass-produced 55-inch digital TV sets, our aggressive research and development is creating a new era in display technology. During the year, We also developed the world's first digital VCR that meets the standards set by the High Definition Digital VCR Committee. Utilizing the same 6mm tape mini and standard cassettes used for the consumer DV (digital video) format, the VCR records up to 270 minutes (50Gb) of MPEG-2 (Moving Pictures Experts Group-2) compressed video. The VCR interfaces with digital TVs and set-top boxes via an IEEE 1394 (Institute of Electrical and Electronics Engineers) interface, the emerging interconnect method of choice for digital home entertainment systems. With this development, we now possess technology covering all aspects of digital TV reception, recording, display, and interface, enabling us to compete with the best in the industry for the huge multi-billion dollar replacement market the transition to digital broadcasting will bring.

**[information & communications]** Samsung continued to set the pace for innovation in the mobile phone market in 1998 with the development of the world's first sub-



100g PCS phone. We are a member of the \*cdmaOne™ group that is promoting CDMA cellular and PCS technology worldwide as well as the use of CDMA in IMT-2000 (international mobile telecommunication-2000), the next-generation mobile communications system. During the year, we developed an MMIC (monolithic microwave integrated circuit), a key component that can be used for both today's GMPCS and tomorrow's IMT-2000 systems.

Two final advances in the field of communications both involve optical fiber. Focusing on cost reduction, we developed an MCVD (modified chemical vapor deposition) process to form optical fiber up to 360 km in length. While longer lengths are possible with other methods, MCVD enables costs to be reduced by 25 percent and productivity increased by 60 percent. The other advancement focuses on performance, using WDM (wave division multiplexing) optical fiber to boost transfer rates from the present 10Gb/sec maximum to 20-100Gb/sec, paving the way for future advances in ultra-high-speed information delivery.

\*cdmaOne™: cdmaOne is a trademark of CDMA Development Group and is issued herein under license



**[semiconductors]** Reinforcing our position as the world's No. 1 memory supplier, our R&D efforts in the field of memory semiconductors continued to set the pace for the industry. We developed and produced the world's first 128- and 256-megabit SDRAM memory chips compatible with the PC-133 standard. Along with the new 0.18-micron process technology used to produce these 256-megabit chips, we completed development of all processes necessary to produce 4-gigabit chips using 0.13-micron technology. We also delivered the world's first 1-gigabit SDRAM engineering samples to major PC makers for compatibility testing, and have successfully produced 2-gigabyte modules with the chips, paving the way for PCs and workstations with multi-gigabyte memory configurations before the close of the century. We're now using 0.18-micron process technology developed for our Alpha processors to take processor speeds to 1GHz in 1999. These and other ongoing projects demonstrate that we're well on our way to becoming a leading general semiconductor maker in the 21st century.

One final key event during the year was our development of a defect-free silicon wafer processing technology. Now applied to wafers used to produce our entire memory line, this technology is expected to reduce production costs by over US\$200 million through the year 2000. To date, licensing of this technology to Shin-Etsu Handodai and Mitsubishi Silicon, the world's largest wafer fabricators, has brought in US\$10 million, a figure we expect will continue to grow as other fabricators discover the benefits.

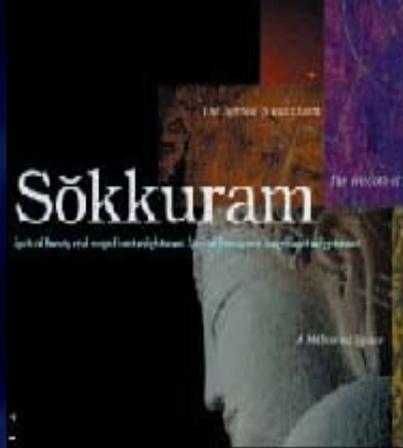
#### **MPEG-2 researchers**

*Seven key Samsung technologies covering MPEG-2, video, sound, and communications were adopted at the Multimedia Standards Committee meeting held in Ireland in July 1998.*



**VACUUM CLEANER**

Developed with design-conscious European consumers in mind, the VC-7550 vacuum was named Best of Category in the Product Design category at the '98 German iF Design Awards.



**SOKKURAM CD-ROM TITLE**

A CD-ROM title spotlighting the Sökkuram Buddhist grotto in the historic Korean city of Kyongju was awarded the Interactive Design Best of Category award at the '98 German iF Design Awards.



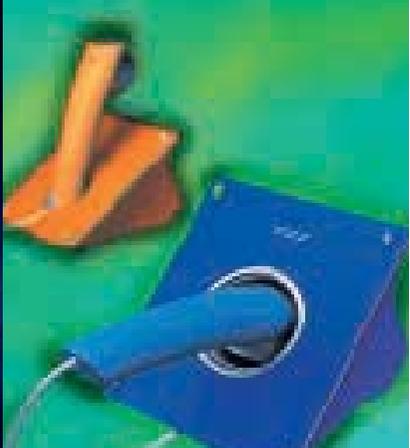
**DV CODEC DEVELOPMENT**

Samsung has developed a codec for Digital Video format camcorders, reducing production costs by 50 percent.



**DOUBLE PHONE**

A combination of modern styling and ergonomic engineering, the Double phone captured the bronze medal at the '98 U.S. Industrial Design Excellence Awards.



**Aggressive research and development are essential for survival in a world where the rapid pace of development can make products obsolete before they ever make it to the market. At Samsung, we invested US\$1.38 billion in R&D during 1998, a 31.2 percent increase over 1997, representing over 8.3 percent of total sales.**



**IDEA AWARD WINNER**

Since our first in '96, Samsung has been a consistent winner at the D.S. Industrial Design Excellence Awards. Winning four awards in '97, a single-year record, we added two more in '98, highlighting our international leadership in design.



**DIGITAL VCR**

The world's first digital VCR capable of recording HDTV signals in MPEG-2 features an IEEE 1394 interface for connection to digital TVs, set-top boxes, and other digital devices.



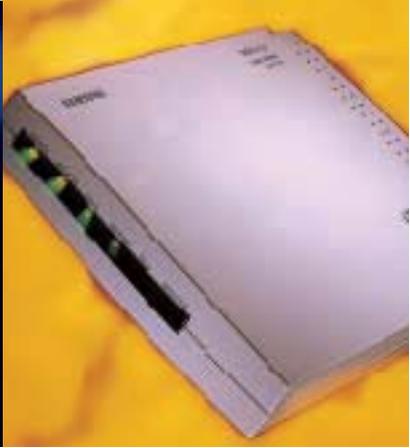
**3-DOME DIGITAL CAMCORDER**

Designed to capture a 360-degree video panorama, the 3-Dome digital camcorder took the gold medal at the '98 U.S. Industrial Design Excellence Awards.



**CABLE MODEM**

Having passed all U.S. certification tests and now undergoing service trials in Canada, the *InfoRanger* cable modem continues to win acknowledgment of its superior engineering.



Samsung Electronics 1998

# Financial Report



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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors  
Samsung Electronics Co., Ltd.

We have audited the accompanying balance sheets of Samsung Electronics Co., Ltd. as of December 31, 1998 and 1997, and the related statements of income, appropriations of retained earnings and cash flows for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the management of Samsung Electronics Co., Ltd. Our responsibility is to express an opinion, as independent accountants, on these financial statements, as to whether they have been prepared in conformity with financial accounting standards generally accepted in the Republic of Korea. For this purpose, we conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Samsung Electronics Co., Ltd. as of December 31, 1998 and 1997, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

As more fully discussed in Note 7 to the financial statements, effective January 1, 1998, the Company revalued a substantial portion of its property, plant and equipment and investments in equity securities by ₩963,652 million in accordance with the Asset Revaluation Law of the Republic of Korea. As a result, the Company recognized revaluation surplus of ₩934,742 million, net of revaluation tax in the amount of ₩28,910 million, and recorded an offsetting entry of ₩934,732 million to deferred foreign exchange losses.

As discussed in Notes 8 and 22 to the financial statements, during the year ended December 31, 1998, the Company recognized (1) extraordinary losses in the amount of ₩299,236 million from sale of its investment in Icheon Electronics Inc. and from non-temporary decline in value of its investment in Samsung Watch Inc. and (2) extraordinary gain of ₩277,619 million from divestiture of the Power Device Business located in Bucheon plant. As part of the Company's restructuring plans, 22 functional divisions of the Company were spun off to 18 separate companies including Samsung Electronics Services Co., Ltd.

As more fully discussed in Note 19 to the financial statements, the Company had sales of ₩351,735 million and US\$7,457,380 thousand to subsidiaries and affiliated companies within the Samsung Group, during the year ended December 31, 1998, and the related amounts receivable as of December 31, 1998 was ₩79,997 million and US\$183,472 thousand. In addition, the Company purchased the head office building from Samsung Corporation and Samsung Everland Co., Ltd. in the amount of ₩227,400 million.

As more fully discussed in Note 12 to the financial statements, as of December 31, 1998, Samsung Group is in the process of a business swap arrangement involving Samsung Motors Inc. and Daewoo Electronics Co. The operation of the Company may be affected by the results of the business swap, the terms and conditions of which have not been finalized yet.

As discussed in Note 27 to the financial statements, 9,580,000 shares of common stock of the Company will be issued on February 12, 1999 per resolution of the Company's board of directors' meeting on December 14, 1998. On February 1, 1999, the Company issued foreign currency convertible bonds of US\$100 million at face value to Intel Corporation in the United States.

As discussed in Note 12 to the financial statements, the operation of the Company, and those of similar companies in the Republic of Korea, have been significantly affected, and will continue to be affected for the foreseeable future, by the country's unstable economy caused in part by the currency volatility in the Asia Pacific region.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying financial statements.

The accompanying financial statements are not intended to present the financial positions, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The standards, procedures and practices utilized to audit such financial statements are those generally accepted and applied in the Republic of Korea.

Samil Accounting Corporation  
Seoul, Korea  
February 9, 1999

## BALANCE SHEETS

As of December 31, 1998 and 1997

	<i>Thousands of Korean Won</i>		<i>Thousands of US Dollars (Note 3)</i>	
	1998	1997	1998	1997
ASSETS				
<b>Current assets</b>				
Cash and bank deposits (Note 4)	1,187,478,681	1,367,157,250	983,826	1,132,690
Marketable securities (Note 5)	98,709,712	44,365,620	81,781	36,757
Accounts and notes receivable, less allowance for doubtful accounts of ₩20,605,233 thousand in 1998 and ₩29,871,528 thousand in 1997 (Note 19)	2,418,244,510	3,308,507,239	2,003,517	2,741,100
Inventory (Note 6)	1,869,620,127	2,341,451,639	1,548,981	1,939,894
Accrued income	25,150,916	22,584,940	20,837	18,711
Advance payments, less allowance for doubtful accounts of ₩982,116 thousand in 1998 and ₩356,201 thousand in 1997	107,009,973	199,486,914	88,658	165,275
Guarantee deposits	168,618,992	331,116,907	139,701	274,330
Other	93,312,874	166,643,056	77,310	138,064
Total current assets	5,968,145,785	7,781,313,565	4,944,611	6,446,821
Property, plant and equipment, including revalued portion, net of accumulated depreciation (Note 7)	7,502,721,325	7,159,313,067	6,216,008	5,931,494
Investments in subsidiaries and affiliated companies, less valuation allowance of ₩1,645,488 thousand in 1998 and ₩5,584,116 thousand in 1997 (Note 8)	4,086,405,877	2,509,654,756	3,385,589	2,079,250
Noncurrent deposits and other assets (Note 4)	2,407,659,761	2,438,895,146	1,994,747	2,020,626
Deferred charges (Note 2)	811,147,845	3,176,340,631	672,036	2,631,600
	20,776,080,593	23,065,517,165	17,212,991	19,109,791

Continued ;

The accompanying notes are an integral part of these statements.

## BALANCE SHEETS

As of December 31, 1998 and 1997

	<i>Thousands of Korean Won</i>		<i>Thousands of US Dollars (Note 3)</i>	
	1998	1997	1998	1997
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Accounts and notes payable (Note 19)	2,101,399,002	2,036,207,957	1,741,010	1,686,999
Short-term borrowings (Note 9)	238,413,236	1,311,944,971	197,525	1,086,947
Current maturities of long-term debt (Notes 10 and 11)	2,064,758,293	1,293,807,566	1,710,653	1,071,920
Accrued expenses	655,682,599	836,591,876	543,233	693,117
Dividends payable	87,759,832	59,969,415	72,709	49,685
Income taxes payable	42,052,010	8,981,053	34,840	7,441
Other	225,502,128	322,053,208	186,829	266,821
<b>Total current liabilities</b>	<b>5,415,567,100</b>	<b>5,869,556,046</b>	<b>4,486,799</b>	<b>4,862,930</b>
Long-term debt, less current maturities (Note 10)	6,461,904,368	8,094,453,539	5,353,690	6,706,258
Foreign currency notes and bonds (Note 11)	1,453,628,909	2,278,904,464	1,204,332	1,888,073
Other long-term liabilities	258,900,949	300,065,839	214,500	248,605
Accrued severance benefits, net of transfer to the National Pension Fund of ₩39,495,146 thousand in 1998 and ₩72,107,419 thousand in 1997	216,097,320	692,574,539	179,037	573,798
Deferred liabilities (Note 2)	-	21,757	-	18
<b>Total liabilities</b>	<b>13,806,098,646</b>	<b>17,235,576,184</b>	<b>11,438,358</b>	<b>14,279,682</b>
Commitments and contingencies (Note 12)				
<b>Shareholders' equity</b>				
<b>Capital stock (Note 1)</b>				
Common stock	623,868,165	490,350,200	516,875	406,255
Preferred stock	119,467,135	119,467,135	98,979	98,979
Revaluation surplus (Note 7)	24,400,991	24,400,991	20,216	20,216
Other capital surplus (Notes 1 and 11)	2,225,484,888	1,451,541,645	1,843,815	1,202,603
<b>Retained earnings (Note 13)</b>				
Appropriated	4,251,578,256	4,030,347,930	3,522,434	3,339,145
Unappropriated	32,306	31,881	27	26
<b>Capital adjustments</b>				
Treasury stock (Note 15)	(427,838,371)	(427,838,371)	(354,464)	(354,464)
Consideration for conversion rights (Note 11)	142,352,407	142,549,059	117,939	118,102
Unrealized holding gain (loss) on investments in equity securities (Note 2)	10,636,170	(909,489)	8,812	(753)
<b>Total shareholders' equity</b>	<b>6,969,981,947</b>	<b>5,829,940,981</b>	<b>5,774,633</b>	<b>4,830,109</b>
	<b>20,776,080,593</b>	<b>23,065,517,165</b>	<b>17,212,991</b>	<b>19,109,791</b>

The accompanying notes are an integral part of these statements.

## STATEMENTS OF INCOME

for the years ended December 31, 1998 and 1997

	<i>Thousands of Korean Won</i>		<i>Thousands of US Dollars (Note 3)</i>	
	1998	1997	1998	1997
<b>Sales (Note 19)</b>				
Domestic	6,494,496,605	8,013,718,934	5,380,693	6,639,369
Export	13,589,679,922	10,451,640,507	11,259,056	8,659,189
	20,084,176,527	18,465,359,441	16,639,749	15,298,558
<b>Cost of sales (Note 19)</b>	13,975,748,868	12,701,065,224	11,578,914	10,522,838
Gross profit	6,108,427,659	5,764,294,217	5,060,835	4,775,720
Selling, general and administrative expenses	3,008,468,868	2,908,073,790	2,492,518	2,409,340
Operating profit	3,099,958,791	2,856,220,427	2,568,317	2,366,380
<b>Non-operating income</b>				
Interest and dividend income	337,215,452	171,182,036	279,383	141,825
Gain on foreign currency transactions	1,041,919,177	1,869,713,309	863,231	1,549,058
Other	448,477,112	411,715,036	371,563	341,106
	1,827,611,741	2,452,610,381	1,514,177	2,031,989
<b>Non-operating expenses</b>				
Interest expenses	1,116,346,994	759,045,307	924,894	628,870
Amortization of deferred charges	1,882,034,879	1,581,287,365	1,559,267	1,310,097
Loss on foreign currency transactions	1,035,283,230	2,092,372,147	857,732	1,733,531
Other	453,052,701	720,061,983	375,354	596,572
	4,486,717,804	5,152,766,802	3,717,247	4,269,070
Ordinary profit	440,852,728	156,064,006	365,247	129,299
Extraordinary income (Note 22)	283,726,603	65,610	235,068	54
Extraordinary loss (Note 8)	313,723,010	2,508,902	259,920	2,078
Net income before income taxes	410,856,321	153,620,714	340,395	127,275
Income taxes (Note 16)	97,640,283	30,115,805	80,895	24,951
Net income	313,216,038	123,504,909	259,500	102,324
Earnings per share (Note 17) <i>(in Korean Won and U.S.Dollar)</i>	2,832	1,232	2	1

The accompanying notes are an integral part of these statements.

for the years ended December 31, 1998 and 1997

**STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS**

for the years ended December 31, 1998 and 1997

Date of appropriation : March 20, 1999 for 1998

March 27, 1998 for 1997

	<i>Thousands of Korean Won</i>		<i>Thousands of US Dollars (Note 3)</i>	
	1998	1997	1998	1997
<b>Retained earnings before appropriations :</b>				
Unappropriate retained earnings carried over from prior years	31,881	31,611	26	26
Additional accrued severance benefits (Note 2)	(4,225,455)	(4,225,454)	(3,501)	(3,501)
Net income	313,216,038	123,504,909	259,500	102,324
	309,022,464	119,311,066	256,025	98,849
<b>Transfers from voluntary reserves (Note 13) :</b>				
Reserve for overseas market development	53,600,000	15,609,315	44,408	12,932
Reserve for overseas investment losses	70,199,899	21,799,899	58,161	18,061
Reserve for technology development	274,700,000	90,000,000	227,589	74,565
Reserve for export losses	68,000,000	18,631,016	56,338	15,436
	466,499,899	146,040,230	386,496	120,994
<b>Appropriations (Note 13) : Legal reserve</b>				
Reserve for business rationalization	100,000,000	100,000,000	82,850	82,850
Reserve for improvement of financial structure	-	30,000,000	-	24,855
Reserve for technology development	537,730,225	65,350,000	445,510	54,142
Cash dividends (Note 14) (Common stock : 12% in 1998 10% in 1997) (Preferred stock : 13% in 1998 11% in 1997)	87,759,832	59,969,415	72,709	49,685
	775,490,057	265,319,415	642,494	219,817
Unappropriated retained earnings to subsequent year	32,306	31,881	27	26

The accompanying notes are an integral part of these statements.

## STATEMENTS OF CASH FLOWS

for the years ended December 31, 1998 and 1997

	<i>Thousands of Korean Won</i>		<i>Thousands of US Dollars (Note 3)</i>	
	1998	1997	1998	1997
<b>Cash flows from operating activities</b>				
Net income	313,216,038	123,504,909	259,500	102,324
<b>Items not involving cash flows</b>				
Depreciation and amortization	3,564,704,835	3,051,141,146	2,953,359	2,527,872
Provision for severance benefits	278,123,847	109,072,654	230,426	90,367
Loss on disposal of property, plant and equipment	43,697,330	26,792,411	36,203	22,197
Loss on disposal of investments in subsidiaries and affiliated companies	190,521,622	1,416,553	157,847	1,174
Gain on disposal of investments in subsidiaries and affiliated companies	(78,075,469)	(9,021,458)	(64,686)	(7,474)
Loss on foreign currency translation	64,162,045	285,948,927	53,158	236,909
Gain on foreign currency translation	(75,031,139)	(209,466,751)	(62,163)	(173,543)
Other	(19,291,808)	147,877,613	(15,983)	122,516
	4,282,027,301	3,527,266,004	3,547,661	2,922,342
<b>Cash provided by operating activities</b>				
Accounts and notes receivable	793,593,412	(1,127,275,330)	657,492	(933,948)
Inventory	731,640,901	(161,761,679)	606,165	(134,020)
Accrued income	(3,381,572)	1,079,205	(2,801)	894
Advance payment	88,680,695	(22,188,219)	73,472	(18,383)
Guarantee deposits	162,798,340	(168,446,519)	134,879	(139,558)
Accounts and notes payable	77,407,639	249,883,421	64,132	207,028
Accrued expenses	(175,928,823)	424,971,148	(145,757)	352,089
Income taxes payable	33,070,957	4,685,879	27,399	3,882
Payment of severance benefits	(578,445,789)	(70,088,204)	(479,243)	(58,068)
Other	(65,511,357)	125,657,948	(54,276)	104,108
	5,345,951,704	2,783,783,654	4,429,123	2,306,366

Continued ;

The accompanying notes are an integral part of these statements.

## STATEMENTS OF CASH FLOWS

for the years ended December 31, 1998 and 1997

	<i>Thousands of Korean Won</i>		<i>Thousands of US Dollars (Note 3)</i>	
	1998	1997	1998	1997
<b>Cash used in investing activities</b>				
Proceeds from sale of marketable securities	191,042,944	528,270,377	158,279	437,672
Acquisition of marketable securities	(254,507,970)	(554,330,468)	(210,860)	(459,263)
Proceeds from disposal of property, plant and equipment	62,890,485	20,842,796	52,105	17,268
Acquisition of property, plant and equipment	(1,645,610,565)	(2,542,946,267)	(1,363,389)	(2,106,832)
Proceeds from sale of investments in subsidiaries and affiliated companies	106,700,178	37,091,441	88,401	30,730
Acquisition of investments in subsidiaries and affiliated companies	(1,842,969,455)	(548,874,765)	(1,526,901)	(454,743)
Decrease in noncurrent deposits and other assets	1,079,806,546	381,897,457	894,620	316,402
Increase in noncurrent deposits and other assets	(900,817,374)	(909,332,725)	(746,328)	(753,382)
Increase in deferred charges	(1,162,296,579)	(776,765,405)	(962,963)	(643,550)
Other	117,544,623	(186,973,691)	97,386	(154,908)
	(4,248,217,167)	(4,551,121,250)	(3,519,650)	(3,770,606)
<b>Cash provided by (used in) financing activities:</b>				
Proceeds from short-term borrowings	1,688,223,932	3,247,391,734	1,398,694	2,690,465
Repayment of short-term borrowings	(2,757,026,220)	(2,778,036,371)	(2,284,197)	(2,301,604)
Proceeds from long-term debt	3,007,406,802	1,794,501,364	2,491,638	1,486,745
Repayment of long-term debt	(2,733,063,289)	(561,803,917)	(2,264,344)	(465,455)
Proceeds from foreign currency notes and bonds	-	559,644,754	-	463,666
Increase in deferred charges	(10,263,238)	(14,405,595)	(8,503)	(11,935)
Repayment of current maturities of long-term debt	(1,293,807,566)	(500,798,426)	(1,071,920)	(414,911)
Issuance of common stock	894,630,000	235,677,002	741,201	195,259
Payments of dividends	(59,969,415)	(64,312,238)	(49,685)	(53,283)
Other	(13,544,112)	253,604,574	(11,221)	210,111
	(1,277,413,106)	2,171,462,881	(1,058,337)	1,799,058
Net (decrease) increase in cash and bank deposits	(179,678,569)	404,125,285	(148,864)	334,818
Cash and bank deposits at beginning of year	1,367,157,250	963,031,965	1,132,690	797,872
Cash and bank deposits at end of year	1,187,478,681	1,367,157,250	983,826	1,132,690

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

December 31, 1998 and 1997

### 1. The Company

Samsung Electronics Co., Ltd. (the "Company") is incorporated under the laws of the Republic of Korea to manufacture and sell electronic goods, communication facilities, semi-conductors, telecommunication equipment and other similar products.

The Company's stock is publicly traded, and all issued and outstanding shares are listed on the Korean Stock Exchange.

Under the Articles of Incorporation, the Company is authorized to issue 500,000,000 shares of capital stock (par value: ₩5,000), of which 100,000,000 shares are cumulative, participating preferred stock, which are non-voting and entitled to a minimum cash dividend (9% of par value).

The non-cumulative, non-voting preferred stock issued on or before February 28, 1997 is entitled to an additional cash dividend (1% of par value) over common stock. At December 31, 1998, 124,773,633 shares of common stock and 23,893,427 shares of such preferred stock were issued and outstanding.

In addition, the Company is authorized to issue convertible debentures and debentures with stock purchase options up to ₩4,000,000 million and ₩2,000,000 million, respectively. The Company is authorized to issue depository receipts free from any preemptive rights by shareholders. Also, in case of issuing capital stocks through the exercise of stock option or general public subscription and issuing capital stocks to domestic and foreign financial institutions for urgent fund raising or co-operating companies for technical assistance, the Company is authorized to issue capital stocks free from any preemptive rights by shareholders. No debenture with stock purchase options have been issued as of December 31, 1998.

The Company has a stock option plan under which options to purchase shares of common stock may be granted to key employees up to maximum 1% of issued shares per employee by the approval of shareholders meeting. No stock option has been endowed as of December 31, 1998.

The Company issued 11,700,000 shares of common stock for cash at ₩38,900 per share on June 5, 1998 and 15,000,000 shares of common stock for cash at ₩29,300 per shares on September 25, 1998. In addition, the Company issued 3,593 shares of common stock through the conversion of foreign currency convertible bonds in the amount of US\$ 500,000 in 1998 (see Note 11). The cash received in excess of par value of ₩761,130 million and the conversion price in excess of par value of ₩426 million were credited to other capital surplus.

As of December 31, 1998, ₩330,046,214 thousand (face value of US\$377,060,000) of convertible bonds are outstanding (see Note 11).

### 2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

#### Basis of Financial Statement Presentation -

The official accounting records of the Company, on which the Korean language financial statements are based, are maintained in Korean Won in accordance with the laws and regulations of the Republic of Korea.

For the convenience of the reader, the accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain supplementary information included in the Korean language financial statements not required for a fair presentation of the Company's financial position or results of operations and cash flows is not presented in the accompanying financial statements.

Such financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea.

The preparation of financial statements requires management to make estimates and assumptions that effect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

#### Marketable Securities -

Marketable securities are stated at cost, which approximates market value.

#### Allowance for Doubtful Accounts -

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the amounts receivable.

#### Inventory Valuation -

Inventory are stated at the lower of cost or market, cost being determined by the average cost method, except for materials in transit which are stated at actual cost as determined by the specific identification method.

#### Property, Plant and Equipment and Related Depreciation -

Property, plant and equipment are stated at cost, except for certain assets subject to upward revaluation in accordance with the Asset Revaluation Law. The revaluation presents production facilities and other buildings at their depreciated replacement cost, and land at the prevailing market price, as of the effective date of revaluation. The revaluation increment, net of revaluation tax, is first applied to offset accumulated deficit, if any, and the remainder may either be credited to capital surplus which are transferred to common stock or may be credited to deferred foreign currency translation losses.

A new basis for calculating depreciation is established for reval-

## NOTES TO FINANCIAL STATEMENTS

ued assets (see Note 7). Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets as described below.

	Estimated Useful Lives-years
Buildings and auxiliary facilities	7 - 60
Machinery and equipment	2 - 10
Tools and fixtures	2 - 10
Structures and vehicles	2 - 40

Pursuant to revised Korean Corporate Income Tax Law, the residual value of assets acquired on or before December 31, 1994, is depreciated over three years following the year in which 90% of the cost is fully depreciated. During 1998, depreciation expense charged to operations for the residual value amounted ₩41,013 million. No residual salvage value is provided for assets acquired after December 31, 1994.

In conformity with Korean accounting practices, the Company recognizes special accelerated depreciation expense on certain plant and equipment acquired on or before December 31, 1994 which are used in operations more than 12 hours a day on average. During 1998 and 1997, the Company recognized special depreciation expense of ₩38,190 million and ₩2,650 million, respectively.

The Company capitalizes interest as part of the cost of constructing major facilities and equipment (see Note 7).

### Maintenance and Repairs -

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

### Investments in Subsidiaries and Affiliated Companies -

Investments in subsidiaries and affiliated companies and non-marketable equity securities are reported at cost, except where market value or net book value declines significantly compared to acquisition cost and is not expected to recover, in which case the investment is reduced to the market value or net book value.

Under generally accepted financial accounting standards in the Republic of Korea, neither consolidation of subsidiaries nor the equity method of accounting for minority owned companies is applied in the primary financial statements of the Company.

Equity investments in publicly traded companies excluding subsidiaries and affiliated companies, classified as noncurrent deposits and other assets, are reported at market value and the differences between the market value and the acquisition cost are treated as unrealized holding gain or loss on the valuation of investments in equity securities, a component of shareholders' equity.

The Company is required to prepare, in addition to these non-consolidated financial statements, audited financial statements that are consolidated with those of certain domestic and overseas subsidiaries as defined by Consolidation Financial Accounting Standards. Such audited consolidated financial statements for 1998 are required to be prepared by April 30, 1999.

### Deferred Charges -

Research and development costs, as well as stock and debenture issuance costs are charged to operations as incurred.

Deferred foreign exchange losses are amortized over the terms of the related debt using the straight-line method.

### Accrued Severance Benefits -

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company, based on their length of service and rate of pay at the time of termination. Accrued severance benefits which would be payable assuming all eligible employees terminated their employment as of December 31, 1998 and 1997 are ₩264,043 million and ₩777,358 million, respectively.

Severance pay expense is calculated based on the net change in the accrued severance benefit liability assuming the termination of all eligible employees as of the beginning and end of the accounting period.

Under prevailing generally accepted accounting standards, as of December 31, 1990, accrued severance benefits were underaccrued by approximately ₩42,254 million. The Company is adjusting the underaccrued severance benefits over 10 years beginning in 1991 in accordance with the provisions of the Addendum of the Financial Accounting Standards of the Republic of Korea. Accordingly, for the year ended December 31, 1998, the Company deducted ₩4,225 million from retained earnings for additional accrued severance benefits.

Accrued severance benefits are funded approximately 68% and 45% as of December 31, 1998 and 1997, respectively, through a group severance insurance plan with Samsung Life Insurance Company, Ltd. The amounts funded under this insurance plan are classified as noncurrent deposits and other assets. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits liability. The contributed amount shall be refunded from the National Pension Fund to employees on their retirement.

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## NOTES TO FINANCIAL STATEMENTS

### Discounts and Premiums on Debentures and Adjustment Account for Conversion Rights -

Discounts and premiums on debentures represent the difference between the issue price and par value of debentures. Discounts and premiums on debentures are amortized over the redemption period of the related debentures using the straight-line method. The amortized amounts from discount on debentures are recorded as interest expenses and the amortized amounts from premiums on debentures are deducted from interest expenses.

The Company records a consideration for conversion rights and an adjustment account for conversion rights which represents the difference between the nominal value and the discounted present value at market return rate or guaranteed return rate, if any, of convertible debentures. These amounts are reported as an adjustment account to debentures, and credited to shareholders' equity.

The adjustment account for conversion rights is amortized using the effective interest rate method and is recognized as interest expense. When convertible debentures are converted, the consideration for conversion rights is offset against the related adjustment account for conversion rights and the remainder is presented as other capital surplus.

### Foreign Currency Translation -

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the basic rates in effect at the balance sheet date (in case of U.S. Dollars, US\$1 to 1,207.80), and resulting translation gains and losses are recognized currently. However, translation gains or losses on long-term monetary assets and liabilities denominated in foreign currencies, which resulted from significant changes in the exchange rate in 1997 were deferred. Subsequent gains or losses incurred for the same monetary assets and liabilities in 1998 were offset against the deferred amount carried forward from 1997 and the net amount remaining is to be amortized over the maturities of the corresponding assets and liabilities using the straight-line method.

Foreign currency convertible debentures are translated at a fixed exchange rate for conversion in accordance with accounting practices prevailing in the Republic of Korea.

### Income Taxes -

The provision for income taxes is comprised of corporate tax, resident tax and agriculture and fishery development special tax surcharges, payable in the current year. In conformity with accounting practices prevailing in the Republic of Korea, the Company does not recognize deferred income taxes arising from temporary differences between amounts reported for financial accounting and income tax reporting purposes.

Investment tax credits are recognized as a reduction of income tax expense in the year in which they are utilized.

### Earnings Per Share -

Earnings per share are computed, after deduction of dividends declared non-voting preferred stock, using the weighted average number of common shares outstanding during the period.

### Product Warranties and Performance Guarantees -

In conformity with accounting practices prevailing in the Republic of Korea, costs related to repairs, service and other work required in accordance with product warranties and performance guarantees are charged to expense when incurred.

### Prior Period Error Corrections -

Pursuant to the revised generally accepted financial accounting standards effective January 1, 1997, the Company recorded prior period error corrections as extraordinary income or loss. Prior period error corrections include refinements of estimates used in prior years and the resolution of matters outstanding from prior years.

### Significant Changes in Financial Accounting Standards -

In December 1998, significant changes to the financial accounting standards in Korea were announced which will change accounting principles generally accepted in Korea to be more consistent with International Accounting Standards. These changes, including accounting for investment securities, foreign currency translation, impairment of long-lived assets, deferred assets, goodwill, and prior period adjustments are effective for years beginning on or after January 1, 1999. The cumulative effect on prior years of these changes in accounting policies will be charged or credited to retained earnings, with disclosure on the effect of the change on prior years' net income. In addition, recognition of income tax expenses and deferred income taxes will be applied in accordance with the provision of the Addendum of the Financial Accounting Standards of the Republic of Korea.

## 3. Amounts Stated in U.S. Dollars

The Company operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The US Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. For both 1998 and 1997, Won amounts are expressed in US Dollars at the rate of ₩1,207:US\$1, the rate in effect on December 31, 1998. This presentation is not in accordance with accounting principles generally accepted in either Korea or the United States, and should not be construed as a representation that the Won amounts shown could be converted, realized or settled in US Dollars at these rates.

The 1997 U.S. Dollar amounts, which were previously expressed at ₩1,415:US\$1, the rate prevailing on December 31, 1997, have been restated to reflect the exchange rate in effect on December 31, 1998.

## NOTES TO FINANCIAL STATEMENTS

### 4. Cash and bank deposits

Cash and bank deposits at December 31, 1998 and 1997 consist of the following :

	<i>Annual Interest Rates(%)</i>	<i>Thousands of Korean Won</i>	
	1998	1998	1997
Cash on hand and in banks	-	141,822,284	26,068,865
Passbook accounts	1	27,220,625	31,093,071
Installment and time deposits	6.5-18.0	876,275,738	1,207,995,182
Foreign currency deposits	4.6-6.5	157,613,974	129,835,851
Group severance insurance deposits	8.5	178,528,734	346,654,387
Other deposits	-	76,410	368,197
		1,381,537,765	1,742,015,553
Less : portion classified as non-current		(194,059,084)	(374,858,303)
		1,187,478,681	1,367,157,250

At December 31, 1998 and 1997, bank deposits of ₩154,290 million and ₩208,927 million, respectively, are pledged as collateral for certain short-term loans, and are subject to restrictions on withdrawal (see Note 9). In addition, group severance insurance deposits may only be withdrawn for the actual payment of severance benefits.

### 5. Marketable securities

Marketable securities at December 31, 1998 and 1997 consist of the following :

	<i>Annual Interest Rates(%)</i>	<i>Thousands of Korean Won</i>	
	1998	1998	1997
Beneficiary securities	9.0 - 14.8	78,818,785	14,500,000
Negotiable certificates of deposits	6.78	19,731,322	10,611,340
Bonds	5 - 6	159,605	19,254,280
		98,709,712	44,365,620

Marketable securities of ₩37,357 million are pledged as collateral for certain short-term loans at December 31, 1998 (see Note 9).

### 6. Inventory

Inventory at December 31, 1998 and 1997 consist of the following :

	<i>Thousands of Korean Won</i>	
	1998	1997
Finished goods and merchandise	749,898,233	598,437,367
Semifinished goods and work in process	513,431,854	834,334,178
Raw materials and supplies	526,522,704	640,714,921
Materials in transit	79,767,336	267,965,173
	1,869,620,127	2,341,451,639

Inventory is insured against fire and other casualty losses up to ₩1,806,432 million at December 31, 1998.

At December 31, 1998, ₩473,269 million of land and construction in progress held by the Company for sale are included in merchandise account and related interest costs of ₩35,513 million have been capitalized for the year ended December 31, 1998.

## NOTES TO FINANCIAL STATEMENTS

### 7. Property, plant and equipment

Property, plant and equipment at December 31, 1998 and 1997 consist of the following:

	<i>Thousands of Korean Won</i>	
	1998	1997
Buildings and auxiliary facilities	2,040,196,815	1,719,615,673
Machinery and equipment	9,787,637,346	8,619,594,538
Tools and fixtures	1,314,868,639	1,303,330,322
Structures and vehicles	201,335,813	203,533,117
	13,344,038,613	11,846,073,650
Less : accumulated depreciation	(7,680,173,687)	(6,531,959,851)
	5,663,864,926	5,314,113,799
Land	1,274,368,408	872,069,235
Construction in progress	564,487,991	973,130,033
	7,502,721,325	7,159,313,067

At December 31, 1998, certain portion of the Company's property, plant and equipment up to a maximum of ₩1,498,019 million is pledged as collateral for various loans from Korea Development Bank, Commercial Bank of Korea and Hanil Bank (see Note 10).

At December 31, 1998, depreciable assets are insured against fire and other casualty losses up to ₩19,137,185 million.

At December 31, 1998, the government appraised value of land is ₩1,173,222 million.

Interest costs of ₩52,570 million have been capitalized for the year ended December 31, 1998.

In accordance with the Asset Revaluation Law (see Note 2), effective January 1, 1980 and 1982, the Company revalued a substantial portion of its property, plant and equipment by ₩18,564 million and ₩14,967 million, respectively, and its investments in equity securities by ₩502 million and ₩649 million, respectively. The revaluation increments, net of revaluation tax, were credited to revaluation surplus, a component of shareholders' equity.

In addition, effective January 1, 1998, the Company revalued a substantial portion of its property, plant and equipment by ₩956,696 million and its investments in equity securities by ₩6,956 million as follows :

	<i>Thousands of Korean Won</i>		
	Revalued Amount	Book Value	Revaluation Increment
Land	523,708,023	23,810,460	499,897,563
Buildings and auxiliary facilities	709,610,968	499,929,666	209,681,302
Machinery and equipment	278,017,686	49,318,629	228,699,057
Tools and fixtures	20,850,243	6,794,521	14,055,722
Structures and vehicles	39,620,605	35,258,933	4,361,672
Investments in equity securities	12,460,185	5,503,806	6,956,379
	1,584,267,710	620,616,015	963,651,695

The additional depreciation of ₩132,663 million in relation to the above revaluation is recorded during 1998. The revaluation increments, net of revaluation tax of ₩28,910 million, was credited to deferred foreign currency translation losses, a component of deferred charges, in the amount of ₩934,742 million.

## NOTES TO FINANCIAL STATEMENTS

### 8. Investments in subsidiaries and affiliated companies

Investments in subsidiaries and affiliated companies, all of which are unconsolidated in the accompanying financial statements at December 31, 1998 and 1997, consist of the following (in thousands of Korean Won) :

	1998			1997	
	Percentage of Ownership	Acquisition Cost	Market Value (Net book value)	Recorded Book Value	Recorded Book Value
<b>Subsidiaries</b>					
Samsung Electronics Canada Inc.	100.00	37,910,597	37,012,264	37,910,597	10,649,417
Samsung Electronics America, Inc.	100.00	584,138,017	196,072,550	584,138,017	304,341,917
Samsung Electronics Panama, (ZONA LIBRE) S.A.	100.00	14,289,800	20,977,070	14,289,800	7,421,800
Samsung Electronics Mexico S.A. de C. V.	100.00	30,767,040	31,289,365	30,767,040	4,022,040
Samsung Electronica Da Amazonia LTDA.	100.00	88,524,020	18,475,364	88,524,020	63,553,880
Samsung Electronics Argentina S.A.	100.00	50,227,700	45,843,876	50,227,700	4,696,200
Cagent Technologies, Inc.	91.48	22,162,492	22,162,492	22,162,492	22,162,492
Alpha Processor, Inc.	87.50	34,514,928	34,514,928	34,514,928	-
Bethany Communications Import & Export S.A.	71.40	4,586,563	4,055,293	4,586,563	4,586,563
AST Research Inc.	79.14	326,768,545	-	326,768,545	260,737,562
Samsung Glass America, Inc.	61.04	5,793,309	5,793,309	5,793,309	1,781,246
Varimetrix Corp.	54.80	400,145	515,638	400,145	400,145
Integrated Telecomm Technology Inc.	-	-	-	-	11,879,709
Samsung Electronica Comercio E Servicios LTDA	-	-	-	-	161,140
Samsung Electronics Iberia, S.A.	100.00	65,221,118	79,121,317	65,221,118	22,104,121
Samsung Electronics Svenska. AB.	100.00	16,153,454	11,815,615	16,153,454	3,257,294
Samsung Electronics Hungarian RT Co., Ltd.	100.00	48,397,117	58,900,317	48,397,117	20,763,117
Samsung Electronica Portuguesa S.A.	100.00	12,594,048	10,819,973	12,594,048	5,126,072
Samsung Electronics France S.A.	100.00	39,433,410	36,972,860	39,433,410	11,175,412
Samsung Europe PLC	100.00	134,316,206	163,725,579	134,316,206	74,382,605
Samsung Electronics Holding GmbH	100.00	77,607,621	108,909,615	77,607,621	77,607,621
Samsung Electronics Italia, S.p.A.	100.00	56,778,556	51,400,252	56,778,556	12,035,458
Inversiones Hispano-Chilenas Holding, B.V.	100.00	112,630,756	84,072,571	112,630,756	112,630,756
Samsung Electronics Nederland B.V.	100.00	38,334,024	27,596,512	38,334,024	1,265,399
Samsung Electronics Poland, SP.Zo.O	100.00	20,097,600	10,666,756	20,097,600	5,461,100
Samsung Electronics South Africa(Pty) Ltd.	100.00	39,829,558	10,193,792	39,829,558	1,365,840
Samsung Electronics Moscow Co., Ltd.	100.00	76,245	330,360	76,245	76,245
Samsung Almaty Service Co., Ltd.	100.00	717,045	690,158	717,045	717,045
Samsung Ukraine Service Co., Ltd.	100.00	684,078	723,977	684,078	684,078
Samsung Electronics Overseas B.V.	100.00	119,898	-	119,898	119,898
Samsung Electronics Mo Center, Ltd.	95.00	113,322	-	113,322	113,322
Samsung Crosna Joint Stock Company	71.00	2,230,533	2,961,131	2,230,533	2,230,533
Uzbekistan Samsung Electronics	80.00	3,341,000	3,341,000	3,341,000	-
Samsung Electronics Australia Pty, Ltd.	100.00	40,457,800	35,368,501	40,457,800	10,301,256
Samsung Electronics (M) SDN.BHD.	100.00	4,378,136	24,847,194	4,378,136	4,378,136
Samsung Gulf Electronics Co., Ltd.	100.00	7,976,308	6,938,489	7,976,308	1,471,808
Samsung Electronics India Private Ltd.	100.00	897,200	897,200	897,200	897,200
PT Samsung Electronics Indonesia	99.99	56,910,316	24,124,650	56,910,316	12,766,316
Samsung Electronics Display (M) SDN. OMD(HSD).	75.00	21,876,246	34,339,222	21,876,246	21,876,246
Samsung India Electronics Ltd.	73.87	15,526,467	11,638,594	15,526,467	3,710,377
Samsung Asia Private, Ltd.	70.00	20,454,044	54,630,318	20,454,044	20,454,044
Samsung Vina Electronics Co., Ltd.	81.62	13,531,704	12,046,741	13,531,704	6,448,764

Continued ;

## NOTES TO FINANCIAL STATEMENTS

### 8. Investments in subsidiaries and affiliated companies, Continued :

		1998		1997	
	Percentage of Ownership	Acquisition Cost	Market Value (Net book value)	Recorded Book Value	Recorded Book Value
Samsung Electronics Philippines Corporation	100.00	68,969,626	-	68,969,626	1,674,126
PT Samsung Maspion Indonesia	50.00	1,957,250	-	1,957,250	1,957,250
Thai-Samsung Electronics Co., Ltd.	91.50	37,422,945	36,210,404	37,422,945	-
PrimeTel Ltd.	50.00	19,070,717	19,070,717	19,070,717	6,636,000
Samsung Electronics Hong Kong Co., Ltd.	100.00	69,029,200	70,572,652	69,029,200	349,200
Samsung Electronics Taiwan Co., Ltd.	100.00	1,524,856	7,009,569	1,524,856	455,700
Samsung Electronics Souzhou Semiconductor Co., Ltd.	100.00	25,093,560	36,147,947	25,093,560	25,093,560
Samsung(CHINA) InvestmentCo., Ltd.	100.00	23,253,000	18,519,090	23,253,000	23,253,000
Samsung Electronics HuiZhou Co., Ltd.	98.63	36,022,618	15,426,728	36,022,618	9,236,618
Tian Jin Tong Guang Samsung Electronics Co., Ltd.	94.31	86,592,521	2,961,852	86,592,521	14,475,641
Tian Jin Samsung Electronics Display Co., Ltd.	59.17	9,895,816	8,953,691	9,895,816	1,273,248
Souzhou Samsung Electronics Co., Ltd.	88.28	64,731,000	44,873,396	64,731,000	25,704,000
Tian Jin Samsung Electronics Co., Ltd	90.55	50,570,084	39,785,382	50,570,084	16,397,084
Shandong-Samsung Telecommunications Co., Ltd.	69.00	15,562,465	23,483,219	15,562,465	15,562,465
Shanghai Samsung Kang Cheng Communications Equipment Co., Ltd.	51.00	1,008,934	1,815,639	1,008,934	1,008,934
Samsung Electronics Japan Co., Ltd.	-	-	-	-	47,766,973
Samsung Yokohama Research Institute	100.00	33,991,706	32,075,280	33,991,706	33,991,706
Lux corporation, Inc.	50.76	15,202,391	7,587,855	15,202,391	15,202,391
Samsung Watch Co., Ltd.	100.00	122,249,940	13,536,058	13,536,058	77,949,940
Icheon Electricity Co., Ltd.	-	-	-	-	29,000,000
Novita Co., Ltd.	100.00	20,244,012	8,627,202	20,244,012	447,512
Kwangju Electronics Co., Ltd.	95.00	30,400,000	41,842,332	30,400,000	30,400,000
Samsung Finance Co., Ltd.	73.13	109,700,000	114,594,710	109,700,000	89,700,000
Asan Electronics Co., Ltd.	60.00	3,046,107	603,244	3,046,107	3,046,107
Samsung Card Co., Ltd.	58.72	117,448,520	130,089,704	117,448,520	81,561,475
STECO, Ltd.	51.00	12,239,960	6,790,652	12,239,960	12,239,960
Samsung Electronics Service Co., Ltd.	99.99	29,999,990	30,518,146	29,999,990	-
International Precision Corporation	51.00	509,995	470,952	509,995	-
Total investments in subsidiaries		3,056,504,179	1,995,351,264	2,947,790,297	1,694,197,064
<b>Affiliated companies</b>					
Joong-Ang Daily News California Inc.	25.42	2,889,686	3,149,406	2,889,686	2,889,686
Norpak Corporation	21.54	1,018,116	690,603	561,660	561,660
Samsung Display Devices Do. Brasil.	10.00	3,110,100	4,328,001	3,110,100	3,110,100
Samsung Portugal Productos Electro-mechanicos S.A.	25.45	2,123,880	1,419,633	2,123,880	2,123,880
Samsung Electronics (UK), Ltd.	5.17	8,280,489	8,280,489	8,280,489	-
Samsung Russia Service Center	26.00	706,889	706,889	706,889	-
Dagestankaya Cellular Network Ltd.	49.00	1,796,192	1,615,703	1,796,192	1,796,192
Syrian-Korean Telecommunication Equipment Manufacturing Establishment Co., Ltd.	49.00	2,060,925	3,536,585	2,060,925	2,060,925
Samsung Electronics Ticaret S.A.	20.00	1,371,004	97,532	181,972	181,972
Samsung Japan Co., Ltd.	49.00	47,766,973	33,005,313	47,766,973	-
Union Optical Co., Ltd.	20.00	17,388,905	4,911,610	17,388,905	17,388,905
Thai-Samsung Electronics Co., Ltd.	-	-	-	-	2,970,945
Array Microsystems, Inc.	-	-	-	-	330,385
Samsung Electro-Mechanics Co., Ltd.	21.97	197,964,730	315,689,832	197,964,730	130,567,692
Samsung Heavy Industries Co., Ltd.	17.68	204,988,560	208,535,919	204,988,560	122,818,074

Continued ;

## NOTES TO FINANCIAL STATEMENTS

	1998			1997	
	Percentage of Ownership	Acquisition Cost	Market Value (Net book value)	Recorded Book Value	Recorded Book Value
DNS Korea Co., Ltd.	43.70	2,185,000	5,840,296	2,185,000	2,185,000
Samsung-GE Medical Systems Co., Ltd.	34.00	2,045,261	7,141,020	2,045,261	2,045,261
Seoul Commtech. Co., Ltd.	33.33	4,191,977	6,951,412	4,191,977	4,191,977
Samsung Economic Research Institute	29.80	8,940,000	9,014,964	8,940,000	1,800,000
Samsung Data Systems Co., Ltd.	29.94	17,966,660	27,761,967	17,966,660	17,966,660
Samsung Corning Co., Ltd.	48.36	86,744,180	127,238,729	86,744,180	86,710,798
Samsung Lions Co., Ltd.	27.50	275,000	-	275,000	275,000
Samsung Motors Inc.	21.11	170,000,000	42,765,677	170,000,000	170,000,000
Towa Korea Co., Ltd.	40.00	800,000	3,419,444	800,000	800,000
Posco Huls Co., Ltd.	20.00	17,200,000	14,799,193	17,200,000	17,200,000
Samsung Display Devices Co., Ltd. (Common stock)	13.29	230,173,725	318,094,455	230,173,725	129,040,723
Samsung Display Devices Co., Ltd. (Preferred stock)	3.38	2,271,792	1,690,826	2,271,792	2,271,792
Samsung Fine Chemicals Co., Ltd.	8.83	33,040,382	16,681,966	33,040,382	28,307,402
Samsung Aerospace Industries Ltd.	8.13	30,975,037	17,539,620	30,975,037	30,975,037
Hotel Shilla Co., Ltd.	5.32	8,973,516	11,125,137	8,973,516	6,682,901
Samsung Petrochemical Co., Ltd.	9.93	8,040,460	19,085,460	8,040,460	2,530,860
Samsung General Chemical Co., Ltd.	3.66	17,555,670	12,760,190	17,555,670	17,555,670
Affiliated companies, Continued :					
Hewlett Packard Korea Ltd.	-	-	-	-	7,245,000
Texas Instruments Samsung Electronics Portugal, Ltd.	38.00	6,347,494	6,347,494	6,347,494	-
Other affiliated companies		1,068,465	3,735,300	1,068,465	873,195
Total investments in affiliated companies		1,140,261,068	1,237,960,665	1,138,615,580	815,457,692
		4,196,765,247	3,233,311,929	4,086,405,877	2,509,654,756

For investments in Samsung Lions Co., Ltd, AST Research Inc. and Array Microsystems Inc. of which net book value declined significantly compared to its acquisition cost, the Company recorded these investments at cost, due to recovery expectation in net book value through increase in net income from normal operation, paid-in capital and future expected value from business restructuring.

During the year ended December 31, 1998, the Company recognized extraordinary loss from sale of its investment in Icheon Electronics Inc. and from non-temporary decline in value of its investment in Samsung Watch Inc. in the amount of ₩190,522 million and ₩108,714 million, respectively.

At December 31, 1998, investments in affiliated companies of ₩174,288 million are pledged as collateral for certain long-term loans (see Note 10).

## NOTES TO FINANCIAL STATEMENTS

### 9. Short-Term Borrowings

Short-Term Borrowings at December 31, 1998 and 1997 consist of the following:

	<i>Annual Interest Rates(%)</i>	<i>Thousands of Korean Won</i>	
	1998	1998	1997
Bank overdraft facilities	12.21-13.18	149,188,463	52,133,534
Notes, discounted	12.16	30,000,000	191,000,000
Export financing	9.6-10.35	39,739,871	86,077,145
Usance financing	LIBOR+3-5	41,682	133,472,458
Foreign currency loans	LIBOR+0.7-3.26	19,443,220	94,160,903
General term loans: Commercial banks	-	-	755,100,931
		238,413,236	1,311,944,971

Certain bank deposits and marketable securities are pledged as collateral for the above loans (see Notes 4 and 5).

### 10. Long-Term Debt

Long-Term Debt at December 31, 1998 and 1997 consists of the following:

	<i>Reference</i>	<i>Thousands of Korean Won</i>	
	1998	1998	1997
Won currency loans	(A)	817,671,690	888,226,968
Foreign currency loans, in Won equivalent	(B)	3,011,288,789	6,910,478,031
Debentures	(C)	4,245,448,182	1,525,872,106
		8,074,408,661	9,324,577,105
Less : current maturities		(1,612,504,293)	(1,230,123,566)
		6,461,904,368	8,094,453,539

(A) Won currency loans at December 31, 1998 and 1997 consist of the following

	<i>Annual Interest Rates(%)</i>	<i>Thousands of Korean Won</i>	
	1998	1998	1997
Hanil Bank	5.0-10.8	76,318,252	85,024,000
Korea Development Bank	5.0-16.35	455,875,000	490,825,400
Korea Long-Term Credit Bank	6.5-13.15	199,216,828	203,340,688
Chohung Bank	11-11.15	3,698,140	11,094,420
Korea Technology Banking Corporation	6.5	21,210,327	26,589,470
Housing & Commercial Bank	9.5	1,353,143	1,352,990
Korea Merchant Banking Corporation	12.69	30,000,000	30,000,000
Korean French Banking Corporation	12.48-12.55	30,000,000	30,000,000
Asian Banking Corporation	-	-	10,000,000
		817,671,690	888,226,968

Continued ;

## NOTES TO FINANCIAL STATEMENTS

(B) Long-term debt denominated in foreign currencies at December 31, 1998 and 1997 consists of the following

	Annual Interest Rates(%)		Thousands of US Dollars	
	1998	1998	1997	1997
ING	LIBOR+0.45	8,533	8,533	
Banque Paribas	-	-	639	
Citibank, N.A.	LIBOR+1	233,793	235,380	
Digital Equipment Co., Ltd.	5.99	30,000	-	
The Long Term Credit Bank of Japan, Ltd.	-	-	410	
Credit Lyonnais	-	-	830	
Chase Manhattan Bank	-	-	682	
Tokai Bank	-	-	973	
Other foreign banks	-	-	3,246	
Korea Development Bank	10.0 or LIBOR+0.35-2.0	693,382	1,096,182	
Korea Exchange Bank	LIBOR+0.375-1.0	75,656	134,894	
Commercial Bank of Korea	3.2 or LIBOR+1	1,421	212,286	
Hanil Bank	LIBOR+0.45	30,000	403,250	
Korea Long-Term Credit Bank	-	-	50,137	
Korea First Bank	LIBOR+2	100	5,318	
Chohung Bank	-	-	83,416	
The Export-Import Bank of Korea	3.2 or ₩LIBOR+0.625-0.725	169,910	167,149	
Bank of Seoul	LIBOR+0.4-1	17,312	75,818	
Housing & Commercial Bank	LIBOR+1	100	48,213	
Shinhan Bank	-	-	69,916	
Dong Hwa Bank Ltd.	-	-	9,934	
Hana Bank	LIBOR+1	100	19,516	
Boram Bank	LIBOR+1	100	19,996	
Koram Bank	3.2	42,057	-	
Korea Development Leasing Corporation and others	LIBOR+0.6-1.1	1,112,003	1,808,492	
Korea Merchant Banking Companies	LIBOR+0.87	78,735	427,830	
US Dollar equivalent offoreign currencies		\$ 2,493,202	\$ 4,883,040	
Won equivalent (in thousands)		₩ 3,011,288,789	₩ 6,910,478,031	

(C) Debentures outstanding at December 31, 1998 and 1997 consist of the following:

	Annual Interest Rates(%)		Thousands of Korean Won	
	1998	1998	1997	1997
Guaranteed by banks, payable through 2001	11-25	1,120,000,000	910,000,000	
Floating rate notes, payable at 2001	CD+0.1	32,000,000	32,000,000	
Other, payable through 2003	8-24.22	3,206,000,000	620,000,000	
		4,358,000,000	1,562,000,000	
Add : premiums		1,472,804	1,869,758	
Less : discounts		(114,024,622)	(37,997,652)	
		4,245,448,182	1,525,872,106	

Certain investments and property, plant and equipment are pledged as collateral for the above loans (see Notes 7 and 8).

In addition, repayment of certain long-term debt is guaranteed by various Korean financial institutions.

Maturities of long-term debt outstanding, excluding premiums and discounts on debentures, at December 31, 1998 are as follows:

Continued ;

## NOTES TO FINANCIAL STATEMENTS

### 10. Long-Term Debt, Continued :

(C) Debentures outstanding at December 31, 1998 and 1997 consist of the following:

	<i>Thousands of Korean Won</i>			
	Won Currency Loans	Foreign Currency Loans	Debentures	Total
1999	336,212,983	536,291,310	740,000,000	1,612,504,293
2000	215,109,701	699,542,709	870,000,000	1,784,652,410
2001	150,450,893	1,016,633,541	2,715,000,000	3,882,084,434
2002	69,885,445	556,852,928	-	626,738,373
2003	25,905,643	145,332,401	33,000,000	204,238,044
Thereafter	20,107,025	56,635,900	-	76,742,925
	817,671,690	3,011,288,789	4,358,000,000	8,186,960,479

### 11. Foreign currency notes and bonds

Unsecured Foreign currency notes and bonds at December 31, 1998 and 1997 consist of the following:

	Due Date	<i>Thousands of Korean Won</i>	
		1998	1997
foreign currency notes and bonds at December 31, 1998 and 1997 consist of the following:			
US\$ denominated floating rate notes	( A ) December 22, 1998	-	63,684,000
US\$ denominated floating rate notes	( B ) June 21, 1999	241,560,000	283,040,000
□ denominated floating rate notes	( C ) December 29, 1999	210,694,000	217,564,000
ECU denominated floating rate notes	( D ) May 16, 2000	129,089,664	151,256,576
US\$ denominated straight bonds	( E ) November 1, 2002	197,324,325	283,040,000
DM denominated straight bonds	( F ) March 24, 2000	215,436,000	237,285,000
US\$ denominated straight bonds	( G ) October 1, 2002	220,290,642	321,250,400
US\$ denominated straight bonds	( H ) October 1, 2027	120,780,000	141,520,000
□ denominated straight bonds	( I ) April 23, 2003	155,808,213	217,564,000
DM denominated straight bonds	( J ) December 16, 2001	215,436,000	237,285,000
Convertible bonds	( K ) December 31, 2006	63,940,464	63,940,464
Convertible bonds	( L ) December 31, 2007	266,105,750	266,550,000
		2,036,465,058	2,483,979,440
Less: current maturities		(452,254,000)	(63,684,000)
Less: discounts		(6,490,667)	(6,944,665)
Add: premiums		672,072	1,248,133
Less: conversion rights		(124,763,554)	(135,694,444)
		1,453,628,909	2,278,904,464

#### (A) US\$ denominated floating rate notes -

On December 22, 1993, the Company issued US\$45 million of floating rate notes. These notes were listed on the Luxembourg Stock Exchange, bearing interest at Libor plus 0.35%. The notes matured and were redeemed on December 22, 1998.

#### (B) US\$ denominated floating rate notes -

On June 21, 1994, the Company issued US\$200 million of floating rate notes. These notes are listed on the Luxembourg Stock Exchange, bear interest at Libor plus 0.3% and will mature on June 21, 1999.

#### (C) □ denominated floating rate notes -

On September 26, 1994, the Company issued □20,000 million of floating rate notes. These notes are listed on the Luxembourg Stock Exchange, bear interest at Yen Libor plus 0.35% and will mature on December 29, 1999.

#### (D) ECU denominated floating rate notes -

On May 16, 1995, the Company issued ECU 80 million of floating rate notes. These notes are listed on the Luxembourg Stock Exchange, bear interest at ECU Libor plus 0.375% and mature on May 16, 2000 and were concluded the contract of Currency Swap with Union Bank of Switzerland.

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## NOTES TO FINANCIAL STATEMENTS

### (E) US\$ denominated straight bonds -

On November 1, 1992, the Company issued US dollar denominated bonds of US\$200 million at 99.5% of face value for the expansion of semiconductor product manufacturing facilities. The bonds bear interest at 8.5% per annum and mature on November 1, 2002. The Company redeemed US\$ 36,625 thousand of these bonds during 1998.

### (F) DM denominated straight bonds -

On March 24, 1995, the Company issued straight bonds of DM300 million at 101.75% of face value. The bonds bear interest at 7.5% and mature on March 24, 2000.

### (G) US\$ denominated straight bonds -

On October 2, 1997, the Company issued straight bonds of US\$227 million at 93.11% of face value. The bonds bear interest at 7.45% per annum and mature on October 1, 2002. The Company redeemed US\$ 44,610 thousand of these bonds during 1998.

### (H) US\$ denominated straight bonds -

On October 2, 1997, the Company issued straight bonds of US\$ 100 million at 99.85% of face value. The bonds bear interest at 7.7% per annum and mature on October 1, 2027.

### (I) ¥ denominated straight bonds -

On April 23, 1996, the Company issued straight bonds of ¥20,000 million at face value. The bonds bear interest at 3.3% per annum and mature on April 23, 2003. The Company redeemed ¥5,210 million of these bonds during 1998.

### (J) DM denominated straight bonds -

On December 16, 1996, the Company issued straight bonds of DM300 million at face value. The bonds bear interest at 5.375% per annum and mature on December 16, 2001.

### (K) Convertible bonds -

On September 24, 1996, the Company issued foreign currency convertible bonds of US\$150 million for the expansion of manufacturing facilities. The bonds are listed on the London Stock Exchange and will mature on December 31, 2006. A summary of the terms of bonds is as follows :

- Interest: 0.25% per annum payable annually in arrears on December 31 of each year.
- Conversion period: On and after November 24, 1996 through December 15, 2006.
- Conversion Price: Subject to adjustment based on certain events, ¥67,905 per share, with a fixed exchange rate applicable to the conversion of ¥827.3 : US\$1.00.
- Redemption: Redeemable at the option of the bondholders on September 24, 2001 at 131.1% of the principal amount, and at the option of the Company at any time on or after October 24, 1996 at a declining redemption price. However, no such redemption may be made prior to September 24, 2001 unless the closing price of the Company's common shares has reached 135% of the conversion price for a stipulated period.

The Company recorded ¥51,969 million of consideration for conversion rights, the difference between nominal value and the discounted present value at the 5.796% guaranteed return rate, as an adjustment to debentures and shareholders' equity related to the issuance of foreign currency convertible bonds. The conversion rights account is amortized using the effective interest method, and amortization of ¥2,137 million was recognized as interest expense during 1998.

During 1997, US\$ 72,440 thousand of convertible bonds were converted into 823,352 shares of common stocks at the conversion price of ¥72,784 per share.

### (L) Convertible bonds -

On June 26, 1997, the Company issued foreign currency convertible bonds of US\$300 million for the expansion of manufacturing facilities. The bonds are listed on the London Stock Exchange and will mature on December 31, 2007. A summary of the term of bonds is as follows:

- Interest: 0%
- Conversion period: On and after July 26, 1997 through December 15, 2007.
- Conversion Price: Subject to adjustment based on certain events, ¥116,763 per share with a fixed exchange rate applicable to the conversion of ¥888.5 : US\$1.00
- Redemption: Redeemable at the option of the bondholders on June 26, 2002 at 131.1% of the principal amount, and at the option of the Company at any time on or after June 26, 1999 at a declining redemption price. However, no such redemption may be made prior to June 26, 2002 unless the closing price of the Company's common shares has reached 135% of the conversion price for a stipulated period.

## NOTES TO FINANCIAL STATEMENTS

The Company recorded ₩115,678 million of consideration for conversion rights, the difference between nominal value and the discounted present value at the 5.558% guaranteed return rate, as an adjustment to debentures and shareholders' equity related to the issuance of foreign currency convertible bonds. The conversion rights account is amortized using the effective interest method and amortization of ₩8,607 million was recognized as interest expense during 1998.

During 1998, US\$ 500,000 of convertible bonds were converted to common stocks at the conversion price of ₩123,635 per share (see Note 1).

In relation with the conversion to common stock, the Company recorded ₩10 million as other capital surplus, the difference between conversion rights and related consideration for conversion rights.

### 12. Commitments and Contingencies

•At December 31, 1998, the Company was contingently liable for guarantees of indebtedness, principally for affiliated companies, approximating ₩74,800 million and US\$ 2,578,905 thousand. In addition, the Company is contingently liable for accounts and notes receivable sold with recourse, but not matured, approximating ₩9,846 million.

•At December 31, 1998, the Company has entered into technical assistance agreements with certain foreign companies. Total royalty expense related to these agreements incurred during 1998 amounts to approximately ₩684,640 million.

•At December 31, 1998, the Company has entered into lease agreements with several leasing companies which are recognized as direct financing leases. These lease agreements are summarized as follows:

Accounts	Millions of Korean Won	
	Acquisition Cost	Depreciation Expense Charged to 1998 Operations
Machinery and equipment	1,919,018	172,421

Scheduled future lease payments, net of interest, under these lease arrangements which are included with long-term debt (see Note 10) at December 31, 1998 are as follows:

Thousands of Korean Won	
1999	380,327,142
2000	418,023,819
2001	383,387,108
2002	218,500,549
Thereafter	37,934,752
	1,438,173,370

In addition, at December 31, 1998, the Company has entered into lease agreements which are recognized as operating leases. Related rental payments are charged to operations as incurred. Rental expense under operating lease agreements amounts to ₩1,334 million in 1998, and future rental payments are as follows :

Thousands of US Dollar	
1999	465
2000	323
2001	107
	895

•As of December 31, 1998, the Company has entered into forward exchange contracts (buying amounts of US\$ 271,900 thousand and HKD 469,040 thousand and selling amounts of US\$ 60,000 thousand, ₩133,974 million, HKD 642,160 thousand and CNY 799,935 thousand), Currency SWAP contracts (buying amounts of DM 434,840 thousand and selling amounts of US\$ 265,279 thousand) and Interest SWAP contracts amounting to US\$ 1,400,000 thousand and ₩20,000,000 thousand with certain financial institutions. The unrealized losses expected from the above forward exchange and SWAP contracts are approximately ₩37,513

## NOTES TO FINANCIAL STATEMENTS

million. In accordance with generally accepted accounting principles in the Republic of Korea, unrealized gains and losses on forward exchange or SWAP contracts are excluded from operations and recognized upon settlement date.

• The Company, Samsung Display Devices Co., Ltd. and Samsung Electro-Mechanics Co., Ltd. (the "Samsung") has entered into a joint-venture agreement with Pan-Pacific Industrial Investments, PLC ("Pan-Pacific"), the shareholder of Samsung Motors Inc. Upon this agreement, the each parties are authorized to sell or buy 50,000,000 shares of Samsung Motors Inc. owned by Pan-Pacific at certain exercise price (US\$348,290,072 at December 31, 1998) on or before the maturity date (April 27, 2007).

• As of December 31, 1998, Samsung Group is in the process of a business swap arrangement involving Samsung Motors Inc. (the "SMI") and Daewoo Electronics Co., Ltd. At December 31, 1998, the Company holds 34,000,000 shares of common stock of SMI amounting to ₩170,000,000 thousand (see Note 8). In addition, the Company has entered into the above-mentioned joint-venture agreement with Pan-Pacific Industrial Investment, PLC. The operation of the Company may be affected by the results of the business swap, the terms and conditions of which have not been finalized yet. The effects of the final resolution of this business swap on the accompanying financial statements cannot currently be determined. Accordingly, the accompanying financial statements do not reflect this transaction.

• On July 16, 1998, the Company has entered into a Vendor Financing Agreement with Hansol PCS Co., Ltd., amounting to ₩470,000 million with interest bearing at 22% per annum, which is redeemable within two years following a 3 year grace period at an installment basis. The related balance of long-term loan, a component of other assets, is ₩324,089 million at December 31, 1998.

• At December 31, 1998, the Company is a defendant in four legal actions for alleged patent infringement, one legal actions in connection with sales, two legal action for breach of contract and one environmental legal action brought against the Company. In addition, the Company is party to various other legal claims and proceedings, all of which are pending as of December 31, 1998. The Company's management believes that, although the outcome of these matters is uncertain, the resolution of these matters will not have a material adverse effect on the operations or financial position of the Company.

• The operations of the Company, and those of similar companies in the Republic of Korea, have been affected, and may continue to be affected, for the foreseeable future by the unstable economic conditions in the Republic of Korea and Asia Pacific region. Specific factors that impact these companies include volatility in the value of the Korean Won and interest rates and the general deterioration of the economies of countries in the Asia Pacific region.

### 13. Retained earnings

Retained earnings at December 31, 1998 and 1997 consist of the following:

	<i>Reference</i>	1998	1997
		<i>Thousands of Korean Won</i>	
<b>Appropriated</b>			
Legal reserve	(A)	237,789,000	187,789,000
Reserve for business rationalization	(B)	812,100,829	712,100,829
Reserve for improvement of financial structure	(C)	204,815,000	204,815,000
Reserve for overseas market development	(D)	602,341,108	655,941,108
Reserve for overseas investment losses	(D)	283,582,353	353,782,252
Reserve for technology development	(D)	1,691,216,908	1,428,186,683
Reserve for export losses	(D)	285,118,058	353,118,058
Reserve for facilities	(E)	134,615,000	134,615,000
		4,251,578,256	4,030,347,930
Unappropriated:		32,306	31,881
		4,251,610,562	4,030,379,811

(A) The Korean Commercial Code requires the Company to appropriate as a legal reserve an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of capital stock. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(B) Pursuant to the Tax Exemption and Reduction Control Law, the Company is required to appropriate as a reserve for business rationalization, an amount equal to the exemption of income taxes resulting from investment tax credits and certain deductions from taxable income specified by such law. This reserve may be used for the reduction of accumulated deficit, if any, or transferred to capital stock.

## NOTES TO FINANCIAL STATEMENTS

(C) The Financial Control Regulations for listed companies require the Company to appropriate as a reserve for improvement of financial structure an amount equal to at least 50% of the net extraordinary gain on disposal of property, plant and equipment and 10% of net earnings for each year until the Company's net worth equals 30% of total assets. This reserve is not available for payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(D) Pursuant to Korean tax laws, the Company is allowed to claim the amounts of retained earnings appropriated for reserves for overseas market development, overseas investment losses, technology development and export losses as deductions in determining taxable income. These amounts are not available for dividends until used for the specified purposes or reversed.

(E) The reserve for facilities represents amounts appropriated by the Company for capital expenditures and may be used for any purpose through shareholders' resolution.

### 14. Dividends

At December 31, 1998, the Company's income available for dividends under the Commercial Code in the Republic of Korea amounts to ₩2,785,556 million and dividend propensity is approximately 28.02%.

For the year ended December 31, 1998, a cash dividend of ₩87,760 million (Common stock : 12%, Preferred stock : 13%) is proposed for the general stockholders' meeting to be held on March 20, 1999.

### 15. Treasury stock

At December 31, 1998, the Company acquired 3,449,625 shares of common stock and 869,693 shares of non-voting preferred stock under the authorization of the Board of Directors. This treasury stock is recorded as a capital adjustment and will be sold subject to stock market conditions.

### 16. Income Taxes

The statutory income tax rate, including resident tax surcharges, applicable to the Company in 1998 is approximately 30.8%. However, the actual income tax expense reported by the Company differs from the expected income tax computed at the statutory income tax rate as follows:

	Tax Rates (%)		Thousands of Korean Won	
	1998	1997	1998	1997
Income tax expense computed at the statutory rate	30.8	30.8	126,543,747	47,315,180
Reversal of special reserves appropriated for tax purposes (see Note 13)	35.0	29.3	143,681,969	44,980,391
Investment tax credits	(19.2)	(21.5)	(79,115,643)	(33,056,154)
Capitalized interest expense	(6.1)	(11.4)	(25,289,979)	(17,570,762)
Foreign exchange losses	(22.6)	(13.9)	(92,852,879)	(21,340,190)
Timing differences from revenue recognition	(1.9)	(0.1)	(7,946,305)	(279,448)
Invested stock reduction loss	8.4	-	34,689,080	-
Non-deductible donations	-	12.0	-	18,490,365
Others, net	(0.6)	(5.6)	(2,069,707)	(8,423,577)
Income tax, as reported	23.8	19.6	97,640,283	30,115,805

The accumulated temporary differences between amounts reported for financial accounting and for tax purposes at December 31, 1998 are approximately ₩1,191,845 million, and their effect will be to increase future taxable income. These differences arise primarily in connection with foreign exchange losses and the appropriation of various reserves for tax purposes (see Note 13)

## NOTES TO FINANCIAL STATEMENTS

### 17. Earnings Per Share

Earnings per share in 1998 and 1997 were calculated as follows :

	1998	1997
Net income	313,216,038	123,504,909
<b>Adjustment</b>		
Dividends for preferred stock	(14,965,427)	(12,663,053)
Interest expense on convertible bonds which were converted into common stock during 1998	2,297	1,257,923
Net income available for common stock	298,252,908	112,099,779
Weighted average number of common stock	105,309,761	90,966,168
Earnings per share in Korean Won	2,832	1,232

### 18. Accounts Relating to Gross Added Value

The accounts required for the calculation of gross added value for the year ended December 31, 1998 are as follows :

	Manufacturing Cost	Selling, general and administrative expense	Total
Wage and salaries	619,373,314	288,206,168	907,579,482
Provision for severance benefits	132,302,347	74,600,350	206,902,697
Welfare expense	136,868,400	62,213,549	199,081,949
Rent	98,105,770	38,278,645	136,384,415
Depreciation expense	1,348,960,581	105,070,300	1,454,030,881
Taxes and dues	32,450,585	27,225,115	59,675,700
	2,368,060,997	595,594,127	2,963,655,124

## NOTES TO FINANCIAL STATEMENTS

### 19. Related Party Transactions

Significant transactions with related parties for the year ended December 31, 1998 and the related amounts receivable and amounts payable at December 31, 1998 are as follows:

Company	<i>Thousands of Korean Won, Thousand of US Dollar</i>			
	Sales	Purchases	Amounts Receivable	Amounts Payable
Samsung Corporation	₩ 51,855,525	₩ 146,920,300	₩ 3,830,168	₩ 5,855,380
Samsung Display Devices Co., Ltd.	26,568,194	895,598,735	1,103,888	106,658,196
Samsung Electro-Mechanics Co., Ltd.	59,812,506	595,070,730	14,556,664	96,207,750
Samsung Data Systems Co., Ltd.	100,440,780	284,175,476	28,497,396	3,654,599
Samsung Aerospace Industries Ltd.	4,947,778	177,566,926	1,273,041	7,485,060
Kwangju Electronics Co., Ltd.	8,378,650	160,143,771	2,381,095	41,701,706
Cheil Communications, Inc.	3,905,767	93,881,143	810,649	44,496,252
Seoul Commtech Co., Ltd.	11,090,018	88,248,505	2,418,684	18,568,206
Samsung Heavy Industries Co., Ltd.	6,464,887	59,622,928	831,012	25,087,549
Novita Co., Ltd.	9,039,061	62,302,469	8,892,873	22,247,858
Samsung Everland Co., Ltd.	3,006,125	122,337,141	136,862	8,553,886
Samsung Motors Inc.	24,263,110	12,021,684	8,952,336	436,174
Samsung Corning Precision Glass Co., Ltd.	5,076,561	1,909,632	78,476	318,267
The Joong-Ang Daily News	1,546,801	17,475,089	25,428	3,577,205
Other local subsidiaries and affiliated companies	35,339,171	165,207,889	6,208,182	27,670,339
Foreign subsidiaries and affiliated companies	\$ 7,457,380	\$ 1,581,153	\$ 183,472	\$ 419,039
	₩ 351,734,934	₩ 2,882,482,418	₩ 79,996,754	₩ 412,518,427
	\$ 7,457,380	\$ 1,581,153	\$ 183,472	\$ 419,039

In addition, during 1998, Samsung Corporation executed exportation of ₩7,315,974 million and importation of ₩4,810,803 million for the Company. And, the Company purchased the head office building from Samsung Corporation and Samsung Everland Co., Ltd., affiliated companies, in the amount of ₩227,400 million in 1998.

### 20. Research and development cost

Research and development cost incurred in 1998 and 1997 comprise the following :

	<i>Thousands of Korean Won</i>	
	1998	1997
Increase in deferred charges	1,162,296,579	776,765,405
Ordinary research and development expenses	501,937,916	490,806,128
	1,664,234,495	1,267,571,533

## NOTES TO FINANCIAL STATEMENTS

### 21. Foreign Currency Translation

At December 31, 1998, assets and liabilities denominated in foreign currencies and foreign exchange gain (loss) are as follows :

Account		Foreign Currencies	Korean Won (translated)	Thousands of Korean Won	
				Translation Loss	Translation Gain
<b>(1) Assets</b>					
Foreign currency deposits					
	USD	125,302,165.05	151,339,955	(3,827,129)	-
	JPY	7,860,419.00	82,807	-	-
	DEM	580,000.00	416,510	-	-
	ESP	11,000,000.00	93,045	-	-
	FRF	2,702,100.00	579,573	-	-
	NLG	1,537,762.35	981,845	-	-
	MYR	1,184,580.36	376,507	-	-
	HKD	11,100,000.00	1,730,379	-	-
	SGD	40,000.00	29,152	-	-
	GBP	926,995.00	1,858,801	-	-
	BEF	360,397.58	12,646	-	-
	ITL	139,417,889.99	101,622	-	-
	Others	-	11,132	-	-
		157,613,974	(3,827,129)	-	-
Accounts and notes receivable					
	USD	291,018,124.77	351,491,691	(31,794,659)	18,520,048
	DEM	3,323,583.23	2,386,732	(19,794)	1,741
	ESP	74,656,814.00	631,492	(6,775)	-
	JPY	264,915,765.00	2,790,808	(86,836)	32,454
	HKD	570,785.73	88,980	(3)	3
	ITL	8,316,485,162.00	6,043,589	(531,175)	206
	FRF	3,928,812.00	842,691	(57)	2
	ZAR	1,504,290.64	310,305	(16,052)	5,013
	SEK	4,552,365.00	676,390	(42,728)	-
	NLG	971,634.00	620,379	(17)	-
	GBP	1,215,718.00	2,437,747	(319)	22
	SGD	340,815.00	248,386	-	-
			368,569,190	(32,498,415)	18,559,489
Accrued income	USD	6,751,001.97	8,153,860	(815,596)	-
Guarantee deposits					
	USD	2,560,368.00	3,092,413	(273,859)	492,875
	JPY	18,589,274.00	195,832	(12,801)	42,721
	NLG	15,000.00	9,577	-	2,177
	ITL	1,512,000.00	1,099	-	106
	CNY	136,100.00	19,856	(2,762)	4
	ATS	2,150,000	219,687	(12,617)	65,548
	Others		46,086	(2,292)	2,682
			3,584,550	(304,331)	606,113

Continued ;

## NOTES TO FINANCIAL STATEMENTS

### 21. Foreign Currency Translation, Continued :

At December 31, 1998, assets and liabilities denominated in foreign currencies and foreign exchange gain (loss) are as follows :

Account	Foreign Currencies	Korean Won (translated)	Thousands of Korean Won			
			Translation Loss	Translation Gain		
Long-term loans	INR	9,717,064.00	275,920	(55,542)	-	
Other	USD	974,733.21	1,177,282	(2,550,547)	-	
	JPY	5,988,437.48	63,086	(545,003)	4,974	
	DEM	212,276.08	152,440	(13,549)	954	
	UAK	130,861.07	39,219	(81,581)	-	
	COP	269,808,279.82	210,235	(31,300)	-	
	HKD	135,425.00	21,111	(3,128)	-	
	RUR	163,570.73	8,950	(280,205)	-	
	INR	993,213.93	28,203	(84,693)	-	
		CNY	2,761,098.10	402,817	(14,667)	48,382
		CLP	37,177,958.00	94,904	(1,372)	30,786
		BRR	49,565.52	49,532	(13,322)	-
		ATS	651,690.79	66,590	(10,915)	-
		MAD	165,000.00	21,474	(4,102)	-
		BEF	89,999.99	3,158	-	825
		CHF	33,600	29,290	(2,439)	-
		Others		226,625	(66,125)	4,240
				2,594,916	(3,702,948)	90,161
(2) Liabilities						
Accounts and notes payable	USD	577,478,632.66	697,478,206	(8,732,022)	18,734,499	
	JPY	26,553,174,038.72	279,729,719	(11,364,182)	2,774,605	
	CHF	48,855.80	42,590	(2,232)	477	
	ITL	934,345,470.00	678,989	(19)	982	
	DEM	28,148,918.19	20,214,301	(182,647)	782,194	
	GBP	958,372.88	1,921,720	(309,790)	114,678	
	NLG	89,184,570.55	56,943,457	(23,263)	4,287,812	
	TWD	497,780.00	18,682	-	-	
	FRF	2,363,821.50	507,016	(15,099)	8,877	
	Others		15,509	-	972	
			1,057,550,189	(20,629,254)	26,705,096	

Continued ;

## NOTES TO FINANCIAL STATEMENTS

		<i>Thousands of Korean Won</i>			
Account	Foreign Currencies	Korean Won (translated)	Translation Loss	Translation Gain	
Short-term borrowings	USD	16,131,658.84	19,483,818	-	4,729,762
	DEM	1,510.16	1,084	(315)	-
			19,484,902	(315)	4,729,762
Accrued expense	USD	110,440,833.37	133,390,438	(62,605)	8,510,649
	AUD	2,953,570.24	2,181,241	-	64,462
	GBP	2,422,092.80	4,856,756	-	44,301
	DEM	13,099,957.46	9,407,341	-	22,668
	JPY	408,606,795.64	4,304,544	(179,426)	-
	ITL	2,896,754,392.00	2,104,544	-	13,949
	FRF	7,220,360.70	1,548,695	-	7,312
	NLG	840,870.22	536,887	-	3,513
	CAD	903,508.86	704,493	-	-
	HKD	11,538,190.00	1,798,689	(3)	23,707
	ESP	72,663,615.00	614,632	-	5,247
	Others		4,795,641	(687)	2,698
			166,243,901	(242,721)	8,698,506
Long-term debt, including current maturities	USD	2,244,030,915.00	2,710,340,540	-	461,210,430
	JPY	28,567,329,783.00	300,948,249	(5,912,923)	7,563,870
			3,011,288,789	(5,912,923)	468,774,300
Foreign currency notes and bonds, including current maturities	USD	752,645,000.00	1,239,090,845	-	156,098,573
	JPY	34,790,000,000.00	366,502,213	-	11,950,365
	DEM	600,000,000.00	430,872,000	-	43,698,000
			2,036,465,058	-	211,746,938
Other long-term liabilities	USD	214,187,500.00	258,695,663	-	56,096,354
			7,090,520,912	(67,989,174)	796,006,719
Offset of deferred charges (Note 2)				-	(720,975,580)
				(67,989,174)	75,031,139

## NOTES TO FINANCIAL STATEMENTS

### 22. Business Restructuring

As part of the Company's business restructuring plans, the Company recognized extraordinary gain of ₩277,619 million from divestiture of the Bucheon plant's Power Device Business. Additionally, 22 functional divisions of the Company were spun-off to 18 separate companies including Samsung Electronics Service Co., Ltd. during the year ended December 31, 1998.

### 23. Environmental Standards and Policies

Building on its philosophy of "Green Management," the Company continues to seek contribution to promoting an abundant human life and global environment protection through corporate activities in favor of human being and the nature. The Company is committed to environment protection and preservation in all aspects of its corporate activities, including product development, production, marketing and disposal.

The Company has been recognized as one of the most environment-friendly companies and has been accredited by the international environment standards, ISO14001. In addition to engaging in development and research activities for environment-friendly products, the Company operates waste treatment facilities for its own use and a recycling center to collect and recycle waste electronic goods. The Company has actively participated in the community's environment protection programs. In addition, the Company has supported the community's programs to clean protect and preserve the natural environment such as mountains, streams and parks.

### 24. Employee Benefits and Public Donation

A) Details of the Company's employee benefits are listed below.

Item	Description
Support for employee property accumulation	<ul style="list-style-type: none"> <li>Allots preferably a portion of newly issued shares to the employee stock ownership association.</li> <li>Operates a mutual savings scheme to make loans available for employees in urgent need of funds.</li> </ul>
Living support	<ul style="list-style-type: none"> <li>Individual pension plans to support comfortable silver life.</li> <li>Provides employee houses and dormitories for employees assigned to factories or provincial office jobs.</li> <li>Academic tuition support</li> </ul>
Support for commutation, meal, etc.	<ul style="list-style-type: none"> <li>Provides employees with commutation buses.</li> <li>Operates in-house restaurant and support clothing expense.</li> <li>Support for congratulations and condolences.</li> </ul>
Medical support	<ul style="list-style-type: none"> <li>Finances annual medical check-up of employees</li> <li>Support for medical expenses of employees.</li> </ul>
Support for leisure activities	<ul style="list-style-type: none"> <li>Operates condominium and resort facilities for employees.</li> <li>Provides paid summer or winter vacation and half-day holiday.</li> </ul>

B) The Company made public donations during 1998 as follows:

Description	Millions of Korean Won
National human resources cultivation projects	2,000
National welfare and cultural projects, including the construction of Yongsan welfare center	13,500
Donations to support various medical projects	40,532
	56,032

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## NOTES TO FINANCIAL STATEMENTS

### 25. Cultivation of Professional Human Resources and Professional Training

The Company has operated a leadership development center, a high technology institute and a marketing institute. The Company has cultivated domestic and overseas experts in each segment through the operation of these professional institutes and overseas assignment of experts. Also, the Company provides employees with access to higher education programs in domestic and overseas universities, academic research programs, in-house college of technology and the 21st century academy program.

### 26. Year 2000

The Company has commenced an evaluation of its potential commitments regarding the "Year 2000" date recognition issue in computer systems. The evaluation will consider the Company's responsibilities concerning the systems installed in the past with customers, the situation of its internal systems, those of its key suppliers and the opportunities to transact new business. At this time it is not possible to quantify the economic effect that may result from addressing this issue.

### 27. Subsequent Events

Per resolution of the Company's board of directors' meeting, 9,580,000 shares of common stock will be issued on February 12, 1999.

On February 1, 1999, the Company issued foreign currency convertible bonds of US\$100 million at face value to Intel Corporation in the United States. The bonds bear interest at 5% per annum, payable annually, maturing on February, 1, 2004.

On December 14, 1998, per resolution of the Company's board of directors' meeting, the Company transferred manufacturing facilities of its Kwangju plant's refrigerator manufacturing division to Kwanju Electronics Co., Ltd., for an interest of ₩94,883 million (Book value: ₩82,067 million) in Kwangju Electronics Co., Ltd.

On January 1, 1999, the Company entered into an agreement with Atlantic Asset Securitization Corporation for issuance of asset backed securities in the amount of US\$ 100 million. The Company provided its export trade receivables as collateral for this agreement.

On January 12, 1999, AST Research, Inc. ("AST"), affiliated company, and Alagem Enterprise LLC entered into a joint venture agreement whereby AST will contribute its AST brand name and certain PC related patents to a newly established joint venture, AST Computer, LLC.

### 28. Reclassification of 1997 Amounts

Certain amounts in the 1997 financial statements have been reclassified to conform to the 1998 presentation. These reclassifications had no effect on previously reported net income and stockholder's equity.

## FIVE-YEAR FINANCIAL SUMMARY

As of December 31, 1994~1998

Thousands of US Dollars

Year	1998	1997	1996	1995	1994
<b>Sales</b>					
Domestic	5,380,693	5,663,406	7,206,351	6,394,502	4,633,025
Export	11,259,056	7,386,318	11,602,350	14,522,599	9,983,828
Cost of sales	16,639,749	13,049,724	18,808,701	20,917,101	14,616,853
Gross profit	11,578,914	8,976,018	14,126,196	12,122,722	9,158,228
Selling, general and administrative expenses	5,060,835	4,073,706	4,682,505	8,794,379	5,458,625
Operating profit	2,492,518	2,055,176	2,968,229	3,262,501	2,149,585
<b>Operating profit</b>	<b>2,568,317</b>	<b>2,018,530</b>	<b>1,714,276</b>	<b>5,531,878</b>	<b>3,309,040</b>
<b>Non-operating income</b>					
Interest and dividend income	279,383	120,977	244,520	175,457	168,022
Gain on foreign currency transactions	863,231	1,321,352			
Other	371,563	290,965	333,951	455,915	300,874
	1,514,177	1,733,294	578,471	631,372	468,896
<b>Non-operating expenses</b>					
Interest expenses	924,894	536,428	480,852	484,240	396,628
Amortization of deferred charges	1,559,267	1,117,517	912,283	883,667	1,066,680
Loss on foreign currency transactions	857,732	1,478,708			
Other	375,354	508,878	634,647	873,060	432,911
	3,717,247	3,641,531	2,027,782	2,240,967	1,896,219
Ordinary profit	365,247	110,293	264,965	3,922,283	1,881,717
Extraordinary income	235,068	46	12,647	6,731	3,164
Extraordinary loss	259,920	1,773	30,546	44,638	429,762
Net income before income taxes	340,395	108,566	247,066	3,884,376	1,455,119
Income taxes	80,895	21,283	52,569	647,327	255,819
Net income	259,500	87,283	194,497	3,237,049	1,199,300
Earnings per share (in Korean Won and U.S.Dollar)	2	1	2	51	23

\*US dollar conversions are based on the average exchange rate of the respective years.

Thousands of Korean Won

	1998	1997	1996	1995	1994
	6,494,496,605	6,082,160,483	6,082,160,483	4,949,345,053	3,650,823,844
	13,589,679,922	10,451,640,507	9,792,383,336	11,240,491,384	7,867,256,365
	20,084,176,527	18,465,359,441	15,874,543,819	16,189,836,437	11,518,080,209
	13,975,748,868	12,701,065,224	11,922,509,430	9,382,987,122	7,216,683,571
	6,108,427,659	5,764,294,217	3,952,034,389	6,806,849,315	4,301,396,638
	3,008,468,868	2,908,073,790	2,505,185,220	2,525,175,974	1,693,872,997
	3,099,958,791	2,856,220,427	1,446,849,169	4,281,673,341	2,607,523,641
	337,215,452	171,182,036	206,374,901	135,803,985	132,401,261
	1,041,919,177	1,869,713,309			
	448,477,112	411,715,036	281,854,160	352,878,266	237,088,338
	1,827,611,741	2,452,610,381	488,229,061	488,682,251	369,489,599
	1,116,346,994	759,045,307	405,838,831	374,802,357	312,543,188
	1,882,034,879	1,581,287,365	769,966,975	683,958,106	840,543,722
	1,035,283,230	2,092,372,147			
	453,052,701	720,061,983	535,642,340	675,748,406	341,133,489
	4,486,717,804	5,152,766,802	1,711,488,146	1,734,508,869	1,494,220,399
	440,852,728	156,064,006	223,630,084	3,035,846,723	1,482,792,841
	283,726,603	65,610	10,674,208	5,209,857	2,493,209
	313,723,010	2,508,902	25,780,500	34,549,789	338,652,344
	410,856,321	153,620,714	208,523,792	3,006,506,791	1,146,633,706
	97,640,283	30,115,805	44,368,311	501,031,074	201,585,282
	313,216,038	123,504,909	164,155,481	2,505,475,717	945,048,424
	2,832	1,232	1,784	39,180	18,453

## GLOBAL NETWORK

### HEAD OFFICE

**Samsung Main Building**  
250-2 ga, Taepyeong-ro Chung-gu,  
Seoul, Korea  
Tel: 82-2-727-7114  
Fax: 82-2-727-7985  
<http://samsungelectronics.com>  
<http://www.sec.co.kr>

### KOREAN PRODUCTION BASES

**Suwon Complex**  
416, Maetan 3-dong, Paldal-gu  
Suwon, Kyungki-do, Korea  
Tel: 82-331-200-1114  
Fax: 82-331-200-1530

**Kiheung Plant**  
San-24, Nongsu-ri, Kiheung-eup  
Yongin-gun, Kyungki-do, Korea  
Tel: 82-2-760-7114  
Fax: 82-2-760-7985

**Onyang Plant**  
San-74, Buksu-ri, Paebang-myon  
Asan-gun, Chungcheongnam-do,  
Korea  
Tel: 82-418-40-7114  
Fax: 82-418-548-6276

**Kumi Plant**  
259, Kongdan-dong Kumi,  
Kyungsangbuk-do, Korea  
Tel: 82-546-460-2114  
Fax: 82-546-461-8038

**Kwangju Plant**  
217, Osan-dong Kwangsan-gu,  
Kwangju, Korea  
Tel: 82-62-950-6114  
Fax: 82-62-950-6019

**Chonan Plant**  
San 33-11 Sungsung-dong  
Chonan Chungcheongnam-do,  
Korea  
Tel: 82-417-529-6028  
Fax: 82-417-529-6049

### OVERSEAS NETWORK

#### CHINA

**Production Bases**  
**Tianjin Tongguang Samsung**  
**Electronics Co., LTD(TTSEC)**  
Tianjin, China  
Tel: 86-22-2296-2400

**Tianjin Samsung Electronics**  
**Co., LTD(TSEC)**  
Tianjin, China  
Tel: 86-22-2532-1234

**Huizhou Samsung Electronics**  
**Co., Ltd.(SEHZ)**  
Guangdong, China  
Tel: 86-752-332-1401

**Shandong Samsung**  
**Telecommunications Co., Ltd(SST)**  
Shandong, China  
Tel: 86-631-562-6868

**Suzhou Samsung Electronics**  
**Co., LTD(SSEC)**  
Jiangsu, China  
Tel: 86-512-532-1234

**Tianjin Samsung Electronics**  
**Display Co., LTD(TSED)**  
Tianjin, China  
Tel: 86-22-2455-6242

**Samsung Electronics Suzhou**  
**Semiconductor Co., Ltd(SESS)**  
Jiangsu, China  
Tel: 86-512-761-2297

\* **China Customer Satisfaction (CCS)**  
Tel: 8610-6497-3366

#### ASIA

**Production Bases**  
**P.T. Samsung Maspion**  
**Indonesia(SMI)**  
Sindoorjo, Indonesia  
Tel: 62-31-891-2971

**P.T. Samsung Metrodata**  
**Electronics(SME)(SEIN)**  
East Jawa, Indonesia  
Tel: 62-21-893-4005

**Samsung Electronics Display(M)**  
**Sdn. Bhd.(SDMA)**  
Seremban Negeri Sembilan  
Darul Khusus, Malaysia  
Tel: 60-6-678-7914

**Samsung Electronics (M) SDN.**  
**BHD.(SEMA)**  
Selangor Darul Ehsan, Malaysia  
Tel: 60-3-376-1068

**Samsung India Electronics(SIEL)**  
Noida, India  
Tel: 91-1191-56825

**Samsung Vina Electronics**  
**Co., Ltd(SAVINA)**  
Ho Chi Min City, Vietnam  
Tel: 84-8-896-5500

**Thai Samsung Electronics**  
**Co., Ltd.(TSE)**  
Sriracha Cholburi, Thailand  
Tel: 66-2-681-0501

#### Sales Bases

**Samsung Asia Private**  
**Ltd.(Semiconductor Division),**  
**(SAPL)**  
UE square, singapore  
Tel: 65-833-3200

**Samsung Electronics Australia**  
**PTY. Ltd.(SEAU)**  
NSW, Australia  
Tel: 61-2-9638-5200

**Samsung Electronics Philippines**  
**Co.(SEPCO)**  
Manila, Philippines  
Tel: 63-2-526-3796

**Samsung Electronics H.K.**  
**Co., Ltd.(SEHK)**  
Hong Kong  
Tel: 852-2862-6900

**Samsung Japan Corporation(SJC)**  
Tokyo, Japan  
Tel: 81-3-5641-9800

**Samsung Electronics Taiwan**  
**Co., Ltd.(SET)**  
Taipei, Taiwan  
Tel: 886-2-2758-9588

\* **Asia Customer Satisfaction (ACS)**  
Tel: 65-568-7500

**CIS****Production Base**

**Uzbekistan Samsung Electronica Co., Ltd.(USE)**  
Tashkent, Uzbekistan  
Tel: 7-371-180-0909

**Sales Bases**

**Samsung Electronics Moscow Co., Ltd.(SEMCO)**  
Moscow, Russia  
Tel: 7-095-797-2385

**\* Samsung Russia Service Center (SRSC)**

Tel: 7502-564-8210

**EUROPE****Production Bases**

**Samsung Wynyard Park(SEM(UK))**  
Cleveland, U.K.  
Tel: 44-1740-660000

**Samsung Electronica Eapanola, S.A.(SESA)**

Barcelona, Spain  
Tel: 34-93-862-9600

**Samsung Electronics Hungarian Co., Ltd.(SEH)**

Budapest, Hungary  
Tel: 36-1-250-2311

**Sales Bases**

**Samsung Electronics GmbH(SEG)**  
Schwalbach/TS., Germany  
Tel: 49-6196-66-1000

**Samsung Semiconductor Europe GmbH(SSEG)**

Schwalbach/TS., Germany  
Tel 49-6196-66-3300

**Samsung Semiconductor Europe Limited (SSEL)**

Middlesex, U.K  
Tel 44-181-380-7200

**Samsung Electronics U.K. Ltd.(SEUK)**

Surbiton Surrey, U. K.  
Tel: 44-181-391-0168

**Samsung Electronics France S.A.(SEF)**

Cedex, France  
Tel: 33-1-4938-6525

**Samsung Electronics Italia S.P.A.(SEI)**

Cernusco sul Naviglio, Italy  
Tel: 39-2-921891

**Samsung Electronics Svenska AB(SESAB)**

Vasby, Sweden  
Tel 46-8-590-966-00

**Samsung Electronics Polska Sp. z.o.o(SEPOL)**

Warszawa, Poland  
Tel: 48-22-608-4400

**Samsung Electronica Portuguesa S.A.(SEP)**

Linda-a-Velha, Portugal  
Tel: 351-1-414-8100

**Samsung Electronics Nederland B.V.(SEN)**

Rijswijk, Netherlands  
Tel: 31-70-307-2910

**Samsung Electronics Overseas B.V.(SEO)**

Amsterdam, Netherlands  
Tel: 31-20-575-3012

**\* Europe Customer Satsfaction (ECS)**

Tel: 441-95-220-7126  
Fax: 441-95-229-3459

**MIDDLE EAST & AFRICA****Sales Bases**

**Samsung Electronics South Africa Ltd.(SSA)**

Johannesburg, South Africa  
Tel: 27-11-254-3600

**Samsung Gulf Electronics FZE (SGE)**

Dubai, U.A.E.  
Tel: 971-4-225747

**\* Gulf Customer Satisfaction (GCS)**

Tel: 9714-83-8416  
Fax: 9714-83-7714

**AMERICA****Production Bases**

**Samsung Mexicana S.A. De.**

**C.V.(SAMEX)**  
Tijuana, Mexico  
Tel: 1-619-671-6000

**Samsung Electronica DA Amazonia, LTDA(SED)**

Sao Paulo, Brazil  
Tel:55-11-541-8500

**Samsung Austin Semiconductor(SAS)**

TX, USA  
Tel: 1-512-672-1000

**Sales Bases**

**\* Samsung Electronics America, Inc. (SEA)**

NJ, USA  
Tel: 1-201-229-4000

**Samsung Telecommunications America, Inc.(STA)**

TX, USA  
Tel: 1-972-761-7005

**Samsung Semiconductor Inc.(SSI)**

CA, USA  
Tel:1-408-544-4000

**Alpha Processors Inc.(API)**

MA, USA  
Tel: 1-978-318-1144

**Samsung Electronics Canada Inc.(SECA)**

Ontario, Canada  
Tel: 905-819-5060

**Samsung Electronics Mexicana S.A. (SEM)**

Mexico D.F., Mexico  
Tel: 52-5-686-0800

**Samsung Information Systems America, Inc.(SISA)**

CA, USA  
Tel: 1-408-544-5400

**\* Samsung Electronics Latin America (SELA)**

Panama, Panama  
Tel: 507-210-1122

**Samsung Electronics Argentina S.A.(SEASA)**

Buenos Aires, Argentina  
Tel: 54-11-4308-4777

**\* Global Service Network**

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