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S A M S U N G

E L E C T R O N I C S

A N N U A L







**SAMSUNG DIGITall**  
everyone's invited™

Welcome to the  
digital world of Samsung...


SAMSUNG

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At Samsung, we're welcoming in the new millennium with a new slogan. A slogan that contains the essence of our dedication to bringing innovation and digital technology to **all** our products in ways that make life easier, richer, and more enjoyable. And one that invites **all** generations and **all** customers to a digital world where **all** dreams will come true. Welcome to **SAMSUNG DIGITall**. Where **everyone's invited**.

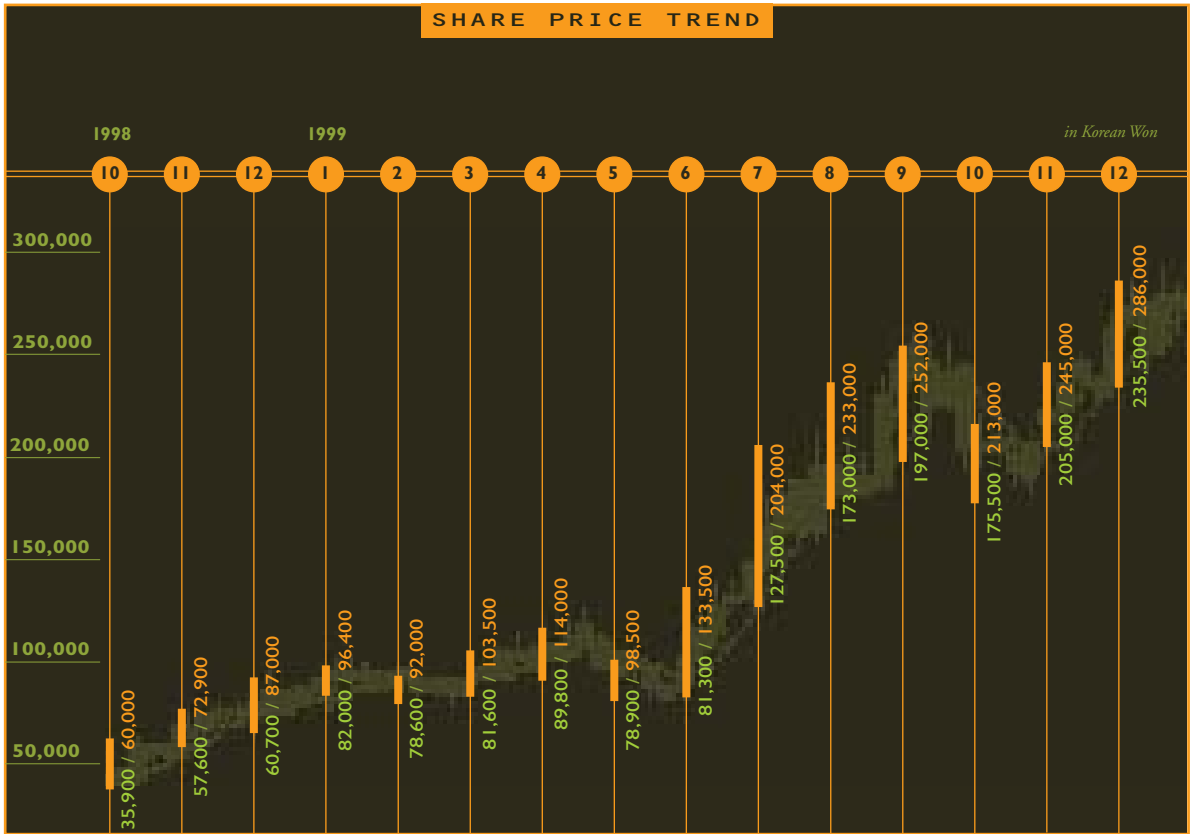


Nineteen ninety-nine was a banner year for Samsung Electronics in every measure of **financial performance**. Sales were up 30%, gross profit 38%, and operating profit 45%, while net income skyrocketed 1,000% to 3,170 billion won, surpassing the previous 1995 high of 2,505 billion won by a solid 26%.

## VITAL STATISTICS

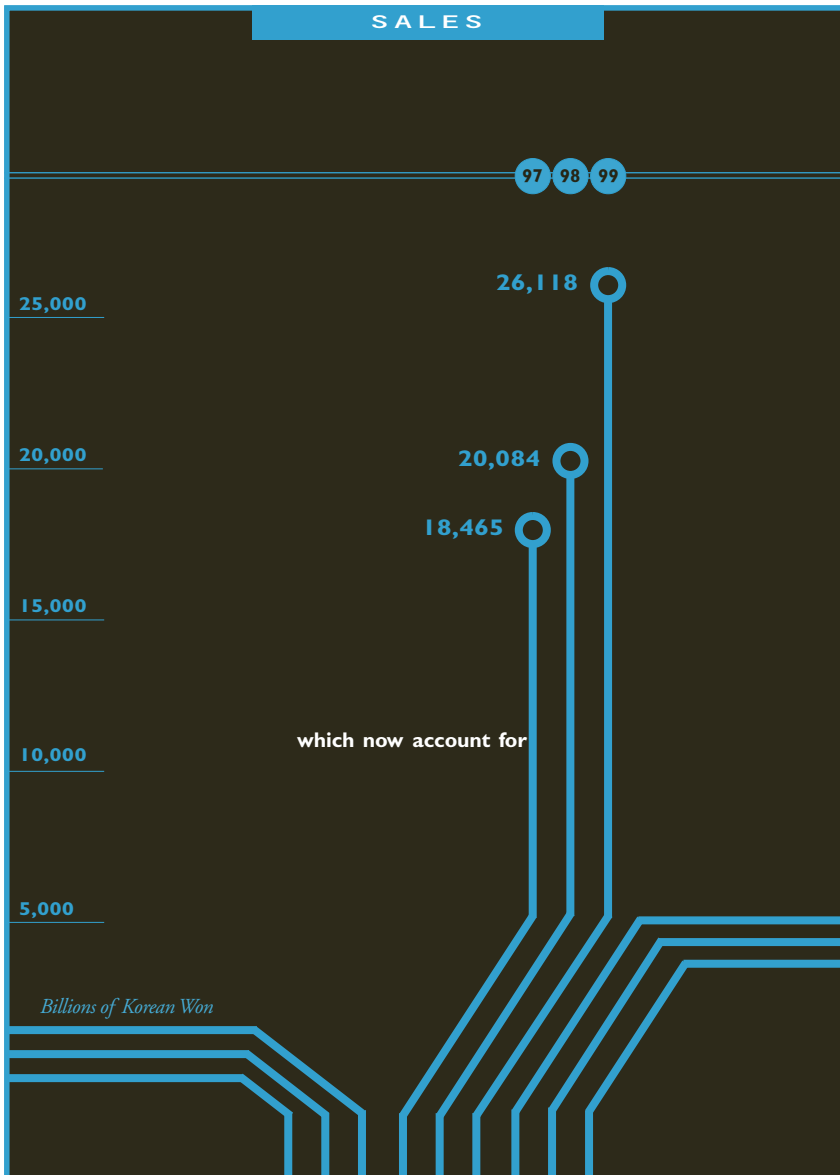
For the years ended December 31, 1999 and 1998	<i>Billions of Korean Won</i>		<i>Millions of U.S. Dollars</i>	
	99	98	99	98
Sales	26,118	20,084	22,803	16,640
Gross Profit	8,457	6,108	7,383	5,061
Operating Profit	4,482	3,100	3,913	2,568
Net Income	3,170	313	2,768	260
EBITDA	7,300	3,616	6,375	2,996
CAPEX (Capital Expenditures)	3,402	1,646	2,971	1,364
EBITDA - CAPEX	3,898	1,970	3,404	1,632
Debt (Short Term + Long Term)	5,745	10,219	5,016	8,466
Equity	13,332	6,970	11,644	5,775
Debt to Equity	43%	147%		
Current Ratio	91.39%	110%		

- EBITDA means earnings before interest, tax, depreciation and amortization
- Current Ratio: Current assets/Current liabilities
- US\$ amounts calculated at US\$1=1,145.4 won



• Monthly highs are in orange, lows in green

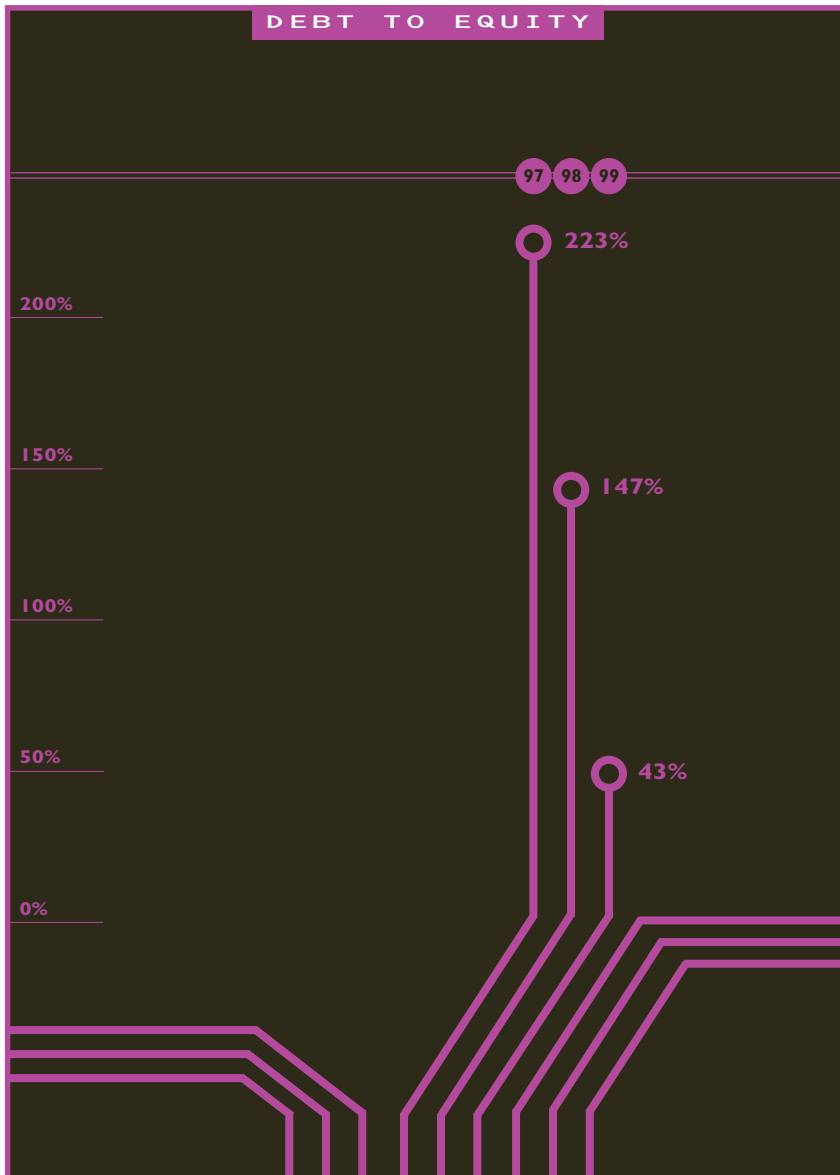
## SALES



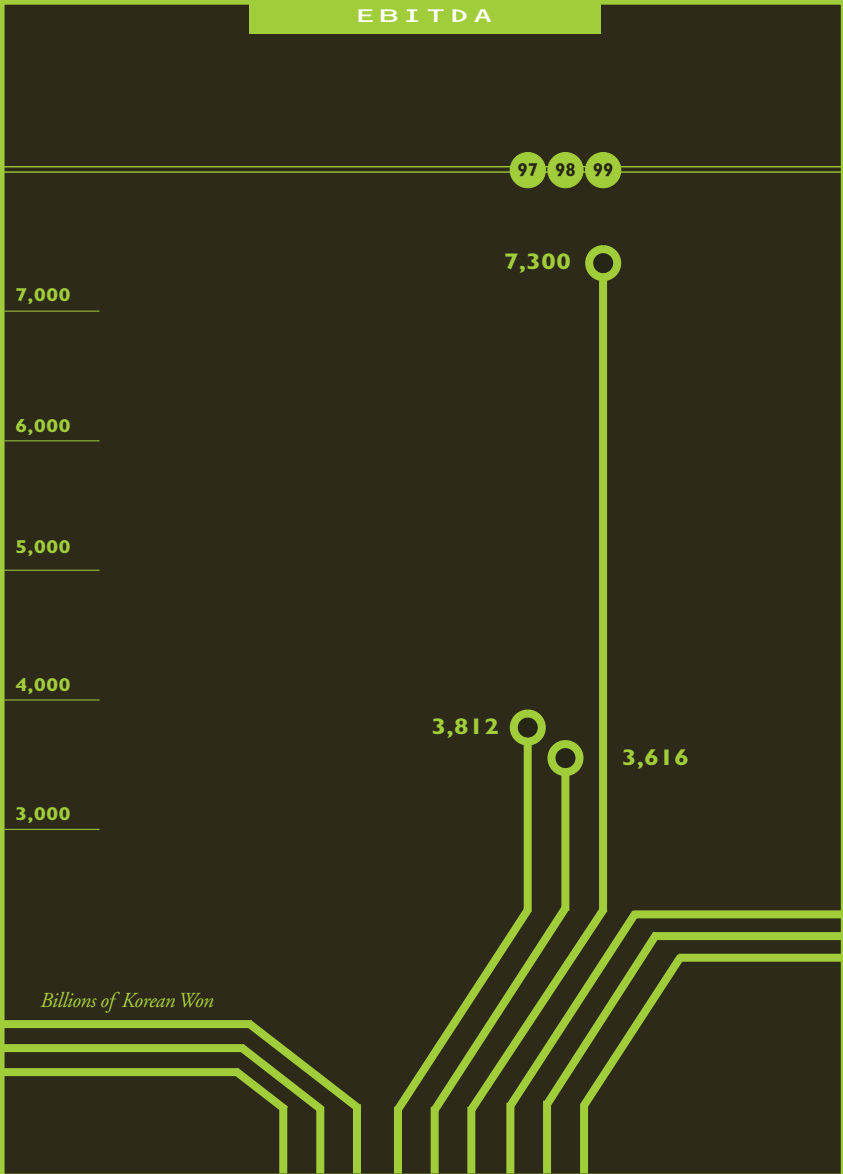
Sales were exceptionally strong in 1999, rising over 30% to reach an all-time high of 26,118 billion won on the strength of recovering markets worldwide. At home, rebounding demand saw sales jump 36.2%, while sales growth abroad was almost as strong at 27.1%. Overall, our success in global markets—approximately two-thirds of all sales—continues to drive growth to new heights.



## DEBT TO EQUITY



Taking advantage of strong double-digit growth in profitability to trim overall debt by 44% to 5,745 billion won during 1999, we dramatically lowered our debt to equity ratio from 147% to 43%. In addition to benefiting from lower interest rates, we strategically moved to virtually eliminate short-term borrowings as well as retire over 54% of long-term debt amounting to 3,528 billion won.



Earnings before income taxes, depreciation, and amortization jumped a remarkable 102% in 1999 to 7,300 billion won, a new record. These strong earnings enabled us to resume the large capital expenditure investments necessary to expand our profit base in the years ahead, particularly in the area of semiconductor fabrication.

TO OUR SHAREHOLDERS AND CUSTOMERS



"Samsung Electronics is dedicated  
to leading the  
digital convergence revolution."

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## 1999 HIGHLIGHTS

March 31

We unveil two world-first mobile phones. One can be worn on the wrist like a watch; the other can browse the Internet and function like a PDA. Later in the year, we add two more that let users listen to MP3 files or watch TV.

June 24

Partnering with Compaq, we unveil the world's first 1 GHz processor in our 64-bit Alpha RISC processor line. In December, we join with Compaq and Alpha Processor, Inc. to invest US\$500 million to prompt Alpha in network- and Internet-related markets.

June 28

We complete development of the world's first 1Gb DDR SDRAM, paving the way for multi-gigabyte workstations and PCs. The same month, we begin mass production of 256Mb SDRAM chips.



Over the past three decades, Samsung Electronics has overcome countless challenges to emerge as a world-class electronics company. But today, the dramatic, far-reaching changes in business and society at the advent of a new century and millennium are presenting extraordinary challenges as we strive to rise to the top of our industry. These challenges can be summed up in two words—*“digital convergence”*—a confluence of digital technologies that is now giving birth to a virtual tidal wave of never-before-seen products and services. This is why futurists are predicting the coming decade will bring more changes to the way we live, work, and play than the entire 20th century.

July 27

We announce new 55- and 65-inch HDTV models, filling out our lineup and extending our dominance in the big-screen digital projection TV market. The same month, our single-chip second-generation digital TV tuner solution debuts, offering superior performance in all areas.

July 29

Apple invests US\$100 million in us to expand production of TFT-LCD panels. In October, Dell Computer also invests US\$200 million in us and signs a new 5-year LCD supply agreement valued at US\$850 million.

Sept 6

In conjunction with our participation in the Sydney 2000 Olympic Games as an Olympic Partner, we announce plans to invest A\$310 million in our Olympic marketing programs in 40 countries as well as on-site programs.

Sept 17

Our Kiheung semiconductor complex is listed as the "World's Safest Workplace" by the *Guinness Book of World Records* for logging over 211.6 million accident-free hours between November 1991 and August 1998. In 1999, we extended this record to 250.6 million hours.

Oct 5

At Telecomm '99 in Geneva, we make the world's first public IMT-2000 demonstration utilizing our end-to-end cdma2000 solution. A month before, Sprint—the US' largest CDMA PCS operator—selects us to deliver a 3G IMT-2000 system for testing.

As we marked the beginning of our 30th year in business on November 10, 1999, we also dedicated ourselves to being at the forefront of the digital convergence revolution. To hone our innovation and competitiveness at the leading edge of this revolution in the fields of *home, mobile, and personal multimedia*, we're now refocusing every process on customers and markets as we continue to build a global network capable of rapidly responding to market changes, develop world-leading core technologies, and accumulate technological capital. As we maximize revenues by sharpening core areas where we hold a technological edge such as memory, LCD displays, mobile handsets, and monitors, we'll also continue to establish ourselves as a pioneer in strategic emerging fields such as 3G, digital TVs, and imaging. >>

Oct 11/19

We demonstrate the AceLink ADSL solution for full-rate asymmetric digital subscriber line service as well as the CopperMagic UADSL modem chipset, opening the way for new, lower-cost broadband Internet service.

Nov 3

As we mark our 30th anniversary, we commit ourselves to leading the digital convergence revolution and entering the ranks of the world's top-3 electronics makers by 2005. We also unveil a new brand slogan: Samsung Digital, everyone's invited™.

Nov 15

We are presented with the 1999 IEEE EAB Employer Professional Development Award—the "Nobel Prize" of corporate training—by the IEEE Educational Activities Board for outstanding contributions to employee continuing education and professional development.

Nov 23

We begin shipment of SyncMaster flat-screen CRT monitors and TFT-LCD displays to major US retail chains Best Buy and CompUSA as part of contracts valued at US\$150 million.

Dec 31

We capture 40% of the worldwide market for CDMA mobile phones, marking our second straight year at the top of the industry. Our CDMA cellular phone sales also surpass 5 million in the Korean market for the year, setting a new domestic record.



Today, we're hard at work to make humanity's dream of a better, richer future a reality. By putting technology to work in the service of humanity, we intend to become a valued member of our customers' families. And as each employee becomes an agent for change and innovation, our innovations in management accelerate, and we systematically prepare to meet the challenges and opportunities of the future, we're confident that Samsung Electronics will become one of the world's leading companies in the 21st century. We look forward to having you along for the journey.

**Jong-Yong Yun** // Vice Chairman and C.E.O.



In the analog age, one plus one always equaled two. In the new paradigm of the digital age, it can add up to much more. At Samsung, the **digital convergence revolution** is improving people's lives as it opens the door to a future full of unlimited possibilities in home multimedia, personal multimedia, and mobile multimedia. A future where **everyone's invited. >>**

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>> Entertainment that's  
**home multimedia**  
bigger than life...

It's movie night and the popcorn's hot. But the theater you're going to isn't downtown; it's down the hall in the living room and the silver screen is your Samsung Tantus 65-inch widescreen digital TV. The images from your Samsung DVD player are faithful to the originals and rock-steady thanks to the built-in line doubler, while Dolby AC-3 surround sound completes the illusion of "being there." You and the family get comfortable on the sofa with the popcorn. This is one digital show everyone's going to love.

>> At Samsung, we're on the cutting edge of digital technology for the home. From interactive TVs for the living room, to Internet-enabled microwaves and refrigerators for the kitchen, to intelligent washing machines for the laundry room, we're creating home electronics and appliances that capture the imagination of consumers around the world.



A young man and woman are shown from the chest up, smiling warmly. The man is on the left, looking towards the right. The woman is on the right, looking towards the camera. They are both wearing simple, casual clothing. The background is plain white.

everyone's invited.

Tantus is one digital show the  
whole family's going to love.

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1. **Jong-Hoon Shin**, engineer  
SVM-M32 Motion Yepp MP3 player/recorder

2. **Woo-Yong Kan**, senior engineer  
FLCD and LCD projection TVs





Life is full of personal decisions. Whether it's a choice of music, color, or styling, what appeals to you might turn off another. And at Samsung, these differences are the challenge that sparks our creativity to create products that let you be "you."

We take the future  
very personally.

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>> Solid-state listening enjoyment  
**personal multimedia**  
half the size of a passport...



You're tired of others "controlling transmission."  
You want to take control of your music.  
And Samsung Yepp MP3 Internet music players and recorders let you do just that—and a whole lot more. Photo Yepp lets you view digital stills. Motion Yepp adds support for MPEG movies. Plus Yepp is available in a variety of cool designs and colors to match your style. In short, it's your passport to musical and stylistic freedom.

>> At Samsung, we're on the cutting edge of personal digital technology. From iZZi Pro subnotebook and iZZi Palm PCs for computing on the go, to DV camcorders for broadcast-quality home videos, to colorful digital cameras named after the four seasons, to Wingo audio systems that combine the best features of home and portable systems, we're creating personal multimedia products that bring more creative freedom to life.


everyone's invited.

Yepp is your passport  
to musical freedom.



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>> Mobile phones aren't  
mobile multimedia  
just for talking anymore.

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**everyone's invited.**

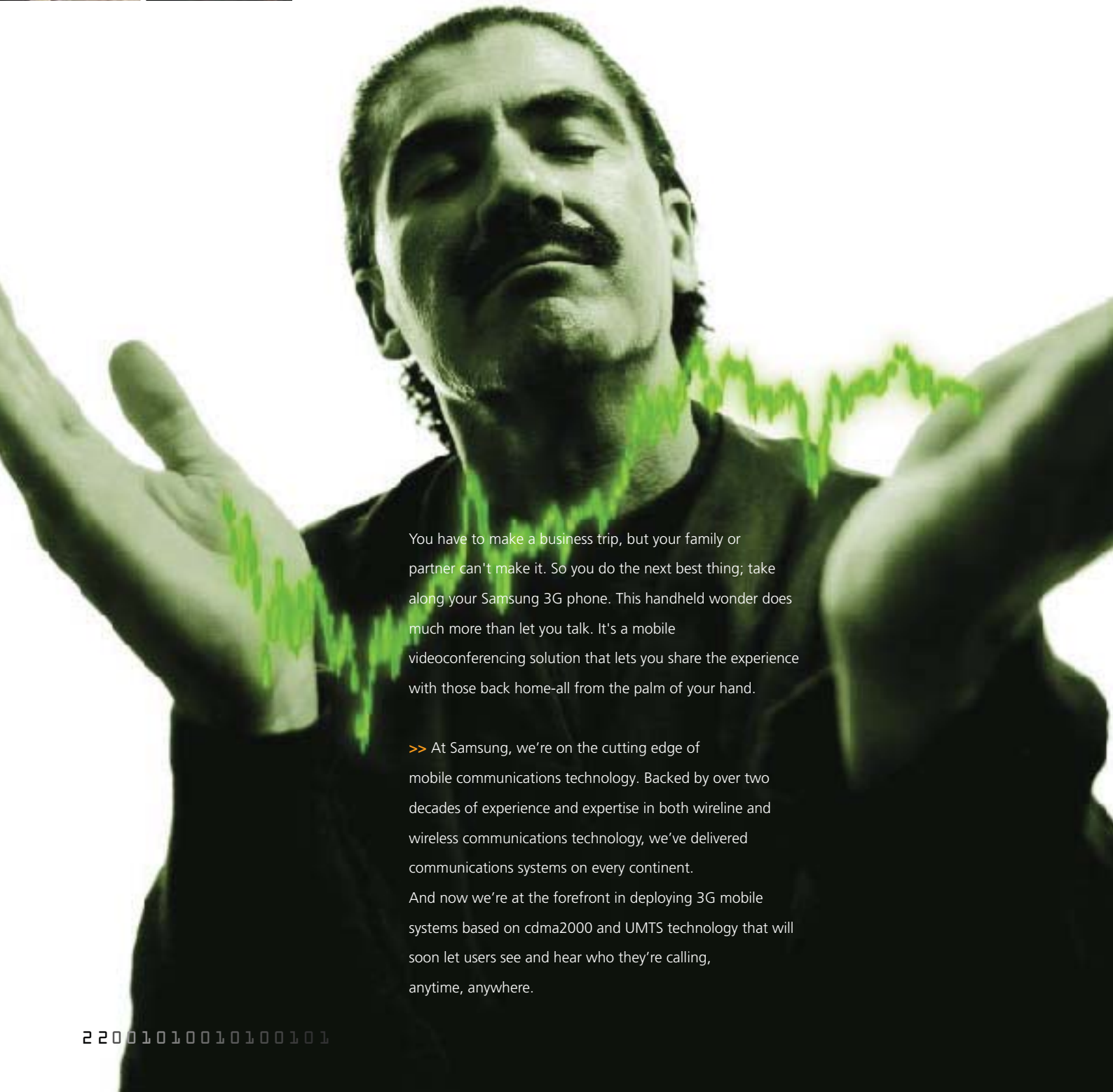
Now you're visually  
connected to the future.



10781881818818821



1. **Tae-Kyu Kim**, senior engineer  
Anyweb™ web phone
2. **Joo-Hyon Ahn**, engineer  
SPH-A2000 Anycall dual folder phone



You have to make a business trip, but your family or partner can't make it. So you do the next best thing; take along your Samsung 3G phone. This handheld wonder does much more than let you talk. It's a mobile videoconferencing solution that lets you share the experience with those back home—all from the palm of your hand.

>> At Samsung, we're on the cutting edge of mobile communications technology. Backed by over two decades of experience and expertise in both wireline and wireless communications technology, we've delivered communications systems on every continent.

And now we're at the forefront in deploying 3G mobile systems based on cdma2000 and UMTS technology that will soon let users see and hear who they're calling, anytime, anywhere.



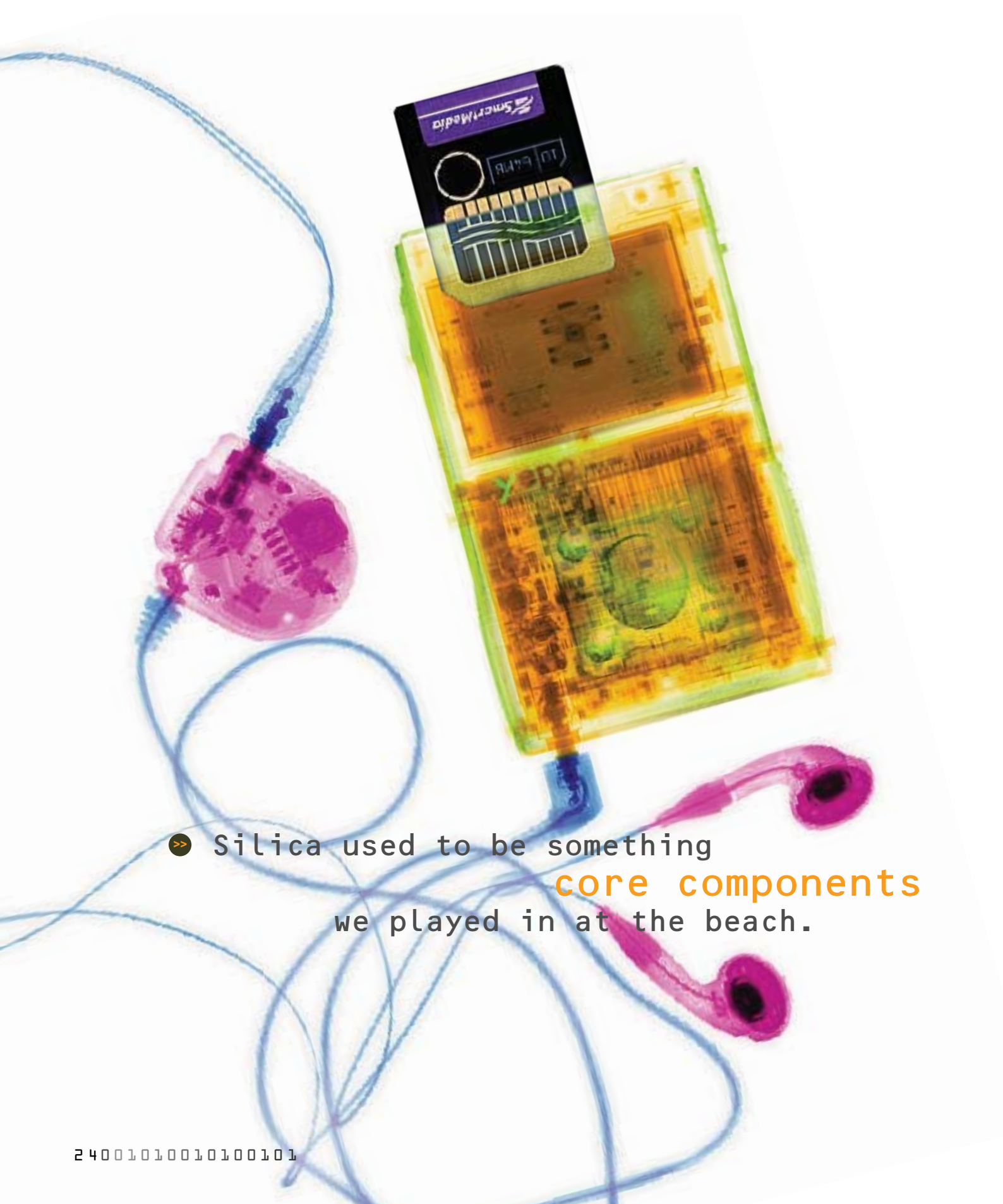
To stay ahead, you have to think ahead.  
When others are focusing on next week,  
you're already thinking about next month.  
This is the philosophy that consistently  
keeps us six months to a year ahead of the  
competition in semiconductors as  
we build the future core components of  
tomorrow's digital products.

We build the future  
for the future.



1. **Dae-Won Ha**, senior engineer  
1Gb and 512Mb DRAM

2. **Ja-Heon Gu**, engineer  
Notebook PC TFT-LCD panels



> Silica used to be something  
core components  
we played in at the beach.

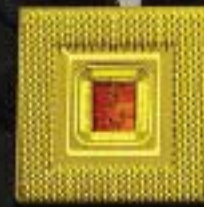
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Silica is a key material used in semiconductors, the core components of the digital age. And at Samsung, we've become very good at putting these "building blocks" together in different ways and etching circuits on them 0.1 microns wide—just one-thousandth the thickness of a single human hair—both skills that have helped make us the world's No. 1 DRAM, SRAM, and TFT-LCD panel maker as well as the No. 4 semiconductor maker.

>> From SmartMedia™ flash memory cards, to 1GHz Alpha processors, to larger, higher-resolution WiseView™ TFT-LCD panels, to advanced chipsets for digital TV, broadband communications, and 3G handsets and equipment, we're making the core components that digital dreams are made of.

everyone's invited.

Now it's something we use  
to play our music. And much more.





➤ Whoever you are...

**SAMSUNG DIGITaLL**

Wherever you are...

26001010010100101





Whatever you do...

everyone's invited.

10101001010010027

## Home Theater

### PRODUCT OVERVIEW

In October 1998, we introduced the world's first mass-produced digital TV. In 1999, we made history again by launching the 65-inch, 16:9 widescreen SVP-65W2DR, the world's largest projection HDTV.



## Connect All

Debuting in early 2000, our Plano flat-screen multimedia TVs connect to any video source. Before the year is out, we'll give them the intelligence to surf the Internet.



microwaves are going to get a

**Entertainment >>** Samsung was the world's No. 5 color TV maker with 7.6% of the market in 1999, selling about 9 million sets worldwide. In 2000, we intend to move up to the No. 3 position, selling 11 million TVs.

Digital TV is the wave of the future and Samsung continues to be a pioneer in bringing it to living rooms around the globe. In 1999, we were hard at work on the second generation of our digital-ready TVs, including the Tantus FLCD TV, a 43-inch

widescreen projection TV that's the world's first to utilize ferroelectric liquid crystal display technology. We also continued to re-define the small-screen viewing experience with our digital-ready Plano flat-screen multimedia TVs, featuring Dolby Pro Logic® surround sound and inputs for a DVD player, PC, and digital set-top box.

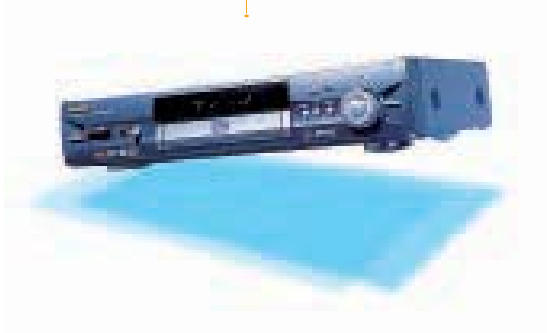
**Appliances >>** Digital technology is fast becoming an essential part of Samsung home appliances, making them smarter, more effi-

cient, and easier to use. In 1999, our appliances continued to make inroads worldwide, leading markets in 13 countries or regions including Austria, the Baltics, Canada, Chile, the CIS, France, Hungary, Mexico, the Netherlands, Peru, and Saudi Arabia.

During the year, we continued to hold the No. 2 position in the microwave oven category just behind Sharp with a 20% global market share. Our

## DVD Different

Driven by NUON technology, the Extiva DVD-N2000 is much more than a DVD player. It's a complete video entertainment system with ultra-smooth shuttling and incredible 20x zooming for DVDs, cool graphics when playing music CDs, and interactive gaming and learning for children of all ages.



## Millennium Chef

The millennium-edition M1727 microwave adds a high-tech look to today's kitchens. Self-deodorizing, it also smells as good as it looks.



## Kitchen Browser

The kitchen's about to go online. In 2000, we'll introduce Information Zipel refrigerators that will let you download the latest recipes, order groceries, and display the kids' latest digital art.

lot smarter with the ability to download cooking programs via the Internet in 2001.

Targeting markets in Latin America and Southeast Asia, our 5 kg to 13 kg washing machines continued to win accolades and customers with their simple but versatile programmability, washing performance, and efficiency.

Our vacuum cleaner lineup enjoyed strong growth, gaining several advanced features like the Twister™ cyclone system to

extend dust bag life, HEPA air filters, and the Exbug™ mite killer.

In the final days of the year, we announced the world's first coolant and insulation blowing agent with zero environmental impact for 300-liter and larger refrigerators. These innovative technologies will be adopted across our entire lineup as well as licensed worldwide in 2000.

Finally, we continued to add sophisticated control programs as well as "bio" features to our full-range air conditioner line-



### Desktop Coordinates

Computing for the N generation has arrived. The NEO line features a fashionably coordinated computer, monitor, and printer package boasting semi-transparent styling and a space-saving slim tower design.



### Multimedia Space Saver

Featuring a built-in TV tuner, picture-in-picture, and inputs for a PC, DVD player, and VCR, our 15- and 17-inch SyncMaster 150MP/170MP TFT-LCD multimedia displays deliver a total multimedia experience wherever space is at a premium.



**Computing >>** In 1999, Samsung SyncMaster monitors continued to lead the global market with a 14% stake, backed by strong sales of our growing flat-screen CRT and flat-panel TFT-LCD monitor lines.

Our SpinPoint hard drive capacities climbed over 50% from 12.9 GB to 20 GB as sales grew a healthy 6.7%. We expect capacities to double to 40.8 GB and volume to rise 50% in 2000.

In the optical drive market, we moved from No. 4 to No. 2

as our market share shot from 8.7% to 11.2%. In 2000, we've set our sights on 16% of the overall and 20% of the DVD-ROM market.

Focusing on SOHO and business users, we also rolled out a new range of inkjet- and laser-based fax and multifunction printers as well as workgroup lasers capable of printing up to 26 ppm at up to 1,500 dpi.

### Personal Entertainment >>

Samsung is a leader in the MP3 player market, a fact evidenced

when it won the '99 EISA Award in the Internet Audio category for its Yepp MP3 player line. The first to market with innovative features like an FM radio tuner, voice recording, and phone directory, Yepp now comes a variety of sleek, colorful designs and new models with the ability to display digital stills (Photo Yepp) and MPEG movies (Motion Yepp).

Digital cameras are gaining wide acceptance as consumers recognize the convenience of



### Two-in-Wonder

Burning your own CDs and enjoying DVDs used to take two separate drives. Our upcoming combination CD-RW/DVD-ROM lets you do both with a world-first single-lens pickup mechanism.



### Safari Shooter

Getting close to the action is never a problem with our VP-D60 Mini DV camcorder's generous 22x optical zoom and incredible 440x digital zoom.



### Toll Free Web

Our Anyweb™ web phone leverages Internet standards to let you simultaneously surf or shop the web and make free or low-cost web calls without a computer.



being able to instantly see their photos, edit them on their computers, and share them by e-mail. Following up on our innovative Nexca megapixel folding digital camera launched in 1998, we introduced the SDC-80, a family of four colorful, affordable, easy-to-use 850,000-pixel digital cameras that will open digital photography to more consumers.

Digital photography is also opening up new markets for innovative peripherals. Among

these are digital printers designed to print photos without a computer, like our SCX-1000S three-in-one color inkjet printer, scanner, and copier that prints out thumbnails as well as full-size prints directly from SmartMedia cards.

The key enabling technology behind each of these personal multimedia products is SmartMedia flash memory cards. Available in capacities of up to 64MB in a convenient package just one-

third the size of a credit card, SmartMedia is fast becoming a ubiquitous storage medium for MP3 players, digital cameras, and a host of other devices, making it easier than ever to transport, transfer, or share digital music, images, and data.

### Wireless Handsets & Systems >>

Samsung maintained its No. 1 ranking in the CDMA handset market for a second straight year in 1999, capturing more than 28% of global demand. Once again, we were busy launching

## TV to Go

Mobile phones aren't just for talking anymore. The SCH-M220 lets you watch your favorite programs when you're on the go with a bright 1.8-inch color TFT-LCD screen.



## Cellular Gets Smaller

The ultra compact SCH-A105 mobile phone brings together must-have features like an electronic organizer, password protection, and one-touch bell deactivation in a folder-style package weighing under 90 grams.



innovative new handsets like the world's first PCS phone with Internet capability (SCH-3500); the world's first Internet phone (SCH-I201/SCH-I205); the world's first phones with a built-in MP3 player (SCH-M105/SGH-M100); and the world's first phone with a built-in TV tuner (SCH-M220).

As work on a US\$210 million CDMA network for Hutchison Telecom Australia proceeded on schedule for a spring 2000 launch, we signed a one-year, US\$500 million handset contract with US-

based Sprint PCS. We also made the world's first 3G test call utilizing cdma2000 technology, paving the way for us to ship tomorrow's 3G systems and phones ahead of the rest.

**Memory Chips >>** Leading-edge technology is what keeps Samsung six months to a year ahead of the competition. In 1999, we continued to pace the industry with the world's first 0.18 micron 256Mb SDRAM and 128Mb/144Mb Direct Rambus™ DRAM, 0.13-micron 1Gb DDR SDRAM, 222 MHz 32Mb SGRAM,

4Mb FRAM, and 0.15-micron 1Gb flash memory.

In other news, Intel invested US\$100 million to upgrade our RDRAM fabrication, assembly, and testing capabilities. We also joined forces with other industry leaders to develop next-generation DRAM technology for future cost-effective computing platforms as well as launching MyMemoryStore.com™, a business-to-business website. Finally, we began construction on a second production complex in Korea that will help us meet

### Bottleneck Breaker

The next generation of DRAM is here. Our 1Gb DDR (double data rate) SDRAM operates at 350 MHz, shattering one of the major bottlenecks that's holding back PC performance as processor speeds break the 1 GHz barrier.



### Calling 3G

Your mobile operator might not be ready for 3G, but we are. Our SCom4000 mobile station modem chip is at the heart of our 3G phones which are fully backward compatible with existing CDMA cellular and PCS networks.



### HDTV Goes Flat

Taking a step beyond the desktop, our 24-inch widescreen TFT-LCD panel is the world's first to bring HDTV resolution (1,920 x 1,200 pixels) to the flat-panel TV market.



growing demand for both semiconductors.

**Non-Memory Chips >>** Led by high value-added LSI products like 1GHz Alpha processors, microcontrollers, merged memory with logic, and communications chips, Samsung's overall semiconductor industry ranking rose from 6th to 4th in 1999.

Among the year's highlights were the debut of the CalmRISC 8-bit microcontroller, a single-chip digital TV tuner solution, several DVD player chipsets, and the CopperMagic UADSL modem

chipset. We also teamed up with Compaq and Alpha Processor, Inc. of the US to invest US\$500 million to promote the Alpha processor in server, network appliance, and Internet infrastructure markets.

**TFT-LCD Panels >>** Leading the industry for the second straight year, Samsung captured 18.8% of the global market in 1999. We rolled out new 15-, 17-, and 18-inch panels as well as the world's first 16.5-inch SXGA+ (1,400 x 1,050) and 24-inch widescreen (1,920 x 1,200) panels, the latter

in a compact package just 3 cm thick and 7 kg in weight. Other notable events during the year included investments of US\$100 million by Apple and US\$200 million by Dell Computer that we'll use to expand our production capacity and, in early 2000, the launch of the WiseView™ brand name to raise awareness of our world-class TFT-LCD panels.

**R&D >>** During 1999, Samsung invested over 1.6 trillion won on 1,116 projects, an amount equivalent to 6.1% of sales. The hard



# Promoting







# Excellence Through Competition



As a leading competitor in the field of electronics, we at Samsung recognize the value of competition, discipline, and perseverance in the pursuit of excellence. Our active involvement in sports today is a reflection of the ideals of individual achievement, teamwork, and fair play we strive to live by in the business arena. In addition to our participation in the 1998 Nagano Winter Olympiad and the 2000 Sydney Summer Games as an Olympic Partner in both the wireless communications equipment and whitegoods categories, our sponsorship activities include multinational events such as the Samsung Nations Cup equestrian team championship series, Samsung Running Festival 5 km fun runs, and a large number of professional and amateur sports teams around the globe.



# Sharing the Commitment



Giving back to local communities is a responsibility Samsung takes very seriously. Our efforts to support employee volunteerism and develop and maintain volunteer programs to meet local needs were recognized with the prestigious Award for Excellence in Corporate Community Service from the Washington, D.C.-based Points of Light Foundation in 1998. Today, we continue to serve communities through computer donations and scholarships for the disabled, Korea's only guide dog training facility, free computer training for the public, children's science and choral competitions, and efforts to protect migratory birds.

**Report of Independent Accountants 40**

**Balance Sheet 41**

**Statements of Income 44**

**Statements of Appropriations of Retained Earnings 45**

**Statements of Cash Flows 46**

**Notes to Financial Statements 48**

**Five-year Financial Summary 78**

**Global Network 80**

## REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying balance sheet of Samsung Electronics Co., Ltd. as of December 31, 1999, and the related statements of income, appropriations of retained earnings and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1999, and the results of its operations, the changes in its retained earnings and its cash flows for the year then ended in accordance with financial accounting standards generally accepted in the Republic of Korea.

The following matters do not affect our audit opinion but will be helpful to the readers in reasonable decision making.

As discussed in Note 8 to the financial statements, effective April 1, 1999, the Company revalued a substantial portion of its property, plant and equipment by ₩2,056,184 million in accordance with the Asset Revaluation Law. As a result, the Company recognized a revaluation surplus of ₩2,056,184 million, net of revaluation tax in the amount of ₩53,383 million, and recorded an offsetting entry of ₩811,148 million to deferred foreign exchange losses. Additional depreciation expense of ₩1,046,779 million related to the revaluation is recorded for the year ended December 31, 1999.

As discussed in Note 19 to the financial statements, the Company had sales of ₩631,671 million and US\$10,678,976,000 to subsidiaries and affiliated companies within the Samsung Group during 1999. Related accounts receivable as of December 31, 1999 amounted to ₩544,982 million and US\$156,532,000.

In addition, on July 20, 1999, Pan-Pacific Industrial Investments PLC ("PP"), a shareholder of Samsung Motors Inc., exercised its right to sell certain shares of Samsung Motors Inc. to the Company in accordance with the joint-venture agreement established under the court receivership application of Samsung Motors Inc. As a result of this exercise, the Company acquired 30,465,951 shares of Samsung Motors Inc. and recognized an evaluation loss of ₩266,258 million.

As discussed in Note 13 of the financial statements, the operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

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 position, 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 used to audit such financial statements are those generally accepted and applied in the Republic of Korea.

Samil Accounting Corporation  
Seoul, Korea  
February 21, 2000

Samil Accounting Corporation is the Korean member firm of the worldwide PricewaterhouseCoopers organization.



**BALANCE SHEET**

As of December 31, 1999	<i>Thousands of Korean Won</i>	<i>Thousands of U.S. Dollars (Note 3)</i>
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents (Note 4)	₩ 46,734,262	\$ 40,816
Short-term financial instruments (Note 4)	1,128,438,711	985,536
Marketable securities (Note 5)	237,450,347	207,380
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩133,890,311,000 (Note 6)	1,334,971,347	1,165,914
Other accounts and notes receivable, less allowance for doubtful accounts of ₩29,131,354,000	690,544,173	603,095
Inventories (Note 7)	2,261,379,652	1,975,004
Accrued income	21,614,484	18,877
Advance payments, less allowance for doubtful accounts of ₩745,090,000	84,940,457	74,184
Guaranteed deposits	171,716,625	149,971
Other	219,441,221	191,652
<b>Total current assets</b>	<b>6,197,231,279</b>	<b>5,412,429</b>
Property, plant and equipment, including revalued portion, net of accumulated depreciation (Note 8)	9,822,251,279	8,578,385
Equity investments in subsidiaries and affiliated companies (Note 9)	2,856,280,021	2,494,568
Other investments (Note 9)	3,193,764,436	2,789,314
Long-term financial instruments and other assets (Notes 4 and 6)	1,559,748,944	1,362,226
Deferred income tax assets (Note 17)	1,080,526,923	943,692
	₩ 24,709,802,882	\$ 21,580,614

Continued;

The accompanying notes are an integral part of this statement.

**BALANCE SHEET**

As of December 31, 1999	<i>Thousands of Korean Won</i>	<i>Thousands of U.S. Dollars (Note 3)</i>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<i>Current liabilities:</i>		
Trade accounts and notes payable	₩ 1,405,008,718	\$ 1,227,082
Other accounts and notes payable	1,613,961,632	1,409,573
Short-term borrowings (Note 10)	49,511	43
Current maturities of long-term debt, net of discounts and premiums on debentures (Notes 11 and 12)	1,396,329,672	1,219,502
Accrued expenses	733,624,266	640,720
Dividends payable	342,729,389	299,327
Income taxes payable	606,942,742	530,081
Other	682,225,510	595,830
<b>Total current liabilities</b>	<b>6,780,871,440</b>	<b>5,922,158</b>
Long-term debt, less current maturities (Note 11)	2,933,429,090	2,561,947
Foreign currency notes and bonds (Note 12)	1,415,529,449	1,236,270
Other long-term liabilities (Note 6)	160,902,912	140,527
Accrued severance benefits, net of transfer to the National Pension Fund of ₩35,175,071,000 and severance insurance plan of ₩153,133,724,000	87,501,523	76,421
<b>Total liabilities</b>	<b>₩ 11,378,234,414</b>	<b>\$ 9,937,323</b>

Continued;

The accompanying notes are an integral part of this statement.

**BALANCE SHEET**

As of December 31, 1999

*Thousands of Korean Won*

*Thousands of U.S. Dollars (Note 3)*

LIABILITIES AND SHAREHOLDERS' EQUITY		
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Capital stock (Note 1)		
Common stock	756,074,960	\$ 660,327
Preferred stock	119,467,135	104,338
Paid-in capital in excess of par value (Note 1)	3,719,943,012	3,248,859
Other capital surplus (Notes 8 and 12)	1,834,985,265	1,602,607
Retained earnings (Note 14):		
Appropriated	5,241,659,358	4,577,868
Unappropriated	31,989	28
Capital adjustments:		
Treasury stock (Note 16)	(427,838,371)	(373,658)
Consideration for conversion rights (Note 12)	85,476,294	74,652
Gain on valuation of investments (Note 9)	2,005,562,370	1,751,583
Loss on valuation of derivative instruments (Note 13)	(3,793,544)	(3,313)
Total shareholders' equity	13,331,568,468	11,643,291
	₩ 24,709,802,882	\$ 21,580,614

The accompanying notes are an integral part of this statement.

**STATEMENTS OF INCOME**

For the year ended December 31, 1999	<i>Thousands of Korean Won</i>	<i>Thousands of U.S. Dollars (Note 3)</i>
<b>Sales (Note 19):</b>		
Domestic	₩ 8,850,624,784	\$ 7,729,803
Export	17,267,160,967	15,080,490
	26,117,785,751	22,810,293
Cost of sales (Note 19)	17,661,171,944	15,424,604
Gross profit	8,456,613,807	7,385,689
Selling, general and administrative expenses	3,975,113,690	3,471,715
Operating profit	4,481,500,117	3,913,974
<b>Non-operating income:</b>		
Interest and dividend income	227,740,962	198,900
Gain on foreign currency transactions	267,472,334	233,600
Gain on foreign currency translation (Note 21)	261,416,440	228,311
Gain on valuation of investments using the equity method	298,242,218	260,474
Other	592,472,848	517,444
	1,647,344,802	1,438,729
<b>Non-operating expenses:</b>		
Interest expense	721,198,940	629,868
Loss on foreign currency transactions	280,490,610	244,970
Loss on foreign currency translation (Note 21)	106,594,502	93,096
Other	726,334,345	634,353
	1,834,618,397	1,602,287
Ordinary profit	4,294,226,522	3,750,416
Extraordinary loss (Note 19)	266,258,185	232,540
Net income before income taxes	4,027,968,337	3,517,876
Income tax expense (Note 17)	857,565,763	748,965
Net income	₩ 3,170,402,574	\$ 2,768,911
Earnings per share (Note 18) <i>(in Korean Won and U.S. Dollars)</i>	₩ 19,214	\$ 17

The accompanying notes are an integral part of this statement.

**STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS**

For the year ended December 31, 1999

Date of appropriations: March 16, 2000

*Thousands of Korean Won*

*Thousands of U.S. Dollars (Note 3)*

<b>Retained earnings before appropriations:</b>		
Unappropriated retained earnings carried over from prior year	₩ 32,306	\$ 28
Cumulative effects of changes in accounting policy (Note 2)	(1,744,477,621)	(1,523,561)
Additional accrued severance benefits (Note 2)	(8,450,909)	(7,381)
Interim dividends (Note 15) (Dividend rate: 10%)	(84,663,871)	(73,942)
Net income	3,170,402,574	2,768,911
	1,332,842,479	1,164,055
<b>Transfers from voluntary reserves (Note 14):</b>		
Reserve for overseas market development	53,600,000	46,812
Reserve for overseas investment losses	70,199,899	61,310
Reserve for technology development	274,700,000	239,913
Reserve for export losses	68,000,000	59,388
	466,499,899	407,423
<b>Appropriations (Note 14):</b>		
Legal reserve	150,000,000	131,004
Reserve for business rationalization	700,000,000	611,354
Reserve for technology development	606,581,000	529,765
Cash dividends (Note 15)	342,729,389	299,327
(Common stock: 40%)		
(Preferred stock: 41%)		
	1,799,310,389	1,571,450
Unappropriated retained earnings carried over to subsequent year	₩ 31,989	\$ 28

The accompanying notes are an integral part of this statement.

**STATEMENTS OF CASH FLOWS**

For the year ended December 31, 1999	<i>Thousands of Korean Won</i>	<i>Thousands of U.S. Dollars (Note 3)</i>
<i>Cash flows from operating activities:</i>		
Net income	₩ 3,170,402,574	\$ 2,768,911
<i>Items not involving cash flows:</i>		
Depreciation and amortization	2,739,262,420	2,392,369
Provision for severance benefits	119,847,588	104,670
Loss on disposal of property, plant and equipment	51,750,930	45,197
Gain on disposal of property, plant and equipment	(23,523,016)	(20,544)
Loss on disposal of investments in subsidiaries and affiliated companies	11,959,645	10,445
Gain on disposal of investments in subsidiaries and affiliated companies	(48,019,534)	(41,939)
Loss on foreign currency translation	106,358,633	92,890
Gain on foreign currency translation	(261,376,425)	(228,276)
Gain on valuation of investments using the equity method	(298,242,218)	(260,474)
Deferred income taxes	199,038,851	173,833
Other	488,583,873	426,711
	6,256,043,321	5,463,793
<i>Changes in operating assets and liabilities:</i>		
Trade accounts and notes receivable	19,068,860	16,654
Inventories	(475,512,306)	(415,295)
Accrued income	3,536,432	3,089
Advance payments	21,607,277	18,871
Guaranteed deposits	(3,072,795)	(2,684)
Trade accounts and notes payable	308,456,595	269,395
Accrued expenses	84,558,898	73,851
Income taxes payable	564,890,732	493,354
Payment of severance benefits	(110,691,623)	(96,674)
Other	408,846,750	357,071
Net cash provided by operating activities	₩ 7,077,732,141	\$ 6,181,425

Continued;

The accompanying notes are an integral part of this statement.

**STATEMENTS OF CASH FLOWS**

For the year ended December 31, 1999

*Thousands of Korean Won*

*Thousands of U.S. Dollars (Note 3)*

<b>Cash flows from investing activities:</b>		
Increase in short-term financial instruments	₩ (117,727,021)	\$ (102,818)
Proceeds from sale of marketable securities	837,207,770	731,186
Acquisition of marketable securities	(929,344,062)	(811,654)
Increase in other accounts and notes receivable	(2,370,114,943)	(2,069,969)
Decrease in other accounts and notes receivable	2,448,959,963	2,138,829
Proceeds from disposal of property, plant and equipment	399,277,815	348,714
Acquisition of property, plant and equipment	(3,401,866,665)	(2,971,063)
Proceeds from sale of equity investments in subsidiaries and affiliated companies	138,081,682	120,595
Acquisition of equity investments in subsidiaries and affiliated companies	(1,279,831,029)	(1,117,756)
Proceeds from disposal of other investments	120,759,385	105,467
Acquisition of other investments	(700,836,355)	(612,084)
Increase in long-term financial instruments and other assets	(609,048,949)	(531,921)
Decrease in long-term financial instruments and other assets	790,771,403	690,630
Other	3,902,019	3,408
<b>Net cash used in investing activities</b>	<b>(4,669,808,987)</b>	<b>(4,078,436)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	214,979,206	187,755
Repayment of short-term borrowings	(453,342,931)	(395,933)
Increase in other accounts and notes payable	9,603,870,409	8,387,660
Decrease in other accounts and notes payable	(9,046,194,581)	(7,900,607)
Proceeds from long-term debt	722,407,330	630,923
Repayment of long-term debt	(3,304,344,477)	(2,885,890)
Proceeds from foreign currency notes and bonds	478,410,000	417,825
Repayment of current maturities of long-term debt	(2,064,758,293)	(1,803,282)
Issuance of common stock	1,567,684,230	1,369,157
Payments of dividends	(172,423,703)	(150,588)
Other	(84,243,073)	(73,575)
<b>Net cash used in financing activities</b>	<b>(2,537,955,883)</b>	<b>(2,216,555)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(130,032,729)</b>	<b>(113,566)</b>
Cash and cash equivalents at beginning of year	176,766,991	154,382
<b>Cash and cash equivalents at end of year</b>	<b>₩ 46,734,262</b>	<b>\$ 40,816</b>

The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999

### I. 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, semiconductors, telecommunication products 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 its 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, 1999, 151,214,992 shares of common stock and 23,893,427 shares of such preferred stock were issued and outstanding.

As of December 31, 1999, major shareholders of the Company's stock, including preferred stock, consist of the following:

Name of Shareholder	Number of Shares	Percentage of Ownership (%)
Citibank, N.A.	16,800,865	9.59
Samsung Life Insurance Co., Ltd.	10,873,359	6.21
Samsung Corporation	5,917,362	3.38
Lee, Kun-Hee and relatives	5,322,559	3.04
Seoul Bank	4,699,627	2.68

In addition, the Company is authorized to issue convertible debentures and debentures with stock purchase options of face values 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, the Company is authorized to issue capital stock through the exercise of stock options or general public subscription and to domestic and foreign financial institutions for urgent fund raising or to co-operating companies for technical assistance free from any preemptive rights by shareholders.

The Company has a stock option plan under which options to purchase shares of common stock may be granted to key employees up to a maximum of 1% of issued shares per employee by the approval of shareholders. No stock options have been granted as of December 31, 1999.

The Company issued 9,580,000 shares of common stock for cash at ₩51,300 per share on February 12, 1999 and 15,400,000 shares of common stock for cash at ₩69,900 per share on June 25, 1999. In addition, the Company issued 1,461,359 shares of common stock upon the conversion of foreign currency convertible bonds in the amount of US\$153,050,000 in 1999 (see Note 12). The cash proceeds in excess of par value of ₩1,568,120 million were credited to paid-in capital in excess of par value.

As of December 31, 1999, ₩675,972,431,000 (face value of US\$624,010,000) of convertible bonds are outstanding (see Note 12). No debentures with stock purchase options have been issued as of December 31, 1999.

### 2. Summary of Significant Accounting Policies:

The significant accounting policies followed by the Company in the preparation of its financial statements in accordance with Financial Accounting Standards of the Republic of Korea are summarized below.

**Transitional Presentation of Comparative Financial Statements -**  
In accordance with the transition clause of the revised financial accounting standards generally accepted in the Republic of Korea effective January 1, 1999, the Company has not presented comparative financial statements for the year ended December 31, 1999.

#### 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.



The accompanying financial statements have been extracted from the Company's Korean language financial statements that were prepared using accounting principles, procedures and reporting practices generally accepted in the Republic of Korea. These standards vary from international accounting standards and the accounting principles generally accepted in the country of the reader. The financial statements have been translated from Korean into English, and have been formatted in a manner different from the presentation under Korean financial statement practices. Certain supplementary information included in the Korean language statutory financial statements but not required for a fair presentation of the Company's financial position, results of operations, or cash

flows is not presented in the accompanying financial statements. Accordingly, the accompanying 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 affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

#### Cumulative Effect of Significant Changes in Financial Accounting Standards -

Effective January 1, 1999, the financial accounting policies of the Company have been significantly changed in accordance with the changes of accounting principles generally accepted in Korea. The cumulative effects on assets and liabilities arising in accordance with the adoption of the revised standards were added to or deducted from the beginning balance of retained earnings, capital surplus or capital adjustments pursuant to the addendum to the revised financial accounting standards.

A summary of the cumulative effects and variation of net income from the changes in financial accounting standards is as follows:

<i>Millions of Korean Won</i>					
	Beginning Retained Earnings	Capital Surplus	Net Income	Capital Adjustment	
Equity method valuation of investments	₩ (2,476,073)	₩ -	₩ 305,855	₩ 261,434	
Adoption of deferred income taxes	741,832	537,734	(199,039)		
Recognition of derivative instruments	(22,183)	-	12,876	(3,794)	
Valuation of assets and liabilities at present value, and others	11,946	(230)	(6,587)	-	
	₩ (1,744,478)	₩ 537,504	₩ 113,105	₩ 257,640	

#### Cash, Cash Equivalents and Short-term Financial Instruments -

Cash and cash equivalents include cash on hand and in bank accounts, with original maturities of three months or less. Investments which are readily convertible into cash within four to twelve months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

#### Marketable Securities -

Marketable securities are stated at fair value.

#### Allowance for Doubtful Accounts -

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

#### Inventory Valuation -

Inventories 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 of Korea. 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 and deferred foreign exchange losses, if any. The remainder may be credited to other capital surplus or transferred to common stock. A new basis for calculating depreciation is established for revalued assets (see Note 8).

Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets as described below.

	Estimated Useful Lives in Years
Buildings and auxiliary facilities	7 - 60
Machinery and equipment	2 - 10
Tools and fixtures	2 - 10
Structures and others	2 - 40

The Company capitalizes interest expense incurred on borrowings used to finance the cost of constructing facilities and equipment (see Note 8).

#### 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.

#### Equity Investments in Subsidiaries and Affiliated Companies & Other Investments -

All investments in equity and debt securities are initially carried at cost, including incidental expenses. The subsequent accounting for investments by the type of security is as follows.

Investments in marketable equity securities of non-controlled investees, classified as other investments, are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustment account, a component of stockholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Investments in non-marketable equity securities of non-controlled investees, classified as other investments, are carried at cost, except for declines in the Company's proportionate ownership of the underlying book value of the invested company which are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investments.

Investments in equity securities of companies over which the Company exerts significant control or influence, classified as equity investments in subsidiaries and affiliated companies, are recorded using the equity method of accounting. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the invested company are amortized over 5 years using the straight-line method. Under the equity method, the Company records changes in its proportionate ownership of the book value of the invested company as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the invested company.

Certain of the accounting policies for investments stated above represent revised policies that were adopted in the current year in accordance with revisions in generally accepted accounting principles in Korea. As a result of these changes, shareholders' equity as of December 31, 1999 is approximately ₩1,908,784 million less and net income for the year ended December 31, 1999 is approximately ₩305,855 million greater than that which would have been reported under the previous accounting method.

#### Stock and Debenture Issuance Costs -

Pursuant to the revised generally accepted accounting standards effective January 1, 1999, stock and debenture issuance costs are credited to capital surplus and debentures. As a result of this change, net income for the year ended December 31, 1999 is approximately ₩230 million greater than that which would have been reported under the previous accounting 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 represent the amount which would be payable assuming all eligible employees terminated their employment at the balance sheet date.

Severance pay expense is calculated based on the net change in accrued severance benefit liability assuming the termination of all eligible employees' employment as of the beginning and end of the accounting period. Under the prevailing generally accepted accounting standards, as of December 31, 1990, accrued severance benefits were underaccrued by approximately ₩42,255 million. The Company was adjusting the underaccrued severance benefits over 10 years beginning in 1991. Pursuant to the revised generally accepted accounting standards effective January 1, 1999, the Company deducted ₩8,451 million of the underaccrued severance benefits balance as of December 31, 1998 from retained earnings to account for the remaining underaccrued severance benefits. As a result of this change, shareholders' equity as of December 31, 1999 is approximately ₩4,225 million less than that which would have been reported under the previous accounting method.

Accrued severance benefits are funded approximately 56% at December 31, 1999 through a group severance insurance plan to guarantee retirement grants of employees with Samsung Life Insurance Company, Ltd. The amounts funded under this insurance plan are classified as a deduction to accrued severance benefits liability. 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.

#### Discounts and Premiums on Debentures -

Discounts and premiums on debentures represent the difference between the issue price and par value of debentures. Pursuant to the revised generally accepted accounting standards effective January 1, 1999, discounts and premiums on debentures are amortized over the redemption period of the related debentures using the effective interest rate method. The amortization of discount on debentures is recorded as interest expense and the amortization of premiums on debentures is deducted from interest expense. As a result of this change, shareholders' equity as of December 31, 1999 and net income for the year ended December 31, 1999 are approximately ₩7,581 million and ₩1,912 million, respectively, greater than that which would have been reported under the previous accounting method.

#### Foreign Currency Translation -

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates prevailing at the balance sheet date (in the case of U.S. Dollars, US\$1: ₩1,145.40) and resulting translation losses and gains are recognized currently.

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

#### Income Tax Expense -

In accordance with the revised generally accepted accounting principles in Korea, during the current fiscal year the Company has adopted the deferred method of accounting for income taxes. Under this method, the future tax effects of temporary differences between the financial and tax bases of assets and liabilities are reflected in the balance sheet as of December 31, 1999. As a result of this change, shareholders' equity as of December 31, 1999 is approximately ₩1,080,527 million greater and net income for the year ended December 31, 1999 is approximately ₩199,039 million less than that which would have been reported under the previous accounting method.

#### Valuation of Assets and Liabilities at Present Value -

Pursuant to the revised generally accepted financial accounting standards effective January 1, 1999, assets acquired and liabilities incurred through long-term installment transactions and accounts and notes receivables under rescheduled debt payments approved by the court are stated at present value. As a result of this change, shareholder's equity as of December 31, 1999 and net income for the year ended December 31, 1999 are approximately ₩2,452 million and ₩8,729 million, respectively, less than that which would have been reported under the previous method.

#### Earnings Per Share -

Earnings per share is computed based on earnings available to common shareholders, 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.

#### Derivative Instruments -

The Company utilized derivative instruments to reduce its exposure to fluctuations in interest and foreign currency exchange rates. Pursuant to the revised generally accepted accounting standards effective January 1, 1999, rights or obligations derived from derivative instruments are recorded as assets or liabilities at fair value on an accrual basis. Gain or loss on valuation of derivative instruments is recognized as a component of current operations, except for gains or losses on valuation of derivative instruments used to hedge cash flows, which are recorded as a capital adjustment. As a result of this change, shareholders' equity as of December 31, 1999 is approximately ₩13,101 million less and net income for the year ended December 31, 1999 is approximately ₩12,876 million greater than that which would have been reported under the previous accounting method.

### 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 U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. Won amounts are expressed in U.S. Dollars at the rate of ₩1,145: US\$1, the rate in effect on December 31, 1999. This presentation is not in accordance with accounting principles generally accepted in either the Republic of 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 U.S. Dollars at this rate.

#### 4. Cash and Cash Equivalents, Short-term Financial Instruments:

Cash and cash equivalents and short-term financial instruments at December 31, 1999 consist of the following:

	<i>Annual Interest Rates (%)</i>	<i>Thousands of Korean Won</i>
<b>Cash and cash equivalents</b>		
Cash on hand and in banks	-	₩ 2,770,492
Passbook accounts	1	43,081,819
Foreign currency deposits	-	881,951
		₩ 46,734,262
<b>Short-term financial instruments</b>		
Installment and time deposits	5.8-15	₩ 438,401,514
Foreign currency deposits	4.5-7	145,441,850
Money market deposit accounts	5.3-5.5	530,095,523
Trust deposits	10.04-13.61	15,896,324
Other financial instruments	-	71,000
		1,129,906,211
Less: portions classified as non-current		(1,467,500)
		₩ 1,128,438,711

At December 31, 1999, bank deposits of ₩41,433 million are pledged as collateral for certain short-term loans and are subject to restrictions on withdrawal (see Note 10).

#### 5. Marketable securities:

Marketable securities at December 31, 1999 consist of the following:

	<i>Annual Interest Rates (%)</i>	<i>Thousands of Korean Won</i>
Beneficiary securities	4.8-7	₩ 237,257,709
Bonds	5-6	192,638
		₩ 237,450,347

Marketable securities of ₩16,008 million are restricted to withdrawal at December 31, 1999.

## 6. Trade Accounts and Notes Receivable and Valuation of Assets and Liabilities at Present Value:

The outstanding balance of trade accounts and notes receivable sold to financial institutions as of December 31, 1999 is as follows (see Note 13):

<i>Millions of Korean Won</i>	
Asset backed securities with limited recourse	₩ 1,953
Export accounts and notes receivable with recourse	1,523,803
Trade notes receivable with recourse	199,909
Trade accounts receivable without recourse	113,626
	₩ 1,839,291

Accounts which are valued at present value under rescheduled payment and long-term installment transactions are as follows:

<i>Millions of Korean Won</i>				
	Accounts	Face Value	Discount	Present Value
Long-term installment transactions	Long-term financial instruments and other assets	₩ 4,151	₩ 742	₩ 3,409
	Other long-term liabilities	205,363	46,110	159,253
Rescheduled	Long-term financial instruments and other assets	4,914	1,362	3,552
		₩ 214,428	₩ 48,214	₩ 166,214

## 7. Inventories:

Inventories at December 31, 1999 consist of the following:

<i>Thousands of Korean Won</i>	
Finished goods and merchandise	₩ 572,945,964
Semifinished goods and work in process	666,500,256
Raw materials and supplies	909,922,532
Materials in transit	112,010,900
	₩ 2,261,379,652

Inventories are insured against fire and other casualty losses up to ₩1,675,458 million at December 31, 1999.

At December 31, 1999, ₩ 294,219 million of land and construction in progress held by the Company, included in the merchandise account, are for sale. Related interest costs of ₩29,885 million have been capitalized for the year ended December 31, 1999.

## 8. Property, Plant and Equipment:

Property, plant and equipment at December 31, 1999 consist of the following:

	<i>Thousands of Korean Won</i>
Buildings and auxiliary facilities	₩ 2,046,105,987
Machinery and equipment	8,406,254,860
Tools and fixtures	924,901,314
Structures and other	173,440,082
	11,550,702,243
Less: accumulated depreciation	(4,380,933,468)
	7,169,768,775
Land	1,708,831,071
Construction in progress	943,651,433
	₩ 9,822,251,279

At December 31, 1999, certain portions of the Company's property, plant and equipment, up to a maximum of ₩1,469,422 million, is pledged as collateral for various loans from the Korea Development Bank and Hanvit Bank (see Note 11).

At December 31, 1999, depreciable assets are insured against fire and other casualty losses, and business interruption losses up to ₩ 15,744,875 million and ₩7,596,945 million, respectively.

At December 31, 1999, the government-appraised value of land is ₩1,099,409 million.

Interest costs of ₩45,418 million were capitalized for the year ended December 31, 1999.

In accordance with the Asset Revaluation Law (see Note 2), effective January 1, 1980, 1982 and 1998, the Company revalued a substantial portion of its property, plant and equipment by ₩18,564 million, ₩14,967 million and ₩956,696 million, respectively, and its investments in equity securities by ₩502 million, ₩649 million and ₩6,956 million, respectively. The revaluation increments, net of revaluation tax and credit to deferred foreign currency translation losses, were credited to other capital surplus, a component of shareholders' equity.

In addition, effective April 1, 1999, the Company revalued a substantial portion of property, plant and equipment by ₩2,056,184 million as follows:

	<i>Millions of Korean Won</i>		
	Revalued Amount	Book Value	Revaluation Increment
Land	₩ 1,426,789	₩ 1,011,656	₩ 415,133
Buildings and auxiliary facilities	1,846,476	1,727,253	119,223
Machinery and equipment	4,851,141	3,383,409	1,467,732
Tools and fixtures	146,003	103,796	42,207
Structures and others	139,407	127,518	11,889
	₩ 8,409,816	₩ 6,353,632	₩ 2,056,184

In relation to the above revaluation, additional depreciation expense of ₩1,046,779 million is recorded for the year ended December 31, 1999. The revaluation increment, net of revaluation tax of ₩53,383 million, was offset against deferred foreign exchange losses of ₩811,148 million. The remaining revaluation increment of ₩1,191,653 million has been recorded as other capital surplus.

## 9. Investments:

Equity investments in subsidiaries and affiliated companies and other investments at December 31, 1999 consist of the following:

<i>Thousands of Korean Won</i>			
	Percentage of Ownership	Acquisition Cost	Recorded Book Value
<b>(I) Equity investments in subsidiaries and affiliated companies</b>			
<b>Subsidiaries:</b>			
Samsung Electronics Canada, Inc.	100.00	₩ 37,910,597	₩ 32,929,230
Samsung Electronics America, Inc.	100.00	584,138,017	45,440,513
Samsung Electronics Latinoamerica Panama (Zone Libre) S.A.	100.00	43,842,300	33,029,905
Samsung Electronics Mexicana S.A. de C.V.	100.00	30,767,040	32,714,719
Samsung Electronics Argentina S.A.	100.00	50,227,700	31,361,130
Cagent Technologies, Inc.	91.48	22,162,492	18,970,664
Alpha Processor, Inc.	90.62	46,571,928	40,996,621
Samsung Glass America, Inc.	61.04	5,793,309	2,509,254
Samsung Electronics Iberia, S.A.	100.00	65,221,118	62,271,067
Samsung Electronics Svenska AB	100.00	16,153,454	12,480,220
Samsung Electronics Hungarian Co., Ltd.	100.00	48,397,117	49,027,338
Samsung Electronica Portuguesa S.A.	100.00	12,594,048	10,235,514
Samsung Electronics France S.A.	100.00	39,433,410	31,877,434
Samsung Europe PLC	100.00	179,626,805	177,064,807
Samsung Electronics Holding GmbH	100.00	77,607,622	58,537,194
Samsung Electronics Italia, S.p.A.	100.00	56,778,556	43,982,797
Samsung Electronics Nederland B.V.	100.00	38,334,024	37,706,970
Samsung Electronics Polska, Sp.Zo.O	100.00	20,097,600	9,456,425
Samsung Electronics South Africa (Pty) Ltd.	100.00	39,829,558	11,670,423
Samsung Electronics Overseas B.V.	100.00	119,898	10,648,885
Uzbekistan Samsung Electronica Co., Ltd.	80.00	3,341,000	5,936,797
Samsung Electronics Australia Pty. Ltd.	100.00	40,457,800	31,156,982
Samsung Electronics Malaysia Sdn. Bhd.	100.00	4,378,136	30,264,479
Samsung Gulf Electronics Co., Ltd.	100.00	7,976,308	9,682,868
P.T. Samsung Electronics Indonesia	99.99	56,910,316	22,601,517
Samsung Electronics Display (M) Sdn. Omd. (HSD)	75.00	21,876,246	29,620,515
Samsung India Electronics, Ltd.	73.87	15,526,467	15,387,943
Samsung Asia Private, Ltd.	70.00	20,454,044	53,907,380
Samsung Vina Electronics Co., Ltd.	81.62	13,531,704	15,677,406
Thai Samsung Electronics Co., Ltd.	91.50	37,422,945	25,416,928
PrimeTel, Ltd.	50.00	19,070,717	14,218,067
Samsung Electronics Hong Kong Co., Ltd.	100.00	69,029,200	62,634,166

Continued;



<i>Thousands of Korean Won</i>			
	Percentage of Ownership	Acquisition Cost	Recorded Book Value
Samsung Electronics Taiwan Co., Ltd.	100.00	₩ 1,524,856	₩ 721,209
Samsung Electronics Suzhou Semiconductor Co., Ltd.	100.00	25,093,560	39,577,031
Samsung (China) Investment Co., Ltd.	100.00	23,253,000	12,324,814
Huizhou Samsung Electronics Co., Ltd.	94.88	36,022,618	37,876,046
Tianjin Tongguang Samsung Electronics Co., Ltd.	94.04	122,601,521	28,425,751
Tianjin Samsung Electronics Display Co., Ltd.	59.17	9,895,816	10,108,585
Suzhou Samsung Electronics Co., Ltd.	82.41	64,731,000	39,545,497
Tianjin Samsung Electronics Co., Ltd.	85.82	50,570,084	39,667,002
Shandong-Samsung Telecommunications Co., Ltd.	59.00	15,562,465	18,779,418
Samsung Yokohama Research Institute	100.00	33,991,706	32,656,218
Novita Co., Ltd.	100.00	31,193,683	23,090,236
Samsung Kwangju Electronics Co., Ltd.	98.96	153,089,701	155,753,593
Samsung Capital Co., Ltd.	75.45	210,477,729	222,920,398
Samsung Card Co., Ltd.	56.59	153,387,755	234,398,940
STECO, Ltd.	51.00	12,239,960	14,217,607
DNS Korea Co., Ltd.	61.08	6,499,532	3,941,894
Samsung Electronics Service Co., Ltd.	83.33	29,999,990	32,934,818
Total equity investments in subsidiaries		2,705,716,452	2,016,355,215
<i>Affiliated companies:</i>			
The Joong-Ang Daily News California, Inc.	25.42	2,889,686	3,509,432
Samsung Portugal Productos Electro-Mechanicos S.A.	24.15	2,123,880	2,487,701
Samsung Electronics (UK), Ltd.	5.17	8,280,489	6,305,140
Syrian-Korean Telecommunication Equipment Manufacturing Establishment Co., Ltd.	49.00	2,060,925	3,325,921
Samsung Japan Co., Ltd.	49.00	47,766,973	53,351,029
Union Optical Co., Ltd.	20.00	17,388,905	3,153,721
Samsung Electro-Mechanics Co., Ltd.	22.14	305,698,344	266,167,164
Samsung Aerospace Industries Ltd.	22.93	196,321,791	211,725,943
Seoul Commtech Co., Ltd.	30.30	4,191,977	5,174,213
Samsung Economic Research Institute	29.80	8,940,000	9,027,093
Samsung SDS Co., Ltd.	29.94	17,966,660	26,324,854
Samsung Corning Co., Ltd.	48.36	94,263,035	234,741,156
Samsung Lions Co., Ltd.	27.50	275,000	0
Samsung Motors Inc.	40.02	436,258,185	0
Towa Korea Co., Ltd.	40.00	800,000	937,991
Posco Hüls Co., Ltd.	20.00	17,200,000	13,693,448
Total equity investments in affiliated companies		1,162,425,850	839,924,806
		3,868,142,302	2,856,280,021

Continued;

## 9. Investments, continued:

	<i>Thousands of Korean Won</i>	
	Acquisition Cost	Recorded Book Value
<i>(2) Other investments</i>		
Investment in listed companies	₩ 1,187,973,203	₩ 2,898,807,045
Investment in unlisted companies	138,828,189	122,658,461
Securities market stabilization fund	18,508,670	18,760,587
Other	153,538,343	153,538,343
	1,498,848,405	3,193,764,436
Total investments	₩ 5,366,990,707	₩ 6,050,044,457

In 1999, investments in 13 affiliated companies, including Samsung Electronics India Private, Ltd., were not valued using the equity method due to the pending liquidation of entity or to the small scale of assets.

At December 31, 1999, the financial condition of other investments, such as Array Micro Sys. Inc., Acc Microelectronics Co., Jazz Multimedia, Inc., Micro Unity Systems Engineering Inc. and the Institute for Social Development & Policy Research, have deteriorated significantly. Accordingly, these investments have been written down. The differences between the revalued amount and the acquisition cost was charged to current operations as an invested stock reduction loss.

The cumulative net gain on the valuation of investments in listed companies of ₩1,710,834 million as of December 31, 1999 is recorded in the capital adjustment account.

## 10. Short-Term Borrowings:

Short-term borrowings at December 31, 1999 consist of the following:

	<i>Annual Interest Rates (%)</i>	<i>Thousands of Korean Won</i>
Bank overdraft facilities	10.5-10.8	₩ 5,046
Usance financing	7.5-7.9	44,465
		₩ 49,511

At December 31, 1999, certain bank deposits are pledged as collateral for the above loans (see Note 4).

## 11. Long-Term Debt:

Long-term debt at December 31, 1999 consists of the following:

	<i>Reference</i>	<i>Thousands of Korean Won</i>
Won currency loans	( A )	₩ 272,833,344
Foreign currency loans, in Won equivalent	( B )	1,587,280,784
Debentures	( C )	2,170,587,972
		4,030,702,100
Less: current maturities		(1,097,273,010)
		₩ 2,933,429,090

(A) Won currency loans at December 31, 1999 consist of the following:

	<i>Annual Interest Rates (%)</i>	<i>Thousands of Korean Won</i>
Hanvit Bank	5-6.5	₩ 1,624,515
Korea Development Bank	8-9.65	224,109,000
Kookmin Bank	6.5-12.45	28,975,527
Korea Technology Banking Corporation	6.5	18,041,302
Samsung Card Co., Ltd.	6.5	83,000
		₩ 272,833,344

(B) Long-term debt denominated in foreign currencies at December 31, 1999 consists of the following:

	<i>Annual Interest Rates (%)</i>	<i>Thousands of U.S. Dollars</i>
ING	LIBOR + 0.45	\$ 8,533
Citibank, N.A.	LIBOR + 0.6	181,222
Korea Development Bank	7.6 or LIBOR + 0.4-0.5	618,371
Korea Exchange Bank	LIBOR + 0.375	56,667
Hanvit Bank	LIBOR + 0.45	20,000
Bank of Seoul	LIBOR + 1	8,606
Korea Development Leasing Corporation and others	LIBOR + 0.65-1.1	492,388
U.S. Dollar equivalent of foreign currencies		\$ 1,385,787
Won equivalent ( <i>in thousands</i> )		₩ 1,587,280,784

## 11. Long-Term Debt, continued:

(C) Debentures outstanding at December 31, 1999 consist of the following:

	Annual Interest Rates (%)	Thousands of Korean Won
Guaranteed by banks, payable through 2001	11-25	₩ 538,550,000
Floating rate notes payable in 2001	CD + 0.1	32,000,000
Other, payable through 2003	8-15.70	1,646,000,000
		2,216,550,000
Add: premiums		10,514
Less: discounts		(45,972,542)
		₩ 2,170,587,972

At December 31, 1999 certain property, plant and equipment are pledged as collateral for the above long-term debt (see Note 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, at December 31, 1999 are as follows:

	Thousands of Korean Won			
	Won Currency Loans	Foreign Currency Loans	Debentures	Total
2000	₩ 92,805,358	₩ 422,779,804	₩ 586,050,000	₩ 1,101,635,162
2001	92,355,173	737,577,526	1,597,500,000	2,427,432,699
2002	62,633,102	382,995,518	-	445,628,620
2003	14,211,340	35,073,994	33,000,000	82,285,334
2004	4,582,371	3,541,577	-	8,123,948
Thereafter	6,246,000	5,312,365	-	11,558,365
	₩ 272,833,344	₩ 1,587,280,784	₩ 2,216,550,000	₩ 4,076,664,128

## 12. Foreign Currency Notes and Bonds:

Unsecured foreign currency notes and bonds at December 31, 1999 consist of the following:

		<i>Due Date</i>	<i>Thousands of Korean Won</i>
ECU denominated floating rate notes	( A )	May 16, 2000	₩ 122,420,352
US\$ denominated straight bonds	( B )	November 1, 2002	178,619,403
DM denominated straight bonds	( C )	March 24, 2000	176,481,000
¥ denominated straight bonds	( D )	April 23, 2003	165,920,136
DM denominated straight bonds	( E )	December 16, 2001	176,481,000
US\$ denominated straight bonds	( F )	October 1, 2027	114,540,000
US\$ denominated straight bonds	( G )	October 1, 2002	175,091,571
Convertible bonds	( H )	December 31, 2006	18,911,736
Convertible bonds	( I )	December 31, 2007	178,650,695
Convertible bonds	( J )	February 1, 2004	117,300,000
Convertible bonds	( K )	July 30, 2002	120,470,000
Convertible bonds	( L )	January 31, 2003	240,640,000
			1,785,525,893
Less: current maturities			(299,056,662)
Add: premiums			1,158,941
Less: discounts			(6,556,876)
Add: long-term accrued interest			3,110,418
Less: conversion rights			(68,652,265)
			₩ 1,415,529,449

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

On May 16, 1995, the Company issued ECU 80 million (US\$106,880,000) of floating rate notes. These notes are listed on the Luxembourg Stock Exchange, bear interest at ECU Libor plus 0.375% and will mature on May 16, 2000. The Company also entered into a currency swap contract with Union Bank of Switzerland.

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

On November 1, 1992, the Company issued straight bonds of US\$200 million at 99.5% of face value for the expansion of its semiconductor product manufacturing facilities. The bonds bear interest at 8.5% per annum and mature on November 1, 2002. The Company redeemed US\$44,055,000 of these bonds during 1998 and 1999.

### (C) 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% per annum and mature on March 24, 2000.

(D) ¥ 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.

(E) DM denominated straight bonds -

On December 16, 1996, the Company issued straight bonds of DM 300 million at face value. The bonds bear interest at 5.375% per annum and mature on December 16, 2001.

(F) 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.

(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\$74,135,000 of these bonds during 1998 and 1999.

(H) Convertible bonds -

On September 24, 1996, the Company issued foreign currency convertible bonds of US\$150 million for the expansion of its 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.
- Conversion period: On or after November 24, 1996 through December 15, 2006.
- Conversion price: Subject to adjustment based on certain events, ~~¥~~ 65,499 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 share 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 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 ~~¥~~668 million was recognized as interest expense during 1999.

During 1997, US\$72,440,000 of convertible bonds were converted into 823,352 shares of common stock at the conversion price of ~~¥~~72,784 per share.

During 1999, US\$54,620,000 of convertible bonds were converted into 689,856 shares of common stock at the conversion price of ~~¥~~65,499 per share. In relation to the conversion to common stock, the Company recorded ~~¥~~ 3,291 million as other capital surplus, the difference between conversion right and related consideration for conversion rights (see Note 1).



( I ) Convertible bonds -

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

- Interest: 0%
- Conversion period: On or after July 26, 1997 through December 15, 2007.
- Conversion price: Subject to adjustment based on certain events, ₩113,351 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 share has reached 135% of the conversion price for a stipulated period.

The Company recorded ₩15,678 million of consideration for conversion rights, the difference between nominal value and the discounted present value at 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 ₩6,102 million was recognized as interest expense during 1999.

During 1998, US\$500,000 of convertible bonds were converted into common stock at the conversion price of ₩123,635 per share.

During 1999, US\$98,430,000 of convertible bonds were converted into 771,503 shares of common stock at the conversion price of ₩113,351 per share. In relation to the conversion to common stock, the Company recorded ₩4,245 million as other capital surplus, the difference between conversion right and related consideration for conversion right (see Note I).

( J ) Convertible bonds -

On February 1, 1999, the Company issued foreign currency convertible bonds of US\$100 million to Intel Corporation. A summary of the terms of bonds is as follows:

- Interest: 5% per annum payable annually in arrears on February 1.
- Conversion period: On or after May 3, 1999 through January 21, 2004.
- Conversion price: Subject to adjustment based on certain events, ₩108,465 per share, with a fixed exchange rate applicable to the conversion of ₩1,173: US\$1.00.

( K ) Convertible bonds -

On July 30, 1999, the Company issued foreign currency convertible bonds of US\$100 million to Apple Computer Inc. A summary of the terms of bonds is as follows:

- Interest: 2% per annum payable annually in arrears on December 31.
- Conversion period: On or after July 30, 2000 through July 20, 2002.
- Conversion price: Subject to adjustment based on certain events, ₩219,050 per share, with a fixed exchange rate applicable to the conversion of ₩1,204.7: US\$1.00.

The Company recognized interest expense using a 5% effective interest rate. The difference between the effective and nominal interest rate was credited to long-term accrued interest. The additional interest expense of ₩1,515 million was recognized as long-term accrued interest during 1999.

(L) Convertible bonds -

On October 15, 1999, the company issued foreign currency convertible bonds of US\$200 million to Dell Computer Corporation. A summary of the terms of bonds is as follows:

- Interest: 2% per annum payable annually in arrears on December 31.
- Conversion period: On or after October 15, 2000 through January 16, 2003.
- Conversion price: Subject to adjustment based on certain events, ₩260,000 per share, with a fixed exchange rate applicable to the conversion of ₩1,203.2: US\$1.00.

The Company recognized interest expense using a 5.143% effective interest rate. The difference between the effective and nominal interest rate was credited to long-term accrued interest. The additional interest expense of ₩ 1,595 million was recognized as long-term accrued interest during 1999.

### 13. Commitments and Contingencies:

- At December 31, 1999, the Company was contingently liable for guarantees of indebtedness, principally for related parties, approximating ₩11,622 million and US\$2,117,838,000. In addition, at December 31, 1999, the Company provided guarantees of contract fulfillment for affiliated companies in the amount of ₩447,366 million.
- At December 31, 1999, the Company has entered into technical assistance agreements with certain foreign companies. Total royalty expense incurred related to these agreements for the year ended December 31, 1999 amounts to approximately ₩743,418 million.
- At December 31, 1999, the Company has entered into lease agreements with several leasing companies that are recognized as direct financing leases. These lease agreements are summarized as follows:

<i>Millions of Korean Won</i>		
Accounts	Acquisition Cost	Depreciation Expense Charged to 1999 Operations
Machinery and equipment	₩ 712,678	₩ 449,063

Scheduled future lease payments, net of interest, under these lease arrangements which are included in long-term debt (see Note 11), are as follows:

<i>Thousands of Korean Won</i>	
2000	₩ 259,982,166
2001	217,731,021
2002	84,389,464
2003	1,879,284
	₩ 563,981,935

In addition, at December 31, 1999, the Company has entered into lease agreements that were recognized as operating leases. Related rental payments were charged to operations as incurred. Rental expense under operating lease agreements amounts to ₩ 544 million for the year ended December 31, 1999, and future rental payments are as follows:

<i>Thousands of U.S. Dollars</i>	
2000	US\$ 323
2001	107
	US\$ 430

- As of December 31, 1999, the Company has entered into thirteen forward exchange contracts and two currency swap contracts with various foreign and Korean financial institutions to hedge currency risk on foreign currency long-term debt. In addition the Company has entered into twelve interest rate swap contracts with various foreign and Korean financial institutions to hedge interest rate risk on floating-rate foreign currency long-term debt.

For the year ended December 31, 1999, the Company recognized gains of ₩ 9,407 million and losses of ₩ 1,954 million from the valuation of forward exchange contracts, and losses of ₩ 24,182 million from the valuation of currency swap contracts. In addition, the Company recognized gains of ₩ 395 million, losses of ₩ 1,650 million and deferred losses of ₩ 3,794 million as capital adjustment from the valuation of interest rate swap contracts entered to hedge future cash flow, of which ₩ 1,913 million is estimated to be realized by December 31, 2000.

- As of December 31, 1999, the Company has entered into an agreement to issue asset backed securities based on export accounts and notes receivable with Atlantic Asset Securitization Corporation amounting up to US\$ 100 million and an agreement to discount trade notes receivable with two Korean banks amounting up to ₩ 200,000 million (see Note 6).
- At December 31, 1999 the Company is a defendant in seven legal actions for alleged patent infringement, two legal actions for breach of contract and one environmental legal action brought against the Company in a foreign country. In addition, the Company is party to various other legal claims and proceedings in Korea, all of which are pending as of December 31, 1999. 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.
- On September 1, 1999, the Company and the other 33 affiliated companies of Samsung Group entered into an agreement with 16 creditor financial institutes of Samsung Motors Inc., currently in court receivership. The agreement forces the Company and the other 33 affiliates to assume the deficit or excess arising from the disposal of the shares of Samsung Life Insurance Co., Ltd. valued at ₩ 2,450,000 million, donated by the Chairman of Samsung Group.

In connection with the Asian financial crisis which began in 1997, the Korean economy as well as other economies in the Asia Pacific region experienced economic contractions, a reduction in the availability of credit, increased interest rates, increased inflation, negative fluctuations in currency exchange rates, increased numbers of bankruptcies, increased unemployment and labor unrest. Such conditions had a significant adverse effect on the operations of the Company and other companies in Korea and in the Asia Pacific region.

Recently, economic conditions in the Republic of Korea have improved as evidenced by an increased trade surplus, increases in foreign exchange reserves, record levels of foreign investment and economic growth, lower inflation and interest rates and stabilized foreign exchange rates. Notwithstanding the current recovery, significant uncertainties still exist related to the economy in Korea and in the Asia Pacific region. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

#### 14. Retained Earnings:

Retained earnings at December 31, 1999 consist of the following:

	<i>Reference</i>	<i>Thousands of Korean Won</i>
<b>Appropriated:</b>		
Legal reserve	( A )	₩ 387,789,000
Reserve for business rationalization	( B )	1,512,100,829
Reserve for improvement of financial structure	( C )	204,815,000
Reserve for overseas market development	( D )	548,741,108
Reserve for overseas investment losses	( D )	213,382,454
Reserve for technology development	( D )	2,023,097,908
Reserve for export losses	( D )	217,118,059
Reserve for facilities	( E )	134,615,000
		5,241,659,358
<b>Unappropriated:</b>		
		31,989
		₩ 5,241,691,347

(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 the 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 the accumulated deficit, if any, or transferred to capital stock.

(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 the accumulated deficit, if any.

(D) Pursuant to the 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.

## 15. Dividends:

On June 30, 1999, the Company declared a 10% cash dividend to shareholders of common stock and preferred stock as an interim dividend for the six-month period ended June 30, 1999. A cash dividend of ₩84,664 million was paid.

At December 31, 1999, the Company's income available for year-end dividends under the Commercial Code of the Republic of Korea amounts to ₩342,761 million and dividend propensity including interim dividend is approximately 13.48%.

For the year ended December 31, 1999, a cash dividend of ₩342,729 million (Common stock: 40%, Preferred stock: 41%) excluding the interim dividends is proposed for the general stockholders' meeting to be held on March 16, 2000.

## 16. Treasury Stock:

As of December 31, 1999, the Company has 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.

## 17. Income Tax Expense:

The statutory income tax rate applicable to the Company, including resident tax surcharges, is approximately 30.8%.

Income tax expense for the year ended December 31, 1999 consist of the following:

<i>Thousands of Korean Won</i>	
Current income taxes	₩ 658,526,912
Deferred income taxes	199,038,851
	₩ 857,565,763

The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company:

<i>Thousands of Korean Won</i>	
Income before taxes	₩ 4,027,968,337
Statutory tax rate	30.8%
Expected taxes at statutory rate	1,240,614,248
Tax credit	(403,263,139)
Others, net	20,214,654
Actual taxes	₩ 857,565,763
Effective tax rate	21.3%

## 17. Income Tax Expense, continued:

Components of deferred taxes as of December 31, 1999 are as follows:

	<i>Thousands of Korean Won</i>		
	Beginning Balance	Increase (Decrease)	Ending Balance
<b>Deferred tax assets:</b>			
Loss (gain) on valuation of investments using the equity method	₩ 759,579,159	₩ (439,156,712)	₩ 320,422,447
Deferred foreign exchange losses	426,103,659	(189,616,883)	236,486,776
Invested stock reduction losses	34,689,080	51,093,513	85,782,593
Depreciation	419,407	311,052,912	311,472,319
Other	12,300,663	76,987,217	89,287,880
Tax credits	343,239,162	(103,051,280)	240,187,882
<b>Total deferred tax assets</b>	<b>1,576,331,130</b>	<b>(292,691,233)</b>	<b>1,283,639,897</b>
<b>Deferred tax liabilities:</b>			
Special reserves appropriated for tax purposes	242,383,547	(82,081,969)	160,301,578
Capitalized interest expense	43,501,915	(8,832,340)	34,669,575
Accrued income	3,099,741	931,378	4,031,119
Other	7,780,153	(3,669,451)	4,110,702
<b>Total deferred tax liabilities</b>	<b>296,765,356</b>	<b>(93,652,382)</b>	<b>203,112,974</b>
<b>Net deferred tax assets</b>	<b>₩ 1,279,565,774</b>	<b>₩ (199,038,851)</b>	<b>₩ 1,080,526,923</b>

The Company periodically assesses its ability to recover deferred tax assets. In the event of significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the asset to its estimated net realizable value.



## 18. Earnings Per Share:

Earnings per share and diluted earnings per share are calculated as follows:

### °§Earnings per share

	<i>Thousands of Korean Won</i>
Net income	₩ 3,170,402,574
Adjustments: Dividends for preferred stock	(58,710,522)
Undeclared participating preferred stock dividend	(369,779,549)
Net income available for common stock	2,741,912,503
Weighted average number of shares of common stock	142,702,153
Earnings per share in Korean Won	₩ 19,214

### °§Diluted earnings per share

	<i>Thousands of Korean Won</i>
Net income available for common stock	₩ 2,741,912,503
Adjustment: Interest expense on convertible bonds	9,684,081
Net income available for common stock & common equivalent shares	2,751,596,584
Weighted average number of common stock & common equivalent shares	145,986,386
Diluted earnings per share in Korean Won	₩ 18,848

## 19. Related Party Transactions:

Significant transactions with related parties for the year ended December 31, 1999 and the related receivables and payables at December 31, 1999 are as follows:

<i>Thousands of Korean Won, Thousands of U.S. Dollars</i>				
Company	Sales	Purchases	Receivables	Payables
Samsung Corporation	₩ 40,403,924	₩ 625,112,597	₩ 72,017,084	₩ 198,836,293
Samsung SDI Co., Ltd.	77,470,578	987,862,496	10,238,439	176,395,225
Samsung Electro-Mechanics Co., Ltd.	91,092,651	724,502,937	8,910,815	130,437,215
Samsung SDS Co., Ltd.	89,062,680	272,211,537	29,833,411	28,926,439
Samsung Kwangju Electronics Co., Ltd.	113,570,242	667,459,514	21,741,911	170,879,386
Samsung Aerospace Industries Ltd.	15,357,953	162,368,633	1,468,672	10,543,300
Cheil Communications, Inc.	930,863	94,919,970	37,927	93,004,770
Seoul Commtech Co., Ltd.	19,843,835	95,803,645	6,208,306	21,518,655
Samsung Heavy Industries Co., Ltd.	1,393,555	44,292,171	5,337,569	14,903,224
Novita Co., Ltd.	4,326,609	119,891,015	97,653	43,546,741
Samsung Everland Co., Ltd.	863,025	101,364,743	112,901,005	20,037,500
Samsung Life Insurance Co., Ltd.	25,682,263	2,695,194	158,751,364	7,086,126
Samsung Electronics Service Co., Ltd.	105,369,817	124,600,307	31,008,173	31,673,599
Other local subsidiaries and affiliated companies	46,303,308	318,196,254	86,429,814	55,263,314
Foreign subsidiaries and affiliated companies	\$ 10,678,976	\$ 4,141,759	\$ 156,532	\$ 582,616
	₩ 631,671,303	₩ 4,341,281,013	₩ 544,982,143	₩ 1,003,051,787
	\$ 10,678,976	\$ 4,141,759	\$ 156,532	\$ 582,616

In addition, during 1999 Samsung Corporation executed exportation of ₩15,782,247 million and importation of ₩4,516,849 million of goods on behalf of the Company.

On July 20, 1999, Pan-Pacific Industrial Investments PLC ("PP"), a shareholder of Samsung Motors Inc., exercised its right to sell certain shares of Samsung Motors Inc. to the Company in accordance with the joint-venture agreement established under the court receivership application of Samsung Motors Inc. As a result of this exercise, the Company acquired 30,465,951 shares of Samsung Motors Inc. and recognized an evaluation loss of ₩266,258 million.

## 20. Research and Development Cost:

Research and development cost incurred for the year ended December 31, 1999 comprise the following:

<i>Thousands of Korean Won</i>	
Research expenses	₩ 806,465,213
Ordinary development expenses	785,874,334
	₩ 1,592,339,547

## 21. Foreign Currency Translation:

At December 31, 1999, assets and liabilities dominated in foreign currencies and foreign exchange gains (losses) are as follows:

<i>Thousands of Korean Won</i>							
Account		Foreign Currencies	Korean Won (translated)		Translation Loss		Translation Gain
Foreign currency deposits	DEM	76,846.48	₩ 45,206	₩	-	₩	-
	GBP	1,217.86	2,255		-		-
	JPY	12,900,000.00	144,717		-		-
	MYR	1,184,580.36	318,723		-		-
	USD	127,303,038.24	145,812,900		(235,869)		40,015
				146,323,801		(235,869)	
Trade accounts and notes receivable	AUD	26,640.00	19,872		-		214
	CAD	94,710.30	74,639		-		-
	CHF	118,792.00	85,213		(8,719)		-
	DEM	2,478,890.84	1,461,811		(39,866)		29,627
	ESP	6,071,135.00	41,982		-		-
	EUR	2,135,906.77	2,441,005		(162)		2,826
	GBP	2,473,391.25	4,580,424		(126,322)		183,116
	HKD	35,947,464.21	5,297,658		-		33,205
	ITL	45,317,900.00	26,928		-		-
	JPY	157,533,210.00	1,767,271		-		5,766
	SEK	457,000.00	61,467		-		243
	SGD	180,000.00	123,790		-		853
	USD	244,208,563.61	279,857,711		(26,928,914)		3,008,254
				295,839,771		(27,103,983)	
Other accounts and notes receivable	DEM	468,106.64	275,373		-		-
	EUR	9,483,097.38	10,910,778		-		-
	GBP	992.50	1,838		-		-
	ITL	2,218,577,109.00	1,318,342		(98,424)		1,683
	USD	41,202,008.53	47,220,183		(1,107,542)		246,706
			59,726,514		(1,205,966)		248,389

Continued;

## 21. Foreign Currency Translation, continued:

<i>Thousands of Korean Won</i>						
Account		Foreign Currencies	Korean Won (translated)		Translation Loss	Translation Gain
Guaranteed deposits	INR	169,524.00	₩ 4,469	₩	(180)	₩ -
	MAD	4,379.20	524		-	135
	CNY	249,274.14	31,386		(3,069)	2
	JPY	2,370,000.00	26,588		(653)	4,536
	PHP	150,000.00	4,274		(789)	-
	RUR	4,692.80	224		(527)	-
	TWD	194,300.00	7,092		(1,141)	-
	USD	161,720.80	185,235		-	26,190
	Others		7,742		(166)	496
			267,534		(6,525)	31,359
Other assets	AED	166,007.50	51,776		-	10,589
	ATS	652,460.78	54,552		-	7,304
	VCLP	1,783,305.00	4,086		-	679
	CNY	4,273,651.47	538,095		(19,185)	229,598
	COP	63,883,320.82	36,413		(149,577)	-
	DEM	152,230.37	89,553		(18,328)	-
	EGP	3,066.07	1,030		(4,507)	-
	HKD	71,122.45	10,482		(2,755)	-
	INR	150,000.00	3,954		(619)	-
	IRR	34,869,427.00	24,060		(71,619)	-
	JOD	935.10	1,504		(3,329)	-
	JPY	7,153,661.00	80,578		-	1,037
	KZT	20,678.57	185		(6,158)	-
	MAD	313,080.33	37,449		(6,244)	-
	MYR	43,214.18	11,626		(10,175)	-
	NLG	45,321.85	23,663		(3,098)	139
	PEN	2,646.73	928		(6,492)	-
	PLN	94,820.85	27,974		(12,600)	-
	SAR	137,741.31	42,069		(370)	21,258
	TND	13,741.41	13,523		(2,574)	-
	TWD	1,853,428.00	67,651		(18,469)	814
	UAH	20,099.88	5,401		(71,208)	-
	USD	4,424,661.58	5,068,007		(473,959)	1,418,270
XOF	26,626,383.00	50,183		-	2,203	
Others		4,966		(658)	295	
			6,249,708		(881,924)	1,692,186

Continued;

<i>Thousands of Korean Won</i>					
Account		Foreign Currencies	Korean Won (translated)	Translation Loss	Translation Gain
Trade accounts and notes payable	DEM	9,126,064.64	₩ 5,368,382	₩ (30,195)	₩ 95,259
	FRF	3,944,685.97	691,898	(5,691)	11,596
	GBP	58,096.81	108,027	(2,965)	3,800
	JPY	12,388,358,144.00	138,965,381	(2,759,768)	563,229
	NLG	488,422.77	255,006	(1,985)	899
	USD	244,895,209.19	280,536,231	(3,105,256)	3,307,383
	Others		32,589	(92)	147
				425,957,514	(5,905,952)
Short-term borrowings	USD	38,820.18	44,465	-	-
Others accounts and notes payable	AUD	32,655,730.80	24,359,216	(23,541)	661,962
	BEF	4,016,250.00	114,543	(7,537)	-
	DEM	2,828,261.81	1,663,782	(9,357)	18,263
	DKK	82,007.58	12,682	-	1,559
	ESP	329,336,508.00	2,277,362	(8,629)	-
	FRF	4,111,914.40	721,230	(5,493)	2,013
	GBP	2,159,379.74	3,998,912	(227,526)	2,177
	ITL	1,052,110,596.00	625,164	-	14,556
	JPY	20,786,599,180.00	233,160,149	(25,867,631)	286,571
	NLG	46,528,186.21	24,292,366	(80,017)	5,068,649
	SEK	1,222,548.00	164,433	(1,184)	364
	USD	402,626,985.24	461,168,949	(20,345,770)	41,416,660
	Others		2,188,658	(729)	379
				754,747,446	(46,577,414)
Accrued expenses	ATS	391,509.46	32,734	-	-
	AUD	3,976,087.54	2,965,923	-	-
	CAD	1,316,850.95	1,037,784	(1,006)	-
	CHF	79,500.00	57,028	-	-
	DEM	5,315,672.00	3,127,050	(282)	-
	ESP	123,882,338.00	856,646	-	-
	EUR	58,857.60	67,718	(57)	6,494
	FRF	21,859,400.52	3,834,139	(1,063)	-
	GBP	4,305,778.36	7,973,785	(5,109)	1,581
	HKD	3,900,915.05	574,917	-	-
	ITL	8,014,735,193.00	4,762,907	(140)	-
	JPY	279,348,190.00	3,133,840	-	-
	NLG	1,479,883.16	772,647	-	-
	SEK	2,623,918.00	352,917	-	-
	SGD	3,331,720.95	2,291,291	-	-
USD	224,728,321.74	257,403,820	(41,934)	6,745,980	
			289,245,146	(49,591)	6,754,055

Continued;

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## 21. Foreign Currency Translation, continued:

<i>Thousands of Korean Won</i>					
Account		Foreign Currencies	Korean Won (translated)	Translation Loss	Translation Gain
Other long-term liabilities	USD	137,743,275.73	₩ 157,771,148	₩ (2,824,085)	₩ 11,819,600
Foreign currency notes and bonds, including currency maturities	DEM	600,000,000.00	352,962,000	-	77,910,000
	JPY	14,790,000,000.00	165,920,136	(10,111,923)	-
	USD	1,139,700,000.00	1,266,643,757	-	32,179,056
			1,785,525,893	(10,111,923)	110,089,056
Long-term debt, including current maturities	JPY	17,100,000,000.00	191,834,640	(11,691,270)	-
	USD	1,218,304,648.58	1,395,446,144	-	76,022,210
			1,587,280,784	(11,691,270)	76,022,210
			₩ 5,508,979,724	₩ (106,594,502)	₩ 261,416,440

## 22. Accounts Relating to Gross Added Value:

The accounts required for the calculation of gross added value for the year ended December 31, 1999 are as follows:

<i>Thousands of Korean Won</i>			
	Manufacturing Costs	Selling, General and Administrative Expenses	Total
Wage and salaries	₩ 600,713,891	₩ 248,352,155	₩ 849,066,046
Provision for severance benefits	53,661,311	36,742,659	90,403,970
Welfare expenses	107,439,899	35,691,475	143,131,374
Rental expenses	70,316,803	11,503,433	81,820,236
Depreciation expense	2,272,587,224	119,256,530	2,391,843,754
Taxes and dues	29,944,096	65,584,747	95,528,843
	₩ 3,134,663,224	₩ 517,130,999	₩ 3,651,794,223

### 23. Environmental Standards and Policies:

Building on its philosophy of “Green Management,” the Company continues to promote an abundant life as well as the protection of the global environment through corporate activities that benefit both people and 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 acquired ISO 14001 certification for its environmental management system. 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 actively participates in community environmental protection programs. In addition, the Company supports community programs to clean, protect and preserve the natural environment, including mountains, streams and parks.

### 24. Employee Benefits and Public Donations:

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> <li>• Individual pension plans to support a comfortable retirement.</li> </ul>
Living support	<ul style="list-style-type: none"> <li>• Provides housing for employees assigned to factories or provincial office jobs.</li> <li>• Provides academic tuition support.</li> </ul>
Support for commuting, meals, etc.	<ul style="list-style-type: none"> <li>• Provides commuter buses for employees.</li> <li>• Operates in-house restaurants and provides work clothing.</li> <li>• Support for congratulations and condolences.</li> </ul>
Medical support	<ul style="list-style-type: none"> <li>• Finances annual medical check-ups for employees.</li> <li>• Provides assistance for employee medical expenses.</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 vacations and half-day holidays.</li> </ul>

B) The Company made public donations for the year ended December 31, 1999 as follows:

Description	Millions of Korean Won
Donations for local roads	₩ 54,182
Contributions to the employee welfare fund	54,000
Donations to support universities and help the less fortunate	30,87
	₩ 139,056



## 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, the in-house College of Technology and the 21st Century Academy program.

## 26. Segment Information:

A summary of information on the Company's operations by business segment and geographic area at December 31, 1999 and for the year then ended, is as follows:

### Financial data by business segment:

<i>Millions of Korean Won</i>				
	Radio, Television & Communication Equipment and Semiconductors	Office, Accounting & Computing Machinery	Other	Total
I. Sales				
Sales to unaffiliated customers	₩ 19,287,611	₩ 3,900,803	₩ 2,929,372	₩ 26,117,786
Intersegment sales	563,982	-	26,579	590,561
	₩ 19,851,593	₩ 3,900,803	₩ 2,955,951	₩ 26,708,347
2. Operating profit	₩ 4,288,174	₩ 242,193	₩ 199,933	₩ 4,730,300
3. Tangible and intangible assets	₩ 9,610,385	₩ 188,603	₩ 269,367	₩ 10,068,355
4. Depreciation	₩ (2,623,665)	₩ (57,785)	₩ (57,812)	₩ (2,739,262)

### Reconciliation of operating profit:

<i>Millions of Korean Won</i>	
Business segment operating profit	₩ 4,730,300
Intersegment revenues	(248,800)
Operating profit per statement of income	4,481,500

### Financial data by geographic area:

<i>Millions of Korean Won</i>						
	Domestic	Asia	Europe	America	Africa	Total
I. Sales	₩ 8,850,625	₩ 6,194,220	₩ 4,475,362	₩ 6,486,799	₩ 110,780	₩ 26,117,786
2. Tangible and intangible assets	₩ 2,735,386	₩ 2,734,527	₩ 1,506,700	₩ 3,070,970	₩ 20,772	₩ 10,068,355
3. Depreciation	₩ (403,955)	₩ (918,438)	₩ (449,103)	₩ (963,451)	₩ (4,315)	₩ (2,739,262)

## 27. Discontinued operations:

On January 1, 1999, the company sold the refrigerator manufacturing operation of its Kwangju plant to Samsung Kwangju Electronics Co., Ltd. Components of amounts reflected in the income statement and balance sheet are as follows:

Gain on disposal of discontinued operations:

	<i>Millions of Korean Won</i>
Assets	₩ 69,406
Liabilities	-
Net assets of discontinued operations	69,406
Disposal amount	82,165
Gain on disposal	₩ 12,759

Information of discontinued operation for 1998:

	<i>Millions of Korean Won</i>
1. Sales	₩ 541,867
2. Operating profit	8,800
3. Tangible and intangible assets	111,578

## 28. Subsequent Events:

On January 11, 2000, the Company established a 50:50 joint venture with Thomson-CSF International. Pursuant to the joint venture agreement, the Company sold its defense electronics division to the joint venture for ₩ 220,000 million, subject to adjustment upon final resolution of assets and liabilities to be transferred (book value ₩ 54,100 million).

## FIVE-YEAR FINANCIAL SUMMARY

As of December 31, 1995~1999

*Thousands of U.S. Dollars*

	99	98	97	96	95
<b>Sales (Note 19):</b>					
Domestic	\$ 7,729,803	5,380,693	5,663,406	7,206,351	6,394,502
Export	15,080,490	11,259,056	7,386,318	11,602,350	14,522,599
Cost of sales	22,810,293	16,639,749	13,049,724	18,808,701	20,917,101
	15,424,604	11,578,914	8,976,018	14,126,196	12,122,722
Gross profit	7,385,689	5,060,835	4,073,706	4,682,505	8,794,379
Selling, general and administrative expenses	3,471,715	2,492,518	2,055,176	2,968,229	3,262,501
Operating profit	3,913,974	2,568,317	2,018,530	1,714,276	5,531,878
<b>Non-operating income</b>					
Interest and dividend income	198,900	279,383	120,977	244,520	175,457
Gain on foreign currency transactions	233,600	863,231	1,321,352	-	-
Gain on foreign currency translation	228,311	-	-	-	-
Gain on valuation of investments using the equity method	260,474	-	-	-	-
Other	517,444	371,563	290,965	333,951	455,915
	1,438,729	1,514,177	1,733,294	578,471	631,372
<b>Non-operating expenses</b>					
Interest expenses	629,868	924,894	536,428	480,852	484,240
Amortization of deferred charges	-	1,559,267	1,117,517	912,283	883,667
Loss on foreign currency transactions	244,970	857,732	1,478,708	-	-
Loss on foreign currency translation	93,096	-	-	-	-
Other	634,353	375,354	508,878	634,647	873,060
	1,602,287	3,727,247	3,641,531	2,027,782	2,240,967
Ordinary profit	3,750,416	365,247	110,293	264,965	3,922,283
Extraordinary income	-	235,068	46	12,647	6,731
Extraordinary loss	232,540	259,920	1,773	30,546	44,638
Net income before income taxes	3,517,876	340,395	108,566	247,066	3,884,376
Income tax expense	748,965	80,895	21,283	52,569	647,327
Net income	\$ 2,768,911	259,500	87,283	194,497	3,237,049
Earnings per share	\$ 17	2	1	2	51
<i>(in Korean Won and U.S. Dollars)</i>					

Thousands of Korean Won

	99	98	97	96	95
₩ 8,850,624,784	6,494,496,605	8,013,718,934	6,082,160,483	4,949,345,053	
17,267,160,967	13,589,679,922	10,451,640,507	9,792,383,336	11,240,491,384	
26,117,785,751	20,084,176,527	18,465,359,441	15,874,543,819	16,189,836,437	
17,661,171,944	13,975,748,868	12,701,065,224	11,922,509,430	9,382,987,122	
8,456,613,807	6,108,427,659	5,764,294,217	3,952,034,389	6,806,849,315	
3,975,113,690	3,008,468,868	2,908,073,790	2,505,185,220	2,525,175,974	
4,481,500,117	3,099,958,791	2,856,220,427	1,446,849,169	4,281,673,341	
227,740,962	337,215,452	171,182,036	206,374,901	135,803,985	
267,472,334	1,041,919,177	1,869,713,309	-	-	
261,416,440	-	-	-	-	
298,242,218	-	-	-	-	
592,472,848	448,477,112	411,715,036	281,854,160	352,878,266	
1,647,344,802	1,827,611,741	2,452,610,381	488,229,061	488,682,251	
721,198,940	1,116,346,994	759,045,307	405,838,831	374,802,357	
-	1,882,034,879	1,581,287,365	769,966,975	683,958,106	
280,490,610	1,035,283,230	2,092,372,147	-	-	
106,594,502	-	-	-	-	
726,334,345	453,052,701	720,061,983	535,642,340	675,748,406	
1,834,618,397	4,486,717,804	5,152,766,802	1,711,488,146	1,734,508,869	
4,294,226,522	440,852,728	156,064,006	223,630,084	3,035,846,723	
-	283,726,603	65,610	10,674,208	5,209,857	
266,258,185	313,723,010	2,508,902	25,780,500	34,549,789	
4,027,968,337	410,856,321	153,620,714	208,523,792	3,006,506,791	
857,565,763	97,640,283	30,115,805	44,368,311	501,031,074	
₩ 3,170,402,574	313,216,038	123,504,909	164,155,481	2,505,475,717	
₩ 19,214	2,832	1,232	1,784	39,180	

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