



## **Financial report 2005**

**Samsung Electronics Europe Logistics B.V.**

**Delft**

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## **Annual report of the directors**

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The integration of the European Logistics operations continued in 2005.

The integration of Samsung Electronics France (SEF) products into the LDC in Tilburg was initiated with AV and brown goods. The outcome of the test phase will determine the course of action to be taken in 2006.

SELS also embarked on the planning stages for the establishment of an Eastern European Distribution Centre (EEDC) in Slovakia. Included in this planning will be an LDC warehouse for Samsung Germany in Slovakia. This EEDC warehouse should be operational in 2006. This is a further move towards improving the supply chain and logistics services of Samsung within Europe.

On a down side, the company saw its OEM business reduced for strategic reasons by HQ Korea. This resulted in a reduction in OEM sales of SELS for the second half of the year 2005.

On the operational side the logistics activities resulted in sales of € 2,246 million in 2005 compared to € 1,914 million in 2004, a increase of 17%. The increase in sales was mainly due to the LDC operation of Spain and France. The profit before tax for the logistics activities of SELS for year 2005 was € 2.7 million compared to € 2.8 million in 2004.

With the year 2005 now behind us the focus is now on the year 2006. Planned expansion of the logistic activities in Eastern and Western Europe is expected to continue in the year 2006. The company however does not expect to embark on other material investments in 2006 but will focus on making it existing investment and activities more efficient. Material increases in staffing are also not expected in 2006. The company will also continue to strive to improve its services to all its customers.

Finally the management would like to take the opportunity to thank all its employees for the effort and dedication shown during the year 2006 and for the role they have played in Samsung Electronics Europe Logistics B.V. achieving its goals. The achievement of the goals for the year 2006 can only be accomplished with the continued support of all staff to the business.

Delft, January 25th, 2006

## **Annual accounts**

## Balance sheet as at 31 December 2005

(before proposed appropriation of profit)

Amounts expressed in € '000		31 December 2005	31 December 2004
<i>Assets</i>	<i>ref</i>		
<b>Fixed assets</b>			
Tangible fixed assets	4.1	314	391
		314	391
<b>Current assets</b>			
Stocks	4.2	211,252	161,242
Receivables	4.3	127,732	148,223
Cash at banks and in hand	4.4	62,006	23,754
		400,990	333,219
		401,304	333,610
<i>Liabilities</i>			
<b>Shareholder equity</b>	4.5		
Share capital		13,064	13,064
Share premium		4,305	4,305
Other reserves		5,644	3,868
Result for the year		1,864	1,826
		24,877	23,063
<b>Provisions</b>	4.6	222	0
<b>Current liabilities</b>	4.7	376,205	310,547
		401,304	333,610

## Profit and loss account 2005

Amounts expressed in € '000		2005	2004
	Ref		
<b>Net turnover</b>	5.1, 5.2	2,246,116	1,913,990
Cost of sales	5.3	2,211,358	1,880,847
<b>Gross operating result</b>		34,758	33,143
Selling expenses		20,347	20,682
General and administrative expenses	5.4	11,096	9,555
<b>Costs</b>		31,443	30,237
<b>Net sales margin</b>		3,315	2,906
Financial income and expenses	5.5	(594)	(119)
<b>Result on ordinary activities before taxation</b>		2,721	2,787
Taxation on result on ordinary activities	5.6	857	961
<b>Net result after taxation</b>		1,864	1,826



## Cash flow statement 2005

Amounts expressed in € '000		2005	2004
	ref		
<b>Cash flow from operating activities</b>			
Result after taxation for the period		1,864	1,826
<i>Adjustments in respect of:</i>			
Depreciation of tangible fixed assets	4.1	148	140
Movement in provisions	4.6	37	0
		185	140
<i>Movements in working capital:</i>			
Stocks	4.2	(50,010)	(36,264)
Receivables	4.3	20,178	(4,195)
Current liabilities	4.7	65,918	49,241
		36,086	8,782
Cash flow from ordinary activities		39,935	10,748
Interest received/(paid)		(563)	(126)
Corporation tax received/(paid)		(1,049)	(2,660)
		(1,612)	(2,786)
Cash flow from operating activities		38,323	7,962
<b>Cash flow from investment activities</b>			
Investments in:			
tangible fixed assets	4.1	(71)	(186)
Disposals of:			
tangible fixed assets	4.1	0	89
		(71)	(97)

Amounts expressed in € '000		2005	2004
<b>Cash flow from financing activities</b>		0	0
Net cash flow		38,252	7,865
Increase/(decrease) cash and cash Equivalents		38,252	7,865
<b>Movements in cash and cash Equivalents</b>			
Cash and cash equivalents as at 1 January 2005	4.4	23,754	15,889
Increase/(decrease) cash and Cash equivalents		38,252	7,865
<b>Cash and cash equivalents as At 31 December 2005</b>	4.4	62,006	23,754

## **Notes to the balance sheet and profit and loss account**

### **1 General**

#### *1.1 The Company*

Samsung Electronics Europe Logistics B.V. (hereafter referred to as "the Company") is a limited liability private company having its registered office in Rijswijk and its business seat in Delft. On 6 August 2002 the Company de-merged from Samsung Electronics Benelux B.V. with retrospective effect as from 1 January 2002, and is of that date a separate legal entity.

The Company is a 100 % subsidiary of Samsung Electronics Co. Ltd., Korea (SEC), the ultimate parent company. The financial information of the Company has been included in the consolidated financial statements of Samsung Electronics Co. Ltd., Korea.

#### *1.2 Activities*

The activities of the Company consist of logistical support to its parent company for the distribution of this company's products in Europe.

The European logistics activities are performed on a limited risk basis for the Company, as the company is remunerated on a cost plus basis with regard to its logistic activities, as stipulated in an agreement between the company and SEC, valid as from 1 July 1996.

Under a tax ruling dated 24 July 1997, which has been extended on 31 October 2002, the Dutch tax authorities agreed that the above-mentioned cost plus method is an acceptable method for Dutch tax purposes. Under this method, the minimum taxable result is determined as a combination of 5% and 7.5% of the total balance of the local costs relating to the logistic activities.

#### *1.3 Notes to the cash flow statement*

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet item cash at banks and in hand and the bank overdraft forming part of the current liabilities. Cash flows in foreign currencies have been translated at estimated average exchange rates. Income and expenses in respect of interest and taxation on profits are included in the cash flow from operating activities.

## **2 Principles of valuation of assets and liabilities**

### *2.1 General*

The annual accounts are prepared in accordance with accounting principles generally accepted in the Netherlands. The annual accounts are prepared in Euros. The principles of valuation are based on historical cost. Assets and liabilities are valued at face value, unless otherwise indicated. Notes to the Balance sheet, Profit and loss account and Cash flow statement are numbered in the annual report.

### *2.2 Comparison with prior year*

The principles of valuation and determination of result remained unchanged compared to the prior year except for pensions (see 3.7).

### *2.3 Foreign currencies*

Balance sheet items relating to assets and liabilities denominated in currencies other than the Euro are translated at the rate of exchange prevailing on balance sheet date. The resulting exchange rate differences are credited or charged to the profit and loss account.

### *2.4 Tangible fixed assets*

Tangible fixed assets are stated at acquisition price less accumulated depreciation. Depreciation is provided for on a straight-line basis over the estimated useful life.

### *2.5 Stocks*

Stock is valued at the average purchase price or market value, if lower. Provision is made for obsolete stock where considered necessary.

### *2.6 Receivables*

Receivables are valued at face value less a provision for possibly uncollectible accounts.

### *2.7 Cash at banks and in hand*

Cash at banks and in hand exist of cash at banks, deposits with a term shorter than one year and cash in hand. Short term debts at banks are presented as current liabilities.

## **2.8**    *Liabilities*

Liabilities are valued at face value, unless otherwise indicated.

## **2.9**    *Provisions*

Provisions are formed for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is likely to require outflow of resources and the extent of which can be reliably estimated. Pension provisions are valued based on actuarial principles. The other provisions are stated at face value.

## **2.10**   *Leasing*

Lease commitments of which risks and rewards are not for the company are accounted for as operational leases. Operational lease obligations are accounted for at a straight line basis for the duration of the contract.

## **2.11**   *Financial instruments*

Financial instruments are initially not accounted for on the balance sheet and valued. Financial instruments are revaluated at balance sheet date and accounted for on the balance sheet. Revaluations of financial instruments are credited or charged to the profit and loss account.

# **3**    **Principles of determination of result**

## **3.1**    *General*

Result represents the difference between the realisable value of the goods delivered / services rendered and the costs and other charges for the year. The results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

## **3.2**    *Revenue recognition*

Revenues resulting from goods delivered are only accounted for when all relevant rights and risks with regard to the ownership of the goods have been transferred to the buyer.

The difference between the actual revenues and costs for the year and the taxable result (based on the cost plus tax ruling) is recorded as unearned income, and included in cost of sales.

### *3.3 Exchange rate differences*

Exchange rate differences arising upon the settlement of monetary items are recognised in the profit and loss account in the period that they arise. These exchange rate differences are included in the cost of sales since they are for the risk and reward of Samsung Electronics Co. Ltd.

### *3.4 Net turnover*

Net turnover represents the amounts charged, excluding VAT, for goods delivered and services rendered in the reporting year less discounts.

### *3.5 Cost of sales*

Cost of sales represents the direct and indirect expenses attributable to turnover including exchange rate differences and other expenses, which are for the risk and reward of Samsung Electronics Co. Ltd.

### *3.6 Costs*

Costs are recognised at the historical cost convention and are allocated to the reporting year to which they relate.

Depreciation on tangible fixed assets is based on purchase price. Depreciation is provided by the straight-line method over the estimated useful economic life.

Selling expenses concern the direct expenses of the logistics activities. Selling expenses also include warehouse charges for finished goods and trade goods and the transport costs relating to the sales transactions.

General and administrative expenses include the personnel expenses, depreciation expenses and other general expenses.

### *3.7 Pensions*

From 1<sup>st</sup> January 2005 the pension law regulations for companies were changed. The change is related to the pension liabilities, responsibility for pension fund investment and the valuation and adoption of financial instruments.

The comparative figures for 2004 are not adjusted as this is not compulsory under the regulation governed by RJ 271 for pensions.

As from financial year 2005, the company is required to apply RJ 271 (new) on post-employment benefits for the compilation of annual accounts.

The company has a defined benefit pension scheme. The pension obligations are reinsured with an insurance company.

The liability recognised in the balance sheet in respect of defined benefit pension plan of the company is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period).

In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

In prior years, the pension contributions to the insurance company were recognised as employee benefit expenses when they are due.

### *3.8 Financial income and expenses*

Financial income and expenses are recognised in the reporting year to which they relate.

### *3.9 Taxes*

The European logistics activities are performed under a tax ruling dated 24 July 1997, which has been extended on 31 October 2002. Under this method, the minimum taxable result is determined as a combination of 5% and 7.5% of the total balance of the local costs relating to the logistic activities.

### *3.10 Related parties*

Significant related party transactions comprise inter company sales. See note 5.2. Furthermore all products are purchased from group companies (See note 5.3).

### *3.11 Financial instruments*

Samsung makes use of financial instruments to manage foreign exchange and interest rate risks. Samsungs risk policy is aimed at limiting the impact of foreign exchange and interest rate fluctuations on results. Hedge accounting is not applied.

#### *Cash management*

The company has credit facilities which are more than sufficient to meet the financing requirements. These facilities include overdraft and group pooling facilities.

#### *Currency risks*

Foreign exchange positions arising from trading activities, loans or other commitments are hedged as far as this is practically possible, mainly using forward exchange contracts.

#### *Credit risks*

Samsung limits its credit risk on financial instruments by utilising forward rates contracts and pooling facilities..

#### *Fair values*

The fair values of the other monetary assets and liabilities in the balance sheet approximate their carrying values.



## 4 Notes to the balance sheet

### 4.1 *Tangible fixed assets*

Amounts expressed in € '000	Computer hardware	Leasehold improve- ment	Office equipment	Total
<b>1 January 2005</b>				
At cost	178	249	155	582
Accumulated decreases in value and depreciation	(68)	(82)	(41)	(191)
Book value	110	167	114	391
<b>Movements 2005</b>				
Additions	37	0	34	71
Disposals and decrease in value	0	(0)	0	(0)
Depreciation	(64)	(50)	(34)	(148)
	(27)	(50)	0	(77)
<b>31 December 2005</b>				
At cost	215	249	190	654
Accumulated decreases in value and depreciation	(132)	(132)	(76)	(340)
Book value	83	117	114	314
Depreciation rates	33,3%	20%	20%	

#### 4.2 *Stocks*

<b>Amounts expressed in € '000</b>	<b>2005</b>	<b>2004</b>
Finished products and goods for resale	89,168	61,533
Goods in transit	122,084	99,709
	<u>211,252</u>	<u>161,242</u>

#### 4.3 *Receivables*

<b>Amounts expressed in € '000</b>	<b>2005</b>	<b>2004</b>
Trade debtors	71,034	92,112
Amounts due from group companies	55,318	55,445
Amounts due from shareholder	873	406
Other receivables	247	258
Prepayments and accrued income	260	2
	<u>127,732</u>	<u>148,223</u>

#### 4.4 *Cash at banks and in hand*

Cash at banks and in hand is available on demand. The cash balance contains guarantees amounting EUR 5 million given to Spanish custom authorities

#### 4.5 *Shareholder equity*

##### *Share capital*

The authorised share capital of the company as at 31 December 2005 amounts to EUR 20,000,000 and consists of 2,000,000 ordinary shares of EUR 10.00 each. Issued share capital amounts to EUR 13,064,350 and consists of 1,306,435 ordinary shares with a nominal value of EUR 10.00 each.

Amounts expressed in € '000	31 Dec 2005	Issued in 2005	Cancelled in 2005	31 Dec 2005
Issued ordinary shares	13,064	0	0	13,064
Paid in and called up capital	13,064	0	0	13,064

*Share premium*

Amounts expressed in € '000	2005	2004
Balance as at 1 January	4,305	4,305
Additional paid in capital	0	0
Balance as at 31 December	4,305	4,305

The share capital and share premium relate to the shareholder equity as at the date of de-merger from Samsung Electronics Benelux B.V. On August 14, 2002, the company increased the authorised and paid in share capital with € 9,064,350, against share premium.

*Other reserves*

Amounts expressed in € '000	2005	2004
Balance as at 1 January	3,868	1,880
Appropriation of result prior year	1,826	1,988
Impact change of accounting principles Pension RJ 271	(50)	0
Balance as at 31 December	5,644	3,868

The result for the year 2005 amounts € 1,864,000 and is included in retained earnings. As from financial year 2005, Dutch companies are required to apply RJ 271 on post-employment benefits for the compilation of annual accounts.

#### 4.6 Provisions

The provision relates to the pension obligation as required under RJ 271. The provision as per 31 December 2005 can be detailed as follows

<b>Amounts expressed in € '000</b>	<b>2005</b>
Balance as at 1 January 2005	260
Net periodic pension cost	112
Company contributions	147
Balance as at 31 December 2005	222

<b>Amounts expressed in € '000</b>	<b>31 december 2005</b>
Projected benefit obligation	1,121
Plan assets at fair value	691
Funded status	(430)
Unrecognized (gain)/ losses	208
Accrued pension cost	222

#### **Assumptions**

- Discount rate of 4%
- Salary increase of 3% for employees age 25-65 years
- Price increase of 2%
- Mortality is based on CRC 2003
- Retirement date at an age of 65 years

4.7 *Current liabilities*

<b>Amounts expressed in € '000</b>	<b>2005</b>	<b>2004</b>
Creditors	6,002	7,081
Taxation	3,145	8,796
Amounts due to group companies	363,050	290,991
Accruals and deferred income	4,008	3,679
	<u>376,205</u>	<u>310,547</u>

## 5 Notes to the profit and loss account

### 5.1 Geographically segmentation of net turnover

Amounts expressed in € '000	2005	2004
The Netherlands	152,629	161,529
Other European Union member states	1,352,352	1,185,629
European countries not in the EU and export outside the EU	741,135	566,832
	<u>2,246,116</u>	<u>1,913,990</u>

### 5.2 Segmentation of net turnover

Amounts expressed in € '000	2005	2004
Inter-company sales	1,583,606	1,308,796
Third party sales	662,510	605,194
	<u>2,246,116</u>	<u>1,913,990</u>

### 5.3 Cost of sales

The cost of sales can be specified as follows:

Amounts expressed in € '000	2005	2004
Cost of goods sold	2,207,585	1,885,697
Unearned income	2,559	1,605
Other expenses/(income)	1,214	3,245
	<u>2,211,358</u>	<u>1,880,847</u>

Included in the other expenses are bad debt expenses, inventory expenses and exchange rate differences which are for the risk and reward of Samsung Electronics Co. Ltd.

#### 5.4 *Wages, salaries, pension and social security costs*

The general and administration expenses include wages, salaries, pensions and social security costs. These can be broken down as follows:

<b>Amounts expressed in € '000</b>	<b>2005</b>	<b>2004</b>
Wages and salaries	3,775	3,213
Pension costs	142	73
Other social security costs	344	227
	<u>4,261</u>	<u>3,513</u>

#### 5.5 *Financial income and expenses*

<b>Amounts expressed in € '000</b>	<b>2005</b>	<b>2004</b>
Interest income	281	235
Interest expense	(874)	(354)
	<u>(593)</u>	<u>(119)</u>

#### 5.6 *Taxation on result on ordinary activities*

The total tax burden in the financial year can be determined as follows:

<b>Amounts expressed in € '000</b>	<b>2005</b>	<b>2004</b>
Result before taxation in the annual accounts	<u>2,721</u>	<u>2,787</u>
Income tax payable	<u>857</u>	<u>961</u>
Effective tax rate	<u>31.5%</u>	<u>34.5%</u>

## 6 Supplementary information

### 6.1 *Employees*

During 2005 the company employed an average of 63 employees (2004: 59 employees) divided as follows.

Category	2005	2004
Logistics	48	44
General and Administrative	15	15

### 6.2 Financial instruments

Financial instruments are used to reduce foreign currency risks. Financial instruments are not used for speculative purposes. Foreign currency instruments are used to reduce the foreign currency risk arising on operating activities and financing in foreign currencies. Forward exchange contracts with a term of up to one year are used to hedge the foreign currency risks from operating activities. The valuation of these contracts at year-end rates equals the valuation of the respective business transactions.

The estimated market value indicates the amount payable or receivable in exchange for termination of the contracts as at year-end without further obligations.

As at the end of 2005 the following amounts are outstanding:

Amounts expressed in € '000	31 December 2005	
	Contract volume	Estimated market value
Forward exchange contracts Up to 1 year	27,352	27,442



6.3 *Directors and supervisory directors*

Charges regarding remuneration, including pensions, of:

Amounts expressed in € '000	2005	2004
Directors	290	237
	290	237

*Share options granted*

During the year a total of 100 share options were exercised with an exercise price of KRW 288,800

The movements in share options outstanding in 2005 can be specified as follows:

	Total
Outstanding as at 1 January 2005	33,507
Options granted	0
Expired options	0
Exercised options	(100)
Resigned	(18,957)
Outstanding as at 31 December 2005	14,450

As at 31 December 2005 the share options outstanding can be specified as follows:

	Total
<i>Exercise price and term per share option</i>	
EUR 202.98 (term 2005 to 2013)	4,740
EUR 407.87 (term 2006 to 2014)	9,810
Outstanding as at 31 December 2005	14,450

The share options not exercised at year-end entitle their holders to 14,450 ordinary shares of EUR 3.51 (KRW 5,000) nominal each. The quantities and exercise price of stock

options might be adjusted after granting due to increase in share capital (including without consideration), stock dividend, stock split, extinguishment of stock and so on.

*6.4 Commitments not included in the balance sheet*

The company has an operational lease obligation relating to the leasing of cars. The lease expenses for the year 2005 amounted to € 195,709. The lease expenses for the period 2006 and 2007 amounts to € 407,744.

The company's business premise in Delft is rented. The rent expected for the building in Delft for the year 2005 amounts to € 333,144.

Samsung Electronics Europe Logistics B.V.

## **Other information**

## **Profit appropriation according to the Articles of Association**

According to article 11.2 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

## **Proposed profit appropriation**

It is proposed to add the profit to other reserves.

To: the Board of Directors and the General Meeting of  
Shareholders of Samsung Electronics Europe Logistics B.V.

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## Auditors' report

### *Introduction*

In accordance with your assignment we have audited the financial statements of Samsung Electronics Europe Logistics B.V., Delft, for the year 2005. 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.

### *Scope*

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with the accounting principles generally accepted in the Netherlands as outlined in these financial statements and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore, we have to the extent of our competence, established that the annual report of the directors is consistent with the financial statements.

25 January 2006

*PricewaterhouseCoopers Accountants N.V.*



WORLDWIDE PARTNER  
WIRELESS COMMUNICATIONS EQUIPMENT

**Minutes of the general meeting of shareholders of  
Samsung Electronics Europe Logistics B.V.  
held on 12 March 2006 in Seoul, Korea**

**1. Opening**

Acting as chairman, B.H. Ryou opens the meeting. He establishes that the entire issued capital is represented and that no share certificates have been issued with the assistance of the company and that no right of usufruct or right of lien is attached to the shares of the company.

In view of the fact that the notices of this meeting were not sent in accordance with the provisions of the articles, resolutions may only be passed by unanimous vote. At the time of this meeting, no supervisory directors have been appointed. The chairman appoints Mr Bang Hyun Ryou as secretary.

The chairman subsequently presents the agenda for this meeting.

This reads as follows:

1. Opening
2. Directors' report
3. Discharge of management
4. Adoption of the 2005 financial statements
5. Appropriation of result
6. Closing

**2. Directors' report**

The managing director reports on matters and events relating to the company and the management policy pursued in the previous financial year. It is proposed that the financial statements for 2005 signed by management should be adopted without changes. This proposal is unanimously accepted.



WORLDWIDE PARTNER  
WIRELESS COMMUNICATIONS EQUIPMENT

### 3. Discharge of management

The management is granted full discharge from all liability with regard to the management and policy pursued. This proposal is unanimously accepted.

### 3. Adoption of 2005 financial statements

The 2005 financial statements, including the report from PricewaterhouseCoopers N.V. in Amsterdam, are put forward for consideration.

It is proposed that the 2005 financial statements signed by management should be adopted without amendment and that the management should be discharged from all liability with regard to the management and policy pursued. This proposal is unanimously accepted.

### 4. Appropriation of result

It is subsequently decided that the profit of EUR 1,864,000 for the year 2005 will be added to the other reserves.

### 5. Closing

The draft minutes are drawn up, read out and unanimously adopted. There being no further issues, the chairman closes the meeting.

Seoul, 12 March 2006

Bang Hyun Ryou