

SAMSUNG

2007

SAMSUNG  
ELECTRONICS  
ANNUAL  
REPORT



SAMSUNG

thinking about you

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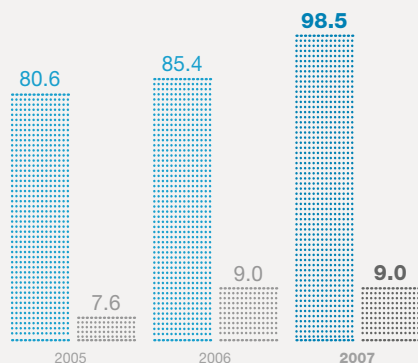
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## 2007 FINANCIAL HIGHLIGHTS

SAMSUNG ELECTRONICS AND CONSOLIDATED SUBSIDIARIES

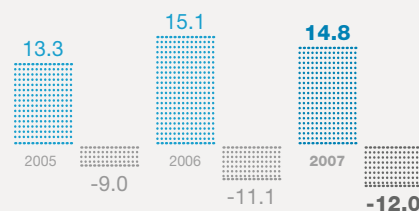
[in billions of KRW]

	2005	2006	2007
<b>Income Statement</b>			
Sales	80,630	85,426	<b>98,508</b>
Operating Profit	7,575	9,008	<b>8,973</b>
Net Income	7,640	7,926	<b>7,421</b>
<b>Balance Sheet</b>			
Total Assets	74,462	81,366	<b>93,375</b>
Total Liabilities	32,854	33,426	<b>37,403</b>
Shareholders' Equity	41,607	47,940	<b>55,972</b>
<b>Cash Flows</b>			
Cash Flow from Operating Activities	13,329	15,081	<b>14,791</b>
Cash Flow from Investing Activities	(9,046)	(11,098)	<b>(12,002)</b>
Cash Flow from Financing Activities	(3,266)	(3,889)	<b>(1,600)</b>



**SALES AND OPERATING PROFIT**  
[in trillions of KRW]

■ Sales  
■ Operating Profit



**CASH FLOWS**  
[in trillions of KRW]

■ Cash Flow from Operating Activities  
■ Cash Flow from Investing Activities

### Please Read the Following Cautionary Statement Regarding Forward-looking Statements:

This annual report includes "forward-looking statements" which relate to future events, and can be generally identified by phrases containing words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," or other words or phrases of similar meaning. These forward-looking statements are not guarantees of future performance and may involve known and unknown risks, uncertainties and other factors that may affect Samsung Electronics Co., Ltd. (SEC)'s actual results, performance, achievements or financial position, making them materially different from the actual future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Likewise, statements relating to behavior of financial and consumer electronics markets, fluctuations in interest and exchange rates or commercial and consumer credit environments, changes in regulation and regulatory and legal actions, future integration or acquisition of businesses are forward-looking statements. Therefore, you should treat all future statements containing such aforementioned information as forward-looking statements.

Please understand that although SEC has been careful to ensure the accuracy of the contents of this annual report, the statements within are subject to a number of risks, uncertainties, and assumptions, any of which could cause actual results to materially differ from the plans, objectives, expectations, estimates, and intentions expressed in this annual report as described above. Therefore, SEC and any of its subsidiaries, affiliates, directors, officers, agents, or employees assume no liability caused by these forward-looking statements, and shall not be liable to any third party, including investors, for any damages resulting from an investment or business decision based on the information contained in forward-looking statements of this annual report. All risks in making an investment or business decision based on the information contained in the forward-looking statements shall be entirely assumed by you.

All the financial data in this report comes from the consolidated financial statements.

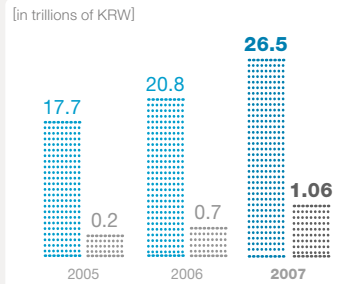
# PERFORMANCE SUMMARY BY BUSINESS

## Net Sales and Operating Profit

Net sales Operating profit (loss)



Digital Media

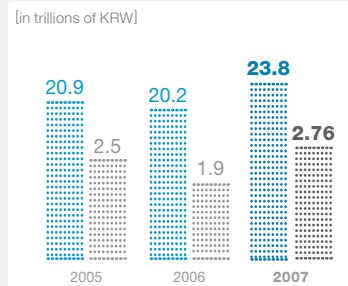


[in millions of KRW]

	2005	2006	2007
Net sales	₩ 17,656,558	₩ 20,774,962	₩ 26,513,285
Operating profit (loss)	247,700	744,178	1,061,601



Telecommunication Networks

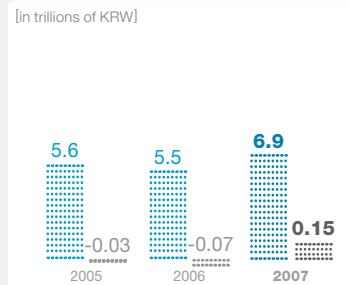


[in millions of KRW]

	2005	2006	2007
Net sales	₩ 20,914,815	₩ 20,249,759	₩ 23,767,268
Operating profit (loss)	2,480,001	1,937,747	2,756,586



Digital Appliance

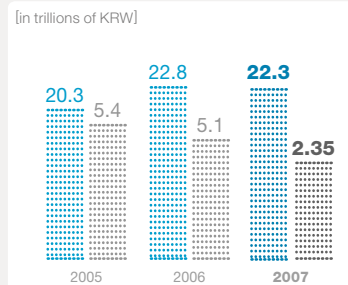


[in millions of KRW]

	2005	2006	2007
Net sales	₩ 5,617,708	₩ 5,538,837	₩ 6,854,578
Operating profit (loss)	(29,102)	(71,213)	159,835



Semiconductor

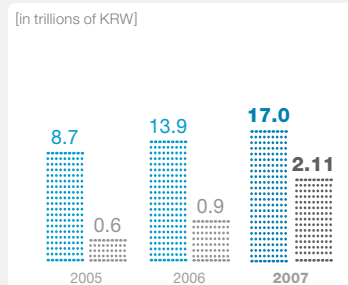


[in millions of KRW]

	2005	2006	2007
Net sales	₩ 20,332,235	₩ 22,827,624	₩ 22,331,501
Operating profit (loss)	5,410,677	5,129,845	2,347,239



LCD



[in millions of KRW]

	2005	2006	2007
Net sales	₩ 8,715,225	₩ 13,912,968	₩ 17,062,523
Operating profit (loss)	598,773	857,180	2,115,629

## Description of Business

Our Digital Media business leads the world's digital media market by producing a wide range of products including digital TVs, monitors, audio-visual devices, printers and PCs. We hold the largest market share in flat-panel TVs and PC monitors. Our innovative product lineup includes 'Touch of Color' TVs, all-in-one color laser printers including the world's smallest, and a 4th-generation Blu-ray disc player. In May 2008, we reorganized our Digital Media unit to produce greater business synergy and enhance our overall performance. We integrated our Digital Appliance unit into our Digital Media operations and transferred our PC, MP3 player and set-top box businesses to our Telecommunications Network business.

Our Telecommunication Network business leads the world's telecommunications industry with the widest range of mobile phones on the market today, such as 3G and multimedia phones, in addition to telecommunication systems. A premium brand image and distinctive product designs have elevated Samsung very high among the leaders of the world market.

We have also led the standardization of next-generation mobile phone technologies such as Mobile WiMAX and HSDPA. Through a business reorganization completed in May 2008, we integrated our PC and MP3 player businesses into our Telecommunication Network business to enhance our competitive edge in digital convergence solutions.

Our Digital Appliance business creates premium home appliances that meet the needs of consumers and help to make Samsung an undisputed market leader. Building on distinctive designs and innovative technologies, we continue to develop new types of added-value products to offer our customers. Our lineup of world-leading premium products include refrigerators, air conditioners, washers, ovens, vacuum cleaners and other appliances that are ubiquitous in today's households. Under a company-wide reorganization plan implemented in May 2008, our Digital Appliance business was folded into our new Digital Media business to leverage its competitive edge.

Our Semiconductor business consists of three major divisions: Memory, System LSI and Storage. With the world's most advanced technology, we are leading the DRAM, SRAM, NAND Flash memory and MCP markets while pioneering developments in next-generation Solid State Drives (SSDs) and fusion memories. We also are building a strong base for our System LSI business to become one of our next-generation growth engines and for the launch of several major new products within our storage division.

Our LCD business produces panels for TVs, digital information displays, notebook PCs and desktop monitors, as well as various display panels for mobile products. By investing in next-generation production facilities, we have remained the world's top LCD producer for the past six years. Our position is particularly dominant in the segment of LCD TVs 40 inches and larger. We also are expanding our premium product lineup for the multimedia and digital broadcasting environments, while focusing on new businesses such as next-generation displays and thin film solar cells.

## 2007 Highlights

In 2007, we achieved record-breaking business performance, boosted by high growth in the flat panel TV market and a steady increase in the sale of our core products, such as LCD monitors, digital audio-visual products, laser printers and notebook PCs. The strength of our market leadership position in TVs helped us to maintain the No. 1 market share position across all TV market segments, from conventional TVs to flat panel and LCD TVs. We also ranked first in market share for monitors in 2007, widening our lead over our competitors. Our printer business also showed enhanced market leadership by holding the No. 1 position in all-in-one mono laser printers and the No. 2 position in color laser printers.

In 2007, we achieved record-breaking sales of 160 million mobile phone units, securing the second largest share of the global market. This achievement can be attributed to the continued success of our very popular Ultra Edition series and our wide range of premium phones, as well as aggressive expansion into emerging markets. Our operating profit also registered a steady performance gain, showing a two-digit rate of revenue increase. In addition, Samsung's Mobile WiMAX technology for broadband mobile services was adopted as the 3G global standard to pave the way for further market expansion worldwide.

Building on the world's most innovative technology and product designs, we made significant progress at the high end of the appliance market in 2007. Our product lines were enhanced through such innovative products as our drum washing machine with Vibration Reduction Technology™, providing the lowest noise and vibration levels in the industry, our highly efficient system air conditioners and our side-by-side refrigerator with twin-cooling systems. Such innovations helped us achieve a 24% increase in sales over 2006, and build a firmer foundation from which to lead the world's home appliance market.

Despite fierce competition and continued weakness in memory chip pricing, Samsung's Semiconductor Division continued to show steady growth and increased profits, backed by strong customer relationships and successful cost-reducing efforts. In 2007, Our performance remained solid with continued market dominance in most areas of the memory business, including sales in DRAM, SRAM, MCPs, flash memory and fusion memory devices. World-leading introductions, such as 60 nanometer (nm)-class 2 Gigabit (Gb) DRAM, 30nm-class 64Gb NAND Flash memory, 65nm digital TV receiver chips and the industry's fastest (6Gbps) 512 Megabit (Mb) GDDR5 memory further enhanced our leadership in core technologies.

With the help of price increases triggered by product shortages and our continued cost-reduction efforts, our LCD business showed outstanding results in 2007. Our sales and operating profits have increased dramatically, maintaining the industry's best profit rate. Successful commercialization of our 7th- and 8th-generation production lines also made us the unrivaled top producer of 46- and 52-inch LCD TV panels, ensuring our leadership in the global LCD industry for a sixth consecutive year. In ongoing efforts to enhance our leadership, we also have begun mass producing the world's first touch-screen-enabled LCD.

By increasing management prowess  
and embracing innovation at every opportunity,  
Samsung Electronics will become one of the  
most profitable and most revered global companies.



We are determined to reach the highest echelon of global business leadership, even in the face of today's challenging global and domestic business conditions. Through our management's pursuit of innovative approaches, processes and product designs and accelerated cost-reduction efforts, we achieved our highest-ever record for consolidated sales in 2007, surpassing US\$100 billion (KRW98 trillion), and attaining a net profit of KRW7.4 trillion. In 2008, we will continue to increase our competitiveness in key businesses, while developing new markets and businesses and laying a firm foundation for sustainable growth through the pursuit of greater operational efficiency. Moreover, by promoting innovative management practices that optimize the speed, efficiency and creativity of our workforce, we will generate additional value and establish ourselves as a true leader in the top tier of the world's electronics industry. In defining success, we are determined to transform ourselves into one of the most respected, trusted and easily recognized global companies in the world.

Dear Customers, Business Partners and Shareholders:

I am extremely pleased to take this opportunity to discuss our 2007 achievements, as well as our future goals and strategies. Samsung Electronics achieved its best ever business results in 2007, moving one step closer to our dream of becoming one of only a handful of companies who are not only tremendously successful, but also true global innovators. I would like to express my heartfelt gratitude to all of our customers, business partners and shareholders who have supported us in accomplishing such excellent results.

## 2007 RESULTS AND ANALYSIS

### **We achieved our best-ever business results through a series of innovative management approaches**

In 2007, at a time when the global economy was hampered by sharp increases in oil prices, as well as the soaring cost of raw materials and unstable capital markets influenced by the U.S. subprime mortgage crisis. Concurrently, the Korean economy continued to undergo difficulties caused by sluggish consumption, unstable currency exchange rates and rising interest rates. Amidst these unfavorable business conditions, Samsung Electronics achieved record-breaking consolidated sales of US\$100 billion (KRW98 trillion). We also achieved solid earnings of KRW7.4 trillion in net profit thanks to an upward turn in profitability for our key strategic businesses and steady progress in our efforts to diversify further.

### **Strengthening dominance in key strategic businesses**

In 2007, our semiconductor business continued to yield substantial profits of over KRW2 trillion. This strong showing was based on extensive cost reduction efforts, increased market differentiation in our areas of greatest technological competence and concerted efforts to retain a stable customer base, despite aggravated conditions in the memory market. Also, we maintained the highest profitability among LCD manufacturers around the world by cutting production costs and improving production operations as favorable conditions continued to support high LCD prices, further increasing our dominance in the large TV panel market. Meanwhile, in the mobile phone segment, we launched a wide range of new products and have actively sought alternative markets, thus achieving a sales increase of over 40 percent, compared to the previous year, allowing us to capture second place in the global market. Our overall TV business has maintained its No. 1 position in global sales since 2006, widening the gap with our competition.

### **Reinforcing our core competence**

Since 2004, when our company announced its vision of leaping into the top tier of global leadership, Samsung Electronics has continued its unrelenting drive to differentiate the three main elements of our core competence: human resources, technology and brand image. Last year, we focused on increasing our R&D workforce to strengthen its future contribution to our company and, as a result, the number of R&D engineers reached 39,000.

Among them, 3200 hold PhDs, demonstrating that we have clearly elevated the degree of our R&D competence. In addition, our brand value was said to have reached US\$16.9 billion in the BusinessWeek/Interbrand survey of "Best Global Brands," as our aggressive marketing activities further enhanced the company's brand.

## **2008 BUSINESS GOALS AND STRATEGIES**

### **Maximizing business competitiveness and internalizing operational efficiency**

This year, the instability of the global economy is expected to continue as financial markets absorb the impact of the subprime mortgage crisis, oil prices rise further and the global economy slows down overall. The domestic Korean market has been directly and indirectly influenced by these phenomena. Moreover, our business environment has been beset with various new competitive challenges. Nevertheless, Samsung Electronics will do its best to solidify its status as a top global company through its efforts to succeed in the face of adversity as well as a seasoned understanding of the best ways to turn crisis into opportunity.

We will first increase our market dominance in such key businesses as memory chips, LCDs, mobile phones, and flat panel TVs, building upon the unique design and operational efficiency of many leading-edge product lines. We also will set the parameters for a successful incubation of promising growth engines that offer the prospect of high added value in such segments as printers, System LSI, and Mobile WiMAX. To capitalize on the rapid growth of emerging markets, we will develop locally customized products and implement a much higher level of differentiated marketing. At the same time, we will generate more demand in new markets by leveraging our competitive edge in digital electronics and by vigorously exploring new business areas that enhance customer lifestyles. Furthermore, we will strengthen our means of collaboration with customers and business partners and incorporate a more far-reaching managerial system that better address the needs and demands of our customers, as well as the challenges of the overall marketplace.

## **REALIZING OUR VISION THROUGH INNOVATIVE MANAGEMENT TECHNIQUES**

As part of our goal of becoming a true upper-echelon global leader, Samsung Electronics will concentrate on further developing its innovative approaches to management with a focus on speed, efficiency and creativity, and generating new values through the implementation of four key initiatives:

### **First, we will leverage the talents of our global workforce and revitalize our organizational culture**

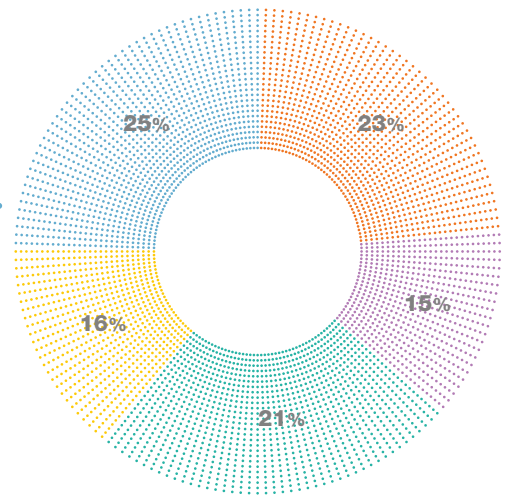
We will continue to secure and cultivate creative individuals throughout all fields of management so that their ideas can positively influence change throughout our management structure.



## SALES REVENUE BY DIVISION

[AS OF THE END OF 2007]

- Digital Media
- Telecommunication Networks
- Digital Appliance / Others
- Semiconductor
- LCD



### Second, we will explore new growth engines and reinforce our business structure

We will enhance our core businesses, which have been at the forefront of our determined move to achieve global excellence, by upgrading our technologies and strengthening our market leadership, while concentrating a great deal of attention on complimentary new businesses with high growth potential. In addition, we will continue to explore, with a technologically skilled management team, new growth engines in other promising areas such as advanced IT solutions and products, energy and the environment, and biotechnology and health.

### Third, we will seize opportunities for future growth through a greater emphasis on market-focus from all levels of management

We will strive to provide rewarding new experiences that enhance the lifestyles of our customers, while leading markets in the developed world with the introduction of more innovative product offerings, greater operational efficiencies and superior business models.

### Lastly, we will continue our efforts to restructure a company respected and admired by people around the world

We will systematically implement our new management structure by emphasizing transparency, compliance and greater sensitivity to customer needs, thereby fulfilling our social responsibilities as a company growing hand-in-hand with shareholders, customers and business partners.

The ultimate goal of Samsung Electronics is to emerge as a global business leader of unparalleled determination and accomplishment, offering new values and a more prosperous future not only to our customers, shareholders and regional communities, but also to humanity as a whole. All of us at Samsung Electronics stand together, inseparably linked by a unified commitment to lead the growth of the global electronics industry as a truly exemplary company, admired by customers worldwide. I would like to welcome the encouragement and support of customers and shareholders alike in our tireless efforts to recreate ourselves into the most promising model for becoming what I envision to be "the best of the best."

Yoon-Woo Lee

Vice Chairman and Chief Executive Officer  
Samsung Electronics Co., Ltd.

# We seek to maximize corporate value through transparent and sound management.

Samsung Electronics has enthusiastically established a global standard of corporate governance, operating within a structure whose focal point is the Board of Directors. This enables transparent and sound management practices while encouraging creative and progressive entrepreneurship from our top management, which maximizes shareholder and overall corporate value. We are also sustaining shareholder focused management to ensure that our profitable earnings and corporate values benefit our shareholders.

In 2007, a record-breaking year for business performance, we returned about 40% of our net profits to shareholders, paying out a dividend of KRW8,000 a share and buying back about KRW2 trillion of company stock. We also organized our third Analyst Day to help our investors and shareholders better understand the core competencies of each business division, as well as our efforts to enhance our corporate value on a mid- and long-term basis.

Our brand value has been marked at US\$16.9 billion in the BusinessWeek/Interbrand survey of "Best Global Brands," ranked 21st in the world in 2007, to consolidate our enhanced position worldwide. In addition, leading business journals such as Finance Asia and Asset have rated Samsung again among the very best in terms of investor relations and corporate governance.

In 2008, we will overcome any challenge to our concerted efforts to reinvent ourselves as a world leader. By achieving outstanding business performance, we will also enhance shareholder value. Looking ahead, we will become an unparalleled global electronics leader, actively practicing creative management with consistent innovation in our management practices.

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## BOARD OF DIRECTORS

The Board oversees the performance of senior managers, sets corporate management policies and formulates strategic decisions on business execution. These activities are performed in strict accordance with relevant laws and regulations, the Samsung Electronics Articles of Incorporation and resolutions passed at the general shareholders' meeting. There are nine members on the Board of Directors, of which two are Samsung executive directors and seven are outside of the company. In 2007, the Board met seven times to discuss major corporate agendas. During that time, the Board resolved 30 agenda items.

Committees have been established within the Board of Directors in accordance with the Board bylaws, and empowered with certain Board responsibilities. This way, the directors can draw upon their experience and expertise in specific fields to enhance and accelerate the deliberation and decision-making processes. The Board currently has four such bodies: the Management Committee, Audit Committee, Outside Director Recommendation Committee and Internal Transaction Committee.

### Management committee

The Board of Directors delegates the authority to discuss and decide specific agenda items to the Management Committee, thereby elevating its managerial professionalism and effectiveness. The committee reports its decisions back to the Board. This committee convened 28 meetings during 2007.

### Audit Committee

The Audit Committee supervises and supports management in order to maximize corporate value through a set of checks and balances. The Committee is composed of three outside directors and held six meetings during 2007.

### Outside Director Recommendation Committee

The Outside Director Recommendation Committee was formed to recruit and appoint outside directors fairly and independently. The Committee has four members: two executive directors and two outside directors. The Committee met on three occasions during 2007.

### Internal Transaction Committee

The Internal Transaction Committee was established to enhance corporate governance by ensuring fair business transactions. All three members are outside directors. This Committee convened five times in 2007.



**Yoon-Woo Lee**

- Vice Chairman & CEO, Samsung Electronics Co., Ltd. [Present]
- Vice Chairman, Corporate CTO & Global Collaboration, Samsung Electronics Co., Ltd., Vice Chairman, Samsung Advanced Institute of Technology [2005-May 2008]
- Vice Chairman, Global Collaboration, Samsung Electronics Co., Ltd CEO, Samsung Advanced Institute of Technology [2004-2005]
- President & CEO, Semiconductor Business, Samsung Electronics Co., Ltd. [1996-2004]
- Executive Vice President & CEO, Semiconductor Business, Samsung Electronics Co., Ltd. [1994-1995]
- Executive Vice President, Semiconductor Business (Memory), Samsung Electronics Co., Ltd. [1992-1993]



**Gwi-Ho Chung**

- Outside Director [2003-Present]
- Attorney at law [2006-Present]
- Advisor, the Constitutional Court [2001-Present]
- Attorney at law, Barun Law Office [1999-2006]
- Justice, Supreme Court [1993-1999]



**Kap-Hyun Lee**

- Outside Director [2001-Present]
- Advisor, Boston Consulting Group [2001-Present]
- CEO & President, Korea Exchange Bank [1999-2000]
- Vice Chairman, Korea Chamber of Commerce & Industry [1999-2000]



**Chae-Woong Lee**

- Outside Director [2006-Present]
- Professor, Faculty of Economics, Sungkyunkwan University [1982-Present]
- President, Korean Economic Association [2005-2006]
- Vice Chancellor, Sungkyunkwan University [1999-2003]
- Member, Council for Financial Industry Development Review to the Ministry of Finance [1994-1998]



**Oh-Soo Park**

- Outside Director [2006-Present]
- Professor, College of Business Administration, Seoul National University [1988-Present]
- Chairman, Leadership Institute [2003-2004]
- Dean of College of Business Administration, Seoul National University [2003-2005]
- Chairman, Korean Human Resources Management Institute [2002-2003]



**Doh-Seok Choi**

- Executive President & CFO, Samsung Electronics Co., Ltd. [2003-Present]
- President & CFO, Samsung Electronics Co., Ltd. [2001-2003]
- Executive Vice President & CFO, Samsung Electronics Co., Ltd. [2000-2001]
- Vice President, Corporate Executive Staff, Samsung Electronics Co., Ltd. [1999]



**Jae-Sung Hwang**

- Outside Director [2000-Present]
- Senior Advisor, Kim & Chang Law Office [1999-Present]
- Director, Seoul Regional Tax Office [1998-1999]
- Director, Kyeong-in Regional Tax Office [1996-1998]
- Head of the Research Bureau, National Tax Office [1995-1996]



**Dong-Min Yoon**

- Outside Director [2006-Present]
- Attorney at law, Kim & Chang Law Office [1999-Present]
- Director, Social Protection and Rehabilitation Bureau at the Ministry of Justice [1998-1999]
- Chief, Planning Management Dept. at the Ministry of Justice [1997-1998]



**Goran S. Malm**

- Outside Director [2001-Present]
- Chairman & CEO, Boathouse Ltd. [2000-Present]
- President, Dell Computer Asia Pacific & Senior VP, Dell Computer [1999-2000]
- President, GE Asia-Pacific & Senior VP, GE [1997-1999]

In 2007, Samsung Electronics established a solid foundation from which to grow into a top-tier global company. We achieved record-breaking business performance and continued to introduce new products built with the most advanced technology available. With strong customer recognition of our products and technologies, we are within reach of our vision to become a premier global company.



**No. 1 in the World, Six Years in a Row**

Our LCD panel business posted record-breaking revenue of US\$17.06 billion in 2007, a 23% increase from the previous year. We have continued our first-mover status in global market share since we first achieved the world-leading sales revenue mark in 2002.



**The Best Smartphone of CTIA 2007**

Samsung's BlackJack II was honored as the "Best Smartphone of the Year" in terms of design, menu, connectivity, multimedia features and voice quality at CTIA 2007.

**JANUARY**

- Developed the world's first truly double-sided LCD
- Launched a home air conditioner that uses system air conditioning technology
- Demonstrated mobile WiMAX technology with Sprint-Nextel
- Exported Mobile WiMAX equipment to Middle Eastern countries
- Ranked No. 2 in 2006 for the number of U.S. patents registered
- Achieved No. 1 market share for the sale of mobile phones in France for the second year in a row
- **Attained No. 1 worldwide market share position for LCD for the sixth year in a row**

**APRIL**

- Attained No. 1 market share position for mobile phones in Russia for third year in a row
- Sold a cumulative 1 million HSDPA music phones in the U.S.
- Began IP Network business in Europe
- Launched the first Ultra Edition II mobile phone
- Launched the Q1 Ultra, a second-generation UMPC
- Developed the world's first all-DRAM stacked memory package using "Through Silicon Via" (TSV) technology
- Mass produced the world's first 50nm-class 16Gb NAND Flash memory
- Began LCD plant construction in Slovakia

**FEBRUARY**

- Developed the first thermally-enhanced chip-on-film (TECOF) package for the display driver IC (DDI), used in high-resolution LCD TVs
- Introduced the Ultra Smart F700, the next model of multimedia phones
- Demonstrated Mobile WiMAX Wave 2, the next generation of Mobile WiMAX technology
- Ultra Edition 12.9 won the Best GSM Mobile Handset Award at 2007 3GSM
- Produced 100 million OneNAND Flash fusion memory units to date

**MAY**

- Selected as the most favored mobile phone brand in the U.S. for sixth year in a row
- Developed the world's first 65nm-class digital TV receiver chip
- Largest number of DDR3 memory components and modules validated to work with Intel's DDR3 chipsets
- Launched the super-small, all-in-one, color laser printer, nicknamed Lay
- Developed the world's largest-capacity memory card for mobile phones
- Partnered with IBM to co-develop 32nm node process
- Launched home appliances designed by Jasper Morrison in Europe
- Introduced the world's first 2.5-inch 250GB HDD

**MARCH**

- First in the world to begin mass producing DRAM using 60nm-class technology
- Mass produced a power-saving 256-channel display driver for Plasma screens
- Exported 3G CDMA system to Indonesia
- Launched the innovative Cullinan refrigerator
- Developed super-high-capacity 8GB MObiNAND memory chip
- Launched piano-finish black-panel Full HD LCD TV
- First printer certified as Blue Angel (EU Eco-label)
- Developed the world's first 3G fusion memory: Flex-OneNAND
- Launched three Mobile WiMAX devices
- **BlackJack bestowed the Best Smart Phone award at CTIA in the U.S.**

**JUNE**

- Launched mobile phone designed by Jasper Morrison
- Printer rose to No. 2 position in the world market
- Began TV plant construction in Russia
- Launched the world's largest (70-inch) Full HD LCD TV
- Opened the largest 300mm NAND flash memory wafer plant in Austin, Texas
- Launched our innovative Vibration Reduction Technology-enabled drum washing machine
- Mass produced 1.8-inch, 64GB, MLC Solid State Drive (SSD)
- Developed the multi-standard, multiband mobile TV chipset
- Graphics DDR4 memory selected by AMD for its next-generation graphic cards



#### 30nm-class 64Gb NAND Flash memory

In October 2007, Samsung announced that it had developed the world's first 30nm-class 64Gb NAND flash memory chip. This high-density chip represents the future of flash storage solutions as the demand for greater memory capacity increases exponentially every year.



#### World's No. 1 Market Share

DisplaySearch, the worldwide authority in display market research, identified Samsung as the leader in unit share and revenue for the entire TV market during Q3 2007. The results have solidified Samsung's position as a key global leader in the Flat Panel TV category.

### JULY

- Industry first 50nm-class 1Gb DDR2 memory validated by Intel
- LCD monitor received an IDEA 2007 Gold Award

### AUGUST

- Four products received an EISA Award
- Reached cumulative sales of 5 million LCD TVs
- Launched 120Hz Full HD LCD TV
- Hosted 4G Forum 2007
- Launched three Bluetooth-enabled video MP3 players
- First LCD panels shipped from the world largest 8th-generation line
- Monitor selected the best brand in the U.S. for the fifth year in a row
- Developed the world's smallest and slimmest color laser printer and all-in-one printer

### SEPTEMBER

- Monitor ranked No. 1 in customer satisfaction index in China for the eighth year in a row
- Developed the world's first 60nm-class 2Gb DDR2 memory
- Sold the industry's first aggregate 200 million LCD panels for IT
- Announced a strategic alliance with Armani
- Launched Giorgio Armani Samsung mobile

### OCTOBER

- Introduced the Serenata, a premium music phone, co-developed by Bang & Olufsen
- Selected the board of directors' committee for discussing candidate 4G technology
- Announced PVC-free LCD panel production
- Received Lowe's "Provider of the Year" award
- Introduced 10mm-thin, 40-inch super-slim LCD panel for TVs
- **Developed the world's first 30nm-class 64Gb NAND Flash memory**

### NOVEMBER

- Launched the industry's first high-speed SATA II 64GB SSD
- Launched the High Efficiency Combination air conditioner
- Mass produced 16-million-color DDI for AMOLED for the first time
- 32 products won CES Innovations 2008 Awards
- Commercialized single-chip RFID reader for mobile devices for the first time
- Surpassed monthly US\$2 billion LCD panel sales total for the first time

### DECEMBER

- Developed the world's fastest (GDDR5) memory
- Agreed on cross-license OneNAND rights with Toshiba
- Launched video MP3 player "P2" in the U.S.
- **No. 1 worldwide market share position for TVs achieved for the seventh quarter in a row**

Understanding the consumer is paramount to achieving preeminent market leadership.

thinking

In today's competitive world, if a company remains stagnant, it can quickly become obsolete. Consumers have many choices, so it is a constant struggle to maintain relevancy in today's market. To stay relevant in this ever-changing world, we must keep one step ahead of our customers. That's why we have dedicated ourselves to exceed the needs of our customers through the production and sale of world-class products and, most importantly, by anticipating their every need.



ahead of you



thinking

**North America** \_ Samsung Electronics' premium products—all built with the latest in cutting-edge technology—are loved by consumers across North America, especially in the U.S. Our market-driven strategies contributed to the development of popular products such as the digital TV, smart phone, music phone, video MP3 player, side-by-side refrigerator and drum washing machine. Supported by a sound business plan, our innovative products have invariably exceeded customer's expectations. Now, we are intent upon expanding our market presence in North America.

**Sarah Thomas** \_ 15 years old \_ High school student / Rock star

Sarah's guitar is her most prized possession. Ever since she was a little girl, Sarah's dream was to be a world-famous rock star. With Samsung's LCD TV and Blu-ray DVD player, Sarah can record and relive her performances. Plus, the P2 lets Sarah take her music wherever she goes.



more brilliantly

a



a

**LCD TV (LN 52A750)**

Let the clear, crisp images of our LCD TV bring you closer to the action—and closer to the things you love.

b

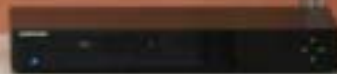


b

**MP3 Player (YP-P2)**

Sound should be lower-cased or better yet, it could be all upper-cased—as in SOUND. Good effect for what we're trying to get across.

c



c

**Blu-ray Player (BD-P1500)**

Complement the high image quality of our LCD TV with the latest Blu-ray player. And, watch your favorite movies for the first time as a completely new, high definition experience.



thinking

**Europe** \_ Satisfying our European customers' sophisticated sensibilities is a top priority. Our premium products include the TOC monitor, Armani TV, J-Series refrigerator by Jasper Morrison, and a five-megapixel camera phone. Building on advanced technology with versatile features and stylish design, our innovative premium products will increase customer loyalty and pave the way to a greater leadership position in the European market.

**Thierry Beauchamp** \_ 26 years old \_ Architect / Artist

As an architect, Thierry has the curiosity of a scientist and the sensibility of an artist. He relies on our products to help him succeed in his business while allowing him to explore his creative side.

more creatively



a

b

c

a

**Color Laser Printer (CLX-3175)**

Our deluxe color laser printer is compact enough to fit in any home office yet delivers outstanding performance, allows for easy installation and provides many convenient features.

b

**Monitor (T260)**

Our beautifully designed monitors provide you with the power and features to help drive your business well into the future.

c

**BlackJack II (SGH-i617)**

Boost productivity whether you're in the office or on the road with the award-winning BlackJack II.



thinking

**Emerging Markets** \_ The dynamic growth in emerging markets, including China, is a major opportunity for Samsung Electronics. With aggressive marketing and locally customized products, including digital media, mobile phones and home appliances, we are providing a more comfortable and an enhanced lifestyle for customers within emerging markets. We will continue to grow within these countries through increased sales of creative, lifestyle-enhancing products.

**Zhang Li** \_ 30 years old \_ Housewife / Home economics diva

Being a housewife is a full-time job. At Samsung, we understand that and want to make everything as comfortable as possible. Our products for the home are fully-equipped with a long list of high-end features, providing the convenience one would expect from a Samsung product.

more comfortably



a

**Electric Range (FTQ386LWUX)**

Cook like a professional chef with our newest line of electric ranges. With more even cooking and easy-to-clean surfaces, you'll find more pleasure being in the kitchen.



b

**Refrigerator (RSJ1KSSV)**

Let the modern look of our stainless steel refrigerator add style to your kitchen design. Its sophisticated features and increased space have put this refrigerator in a class by itself.



c

**Drum Washing Machine (WF-448 & DV-448 VRT Steam: Stainless Platinum)**

Leading the newest trend in washing machines is our silent, but powerful, drum washing machine. From an attractive design to top-notch performance, this washing machine has it all.




adidas



SAMSUNG

thinking



Becoming the most admired brand  
in the world requires the unified vision  
of an entire company.

**higher for you**

Since day one, Samsung Electronics has committed itself to becoming a leader in every facet of its market initiatives. The result is the growth of a brand that's synonymous with impeccable standards, high quality products and an unwavering dedication to the customer. Through continuous creativity and the development of highly innovative products, Samsung has captured the hearts and minds of customers worldwide, which will propel our company and our brand well into the future.

# brand marketing

imaginative

To become the brand most appreciated by people all around the world, Samsung Electronics is carrying out consistent and aggressive brand marketing. We will grow into a premium brand that elicits exceptional pride from those who own our products, through our commitment to innovative customer-focused marketing.



US\$16.9 Billion

BusinessWeek/Interbrand survey of "Best Global Brands"

BIGGEST GLOBAL  
BRAND VALUE

## Growing Along with Global Enterprises in Electronics and IT

We have established solid partnerships and are closely cooperating with major global leaders in various industrial sectors, including Sony, IBM, Microsoft, EMC, Intel, TSMC and Time Warner. In 2007, we partnered with Time Warner to provide bidirectional digital cable broadcasting service in the U.S. We also aligned with major Internet portal sites such as Google and Yahoo in launching phones that can utilize mobile Internet services through these portals. With IBM, we began joint development of a 32-nm logic process. We also concluded a patent cross-license agreement with Microsoft and agreed with EMC on establishing a global cooperative system in the area of enterprise content management solutions. Looking ahead, we are continuing our efforts to create a solid foundation for future collaboration initiatives. In 2008, we formed partnerships with Intel and TSMC to prepare a next-generation global standard for semiconductor wafers. By establishing a consortium with LG Electronics, Hynix Semiconductor and Sony-Ericsson, we will develop interface technology standards for mobile DRAM. Accordingly, we will continue to strengthen partnerships with major global companies and improve our brand position in the global market.

## Enhancing Cooperation with Global Premium Brands

Our design and marketing alliances are another step toward becoming a premium brand. By introducing unprecedented premium products and developing products with world-renowned designers, we deliver new experiences to our customers—products they can be proud to own. We collaborated with Giorgio Armani, one of the world's top fashion designers, in launching mobile phone and LCD TV lines, and worked with the world-famous industrial designer Jasper Morrison in designing mobile phones, side-by-side refrigerators and electric ranges. In addition, we jointly developed a premium music phone with Bang & Olufsen and launched a new concept sports phone with Adidas. Our brand image was further upgraded thanks to our engagement in cooperative marketing campaigns with a number of premium brands that promote quality living, such as BMW and Cartier. We will continue to renew ourselves as a widely admired premium brand by introducing innovative products and marketing activities through systematic cooperation with leading global brands.



**Strategic marketing and technology alliance with Time Warner** Samsung Electronics partnered with Time Warner Cable, the second largest cable company in the U.S., to sell its TVs and set-top box products with open-cable-application platforms, allowing more customers to use interactive broadcasting services.





Entrepreneurship for the growth of mankind. A vision to become a renowned global leader. A commitment to our customers. These are the pillars in which Samsung Electronics' has built its brand value. We are pushing our limits to become the most beloved brand in the world. ”



SHALINI SINGH, MANAGER  
CUSTOMER STRATEGY TEAM, GLOBAL MARKETING OFFICE

**Presenting Unique Experiences with Cutting-Edge Digital Products**

We understand the importance of our customers' experiences with our products. To increase product visibility, we operate showrooms where our customers can see, touch and experience the newest digital products firsthand in a number of countries, including the U.S., Russia, Brazil, China and Chile. Samsung Experience, a digital showcase at the Time Warner Center in New York City, has become a new digital attraction, visited by more than a million customers since it opened in 2004. The successful operation of Samsung Experience was evaluated as an exemplary case of experience marketing by major newspapers such as The New York Times and academic institutions such as Columbia University. Gallery Samsung, our digital showroom in Moscow, also is rapidly growing in popularity by providing the best digital experience in Russia, with over 500,000 people already having viewed it. We will further expand our trend-setting showrooms to share new and fascinating digital experiences with our customers.

**Providing a Wide Range of Benefits for Worldwide Tourists**

Outstanding displays by Samsung Electronics are attracting the eyes of tourists traveling around the world. For the convenience of global travelers, we have installed LCDs and PDPs in major international airports, including Dallas-Fort Worth International Airport in the U.S., Comodoro Arturo Merino Benitez International Airport in Santiago, Chile, Hong Kong International Airport in China, Murtala Muhammed International Airport in Lagos, Nigeria, London Heathrow Airport in the U.K., Amsterdam Airport Schiphol in the Netherlands, and Mexico City International Airport in Mexico. We also installed mobile phone sculptures in more than 20 international airports such as Charles de Gaulle International Airport in France, Sheremetyevo International Airport in Moscow, Russia, Cairo International Airport in Egypt, Ataturk International Airport in Istanbul, Turkey, and Toronto Pearson International Airport in Canada. In addition, Samsung Mobile Stations are set up at New York's JFK International Airport and L.A. International Airport to enable tourists to recharge their digital devices, including mobile phones and notebook PCs, free of charge, where electrical receptacles are lacking. Actively promoting our on-site marketing initiatives, we maintain our brand leadership position by being the brand our customers think of first.



■ **Strategic design alliance with Giorgio Armani**  
Through a groundbreaking alliance with Giorgio Armani, Samsung's portable and home consumer electronics will include a signature line of Armani-designed products. The alliance will combine Armani's iconic design aesthetic with Samsung's advanced technology.

■ **Samsung Experience at Time Warner Center in New York City** Located in New York City's Time Warner Center, Samsung Experience is the ultimate showroom for Samsung's digital products. It has attracted more than 1 million visitors since it opened in September 2004.

# sponsorship

exciting

As a global corporate citizen, Samsung Electronics contributes to worldwide sports, culture and academic development through a robust range of programs. We will continue to share the dynamic energy of sporting activities and the emotional experiences of cultural events with our customers, thereby enhancing global harmony and our customers' quality of life.

## An Official Partner for the Olympic Games

With consistent sponsorship for the Olympic Games, we contribute to humanity while promoting major sporting events. Since signing The Olympic Partner (TOP) agreement with the International Olympic Committee (IOC) in 1997, Samsung Electronics has sponsored the 1998 Nagano Winter Games, the 2000 Sydney Summer Games, the 2002 Salt Lake City Winter Games, the 2004 Athens Summer Games and the 2006 Turin (Torino) Winter Games as a Worldwide Partner in the Wireless Communications category. We are also participating as an official partner in the Beijing Olympic Games and Paralympic Games to be held in 2008.

As an official partner for the Olympic Games in the Wireless Communications category, we supplied cutting-edge mobile devices, starting with the 2004 Athens Summer Games, to assist successful management of the event. During the event, we provided our unique Wireless Olympic Works (WOW) service, a communications system designed to bring the power of mobile wireless technologies to the Games. The system enabled officials and staff to access critical data and to transmit results and special information about the Olympic Games. We have also set up Olympic Rendezvous @ Samsung (OR@S) since the 2000 Sydney Summer Games and provided a resting space where athletes and fans can experience state-of-the-art wireless telecommunications technologies. In addition, we have been an official partner for the Olympic Torch Relay since the 2004 Athens Summer Games and have promoted the excitement of the Olympic Games throughout the world. We concluded a long-term sponsorship agreement with IOC in April 2007, to maintain our support for the event through the 2016 Summer Games.

## Active Sponsorship for Local Sports

We have sponsored a wide range of sports reflecting regional characteristics and sentiments around the world. Since 1998, we have been an official sponsor for the Asian Games, a sports festival for all Asians. Recently, we participated in the 2006 Doha Asian Games and will maintain our official sponsorship for the 2010 Guangzhou Asian Games. In 2007, we provided our first official sponsorship for the Pan American Games, in which 42 countries from the American continents participated, and for the accompanying torch rally held throughout Brazil.



**Chelsea FC, 2nd Place in 2008 UEFA Champions League** As the official club sponsor of the Chelsea Football Club, Samsung Electronics will play a key part in its global development. Both brands share the same passion for success, as seen by Chelsea's second place showing in the 2008 UEFA Champions League.

**39th WorldSkills Competition** As part of our commitment to social responsibility, we have supported the biennial International Apprentices ("WorldSkills") Competition since 2007. Worldskills is a not-for-profit membership association that promotes vocational education and training.

“

Our wide range of sponsorships around the world is our way of showing our gratitude for our customers in a meaningful way. Through these sponsorships, we're able to support local communities on a global scale, while sharing in the spectacle of sport. In 2008, as an official worldwide sponsor of the Beijing Summer Games, we will continue to share our passion with the world and contribute to the betterment of society. ”



Soccer, the favorite sport in most countries of the world, is one of our main sponsored sports. We supported major soccer championship games in each continent and acted as a sponsor for some highly renowned soccer clubs. Since 2000, we have been the title sponsor for K-League, held by the Korean Professional Football Association, and have supported the world-famous Chelsea Football Club of the English Premier League since 2005. In 2008, the African Nations Cup and various games of the Asian Football Confederation became Samsung sponsored events. Chivas Football Team in Mexico registered as one of our sponsored teams as well.

Other noteworthy sports organizations and events include the International Hockey Federation (FIH) and the World Taekwondo Federation (WTF), in addition to World Cup Short Track of the International Skating Union (ISU), and the Cycling Center of the Union Cycliste Internationale (UCI). Each year, we also serve as the Worldwide Sponsor of the World Cyber Games (WCG), the world's largest online gaming sport tournament, which was initiated in 2000. To promote e-sports, we operate Samsung Khan, a professional online game team.

**Nurturing Culture and Education**

Sponsoring a wide range of cultural and academic activities represents our contribution in nurturing culture and science along with our global neighbors. In this relation, we have been supporting the biennial International Apprentices (“WorldSkills”) Competition since 2007, and recently agreed to sponsor the Nobel Museum’s Global Exhibition of the Nobel Foundation from 2008 through 2010. In March 2008, we also supported the Crufts Dog Show, the world’s most prestigious dog show, held in the U.K. By participating as a sponsor for numerous cultural events, we share an emotionally-charged passion for popular competitive events around the globe.



**2008 Beijing Olympic Sponsorship Event** Samsung Electronics has been a proud sponsor of the Olympic Games since 1998, and is pleased to continue that tradition at Beijing. Our passion for the Olympics is evidenced through the diverse range of events, like the “Dreams of Dragon” at the China Millennium Movement, to encourage a friendly, festive atmosphere.

# R&D

innovative

Possessing an innovative R&D capability is critical for Samsung Electronics' continued march toward becoming a leading global company.

Through strategic investments in R&D and a strong commitment to creative talent development, we will continue to deliver cutting-edge technologies and solutions that will advance us well into the future.

### R&D INVESTMENT (in trillions of KRW)



### R&D HUMAN RESOURCE

[Unit: employee] [Including employees overseas]



#### Ongoing R&D Investment for Technology Leadership

By focusing our R&D efforts on our core businesses and future technology development, we hope to deliver diverse and outstanding achievements, including: the world's first 50nm-class 1Gb DDR2 memory; first 30nm-class 64Gb NAND Flash; the world's smallest and lightest all-in-one color laser printer; a drum washing machine boasting the world's lowest noise and vibration levels; commercialization of the world's largest (14.3-inch) color e-paper, the world's largest LCD panel (70-inch) for Full-HD TV; and selection of our Mobile WiMAX as the IMT-2000 standard along with WCDMA and CDMA-2000.

Special efforts have been made to manage intellectual property rights, which include our patents. In the U.S., our aggregate patent portfolio totaled approximately 20,600 by the end of 2007. In 2007, we registered 2725 patents in the U.S. alone, which was the second most of any company.

#### Systematic R&D Structure for the Next Generation

In May 2008, Samsung Electronics revamped its R&D organization to focus on greater efficiency and future technology development. The new organization is systematically structured in three layers. The Corporate Technology Office (CTO), the synergistic creator of technology, leverages proprietary technology to drive innovation across current business units and enhance core technologies for new business opportunities. The R&D centers of each business focus on the development technology that is expected to deliver the most promising long-term results. In the meantime, the development teams within each product division are responsible for commercializing products scheduled to hit the market within one or two years.

Samsung Electronics operates six R&D centers in Korea and a total of 16 centers in eight countries, including the U.S., the U.K., Russia, Israel, India, Japan and China. These centers are tasked with developing best-in-class products and proprietary technology. We have also built a global R&D network encompassing the world's leading companies, research centers and universities. These research facilities are closely linked, and develop strategic technologies for the future as well as unique technologies that will establish new market trends.

Our greatest asset is the extensive pool of talented people who develop value-added, market-leading products that are enhancing the lives of our customers. At the end of 2007, 39,000 people were involved in the development of Samsung products for tomorrow. There are now 3200 PhDs in our talent pool. Through solid alliances with global R&D networks and an efficient support system for our R&D workforces, we will continue to lead the company into the future with many of the world's most innovative products and technologies.

#### Leading Future Technology Initiatives

Our goal is to be the clear leader in future technology development, rising above any challenges in the business environment. We will enhance our technology and market leadership in our current core businesses, while taking aim at future-oriented fields, such as the solutions business, new IT devices, energy resources, the environment, bio-technology and health. Our R&D investment will be further increased to strengthen our proprietary technology leadership in nurturing future growth engines.



Our researchers are working very closely with R&D, proud to be a part of creating the future. Combining our ability with unbridled passion, we will enhance the lives of our customers through the development of the newest, groundbreaking technology. ”

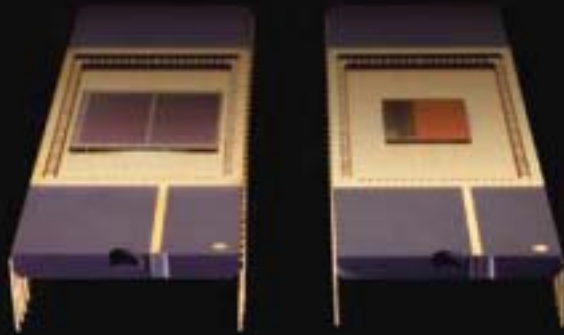



**JAEKWAN PARK- SENIOR RESEARCHER**  
NEXT-GENERATION RESEARCH TEAM 2. MEMORY  
(SEMICONDUCTOR BUSINESS)


a




b



**a** **8.4 Megapixel CMOS Image Sensor**  At 8.4 megapixels, the latest CMOS Image Sensor from Samsung is the world's smallest in terms of pixel size. Its high resolution was achieved by implementing advanced light-sensing features and minimized noise levels.

**b** **Flex-OneNAND™**  For the first time, this new fusion semiconductor enables the use of two types of NAND flash memory in a single device, allowing for greater flexibility and signifying the increasing importance of semiconductors in the design of digital devices.

**c** **14.3-inch e-paper**  Samsung Electronics developed a 14.3-inch (A4-sized), color "electronic" paper (e-paper), delivering undistorted images even when the surface is bent. This flexible display does not require any electricity.

c





a



b



c



**a** **Series 7 750 LCD HDTV** ❖❖❖ The ultra-advanced Series 7 is a major achievement in both technology and design. Its Crystal Rose exterior houses some of the world's more advanced features, such as InfoLink, WiseLink and a built-in Content Library.

**b** **YP-S5 MP3 Player** ❖❖❖ At only 14.9mm thick, the YP-S5 is an extremely portable multimedia device. Its full color screen makes watching videos a pleasure while its fold-out speakers are powered by Samsung's DNSe technology to produce rich sound. It's also Bluetooth enabled.

**c** **CDMA UbiCell™** ❖❖❖ The CDMA UbiCell is the world's first ultra-small CDMA base station. The device attaches to a mobile network connection and is designed to enhance coverage for the home.

stylish thinking



**a** **SGH-F490** :::: Samsung's SGH-F490 is the phone for people who want to use the Internet whenever, wherever. This powerful multimedia device comes fully equipped with a five megapixel camera and a 3.2-inch, 16:9 wide touch screen. Plus, it is built with Samsung's award-winning Croix user interface, enabling greater convenience and ease of use.

**b** **Ultra Edition 10.9, SGH-U600** :::: The highly efficient Ultra Edition mobile phone has a 2.2-inch screen display and is a mere 10.9mm thick. Housed in a sleek, modern casing, the Ultra Edition boasts advanced features such as a 3.2-megapixel camera, video recorder, MP3 player and Bluetooth.

**c** **TOUCHWIZ SGH-F480** :::: The pocket-friendly SGH-F480 from Samsung boasts a 2.8-inch touch screen and its new TOUCHWIZ user interface allows for a more rewarding and enjoyable experience through a "drag and drop" widget system. Built with a strong and versatile set of multimedia features, the SGH-F480 also has a five megapixel camera and MPEG4 video recording and editing functions.



# design

Building upon our unique customer-focused design philosophy, Samsung Electronics has continued to push the limits of excellence in becoming a globally acclaimed design powerhouse. Our innovative designs focus on the integration of sophisticated style, versatile convenience and emotional reactions from our customers to create a more enjoyable and fulfilling user experience.

## Customer-Focused Design

Focusing on designs that satisfy both the experiential and emotional needs of the user, we have taken a more intuitive, holistic approach to product development. Since 1996, we have concentrated on enhancing our product images, particularly the element of uniqueness. In 2007, we launched a holistic design initiative: "Create an Emotional Journey." We are designing products that are highly attractive and undeniably stylish, products that have an intuitive user interface and distinctively enhance the sensory experience, clearly distinguishing our products in the era of digital convergence.

## Global Design Network to Satisfy Every Customer

Samsung Electronics operates seven design centers: the Corporate Design Center in Seoul along with centers in London, Milan, Los Angeles, Shanghai, Tokyo and Delhi. Our experts at the six geographically dispersed locations analyze local culture, lifestyles and industry trends, providing input critical to the Corporate Design Center, which conducts global research projects that results in the creation of products that satisfy every consumer and business need. As design becomes a crucial component in driving the profitability and popularity of consumer electronics, we encourage our designers to push the limits of their creativity in order to continue delivering some of the world's most innovative design solutions.

## Effective Programs that Nurture Design Expertise

We offer a broad range of design-related training programs in order to cultivate a greater number of world-class designers, while improving our overall design competitiveness. The Samsung Design Membership (SDM) program nurtures student designers and promotes the exchange of creative ideas around the world. Our SDM program attracts students around the world who major in design, cultivates their skills and encourages interaction through the exchange of ideas and a great deal of creative brainstorming. At the same time, we operate the Samsung Art & Design Institute (SADI), which is changing the global design education paradigm with one of the world's most advanced curricula including a special emphasis on practical applications.

## Excellent Design Acclaimed by Numerous Awards

Admired by customers around the world, our outstanding design capabilities have received increasingly frequent validation in several of the industry's prestigious design awards every year. In 2007, the iF Product Design Awards from International Forum Design Hanover honored 26 Samsung products, including LCD TVs, mobile phones, note PCs, and laser printers. We also received 27 prizes at Japan's Good Design Awards, including the Gold Prize for our side-by-side refrigerator.

Samsung's Ultra Edition II mobile phone and portable DMB TV received Best of the Best awards in 2007 along with 21 other awards at the Red Dot Design awards. Our triple-hinge design of the Mobius LCD monitor also won the Industrial Design Excellence Award (IDEA) last year from the Industrial Designers Society of America.



Our approach to design begins with the customer and ends with the customer. With their total experience in mind, we try to create a design that's both beautiful and convenient, providing a sense of comfort, fun, pleasure and interactivity.



MIA OH, SENIOR DESIGNER  
UX PART (WIRELESS UNIT), CORPORATE DESIGN CENTER

Satisfaction should not be a guarantee.  
It should be a given.

thinking

Like modern-day pioneers, Samsung Electronics has opened doors to new worlds through our innovative products and our dedication to customer satisfaction. In strengthening our R&D, fostering more strategic alliances, and delivering an unrivaled customer experience, Samsung has catapulted itself to the forefront of efforts to enhance consumer lifestyles, worldwide. Remaining at the forefront will require a steadfast dedication to keeping customer satisfaction as our top priority.



smarter for you

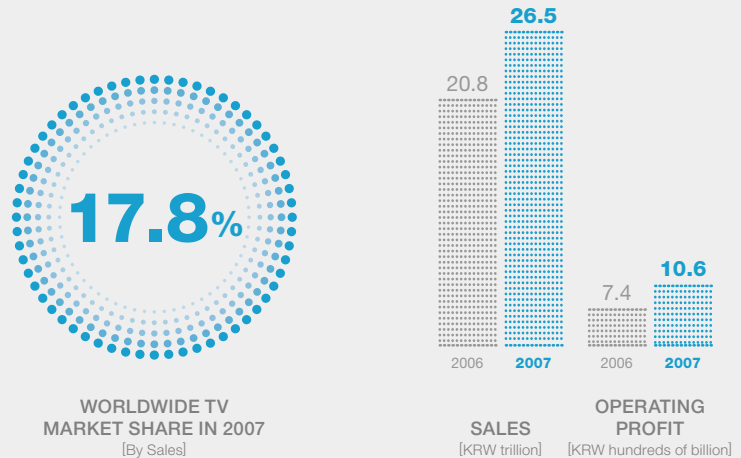


digital media

**MAY 18** ■■ **Launched world's smallest color laser printer** The new 3-in-1 Samsung CLX-2161K printer, nicknamed Lay, is 20% smaller than our previously smallest model. At 41.3x35.3x33.3cm, Lay is able to fit into the tightest spaces. The printer boasts the use of Samsung's proprietary technology: Non Orbiting Noiseless Optic Imaging System (NO-NOIS) to deliver low-noise printing. Other key features include an ID Card Copy and a USB Direct port.

**JUNE 11** ■■ **Began construction of a TV production facility in Russia** To meet the fast-growing demand for digital TVs in Russia and CIS countries, Samsung Electronics announced plans to build a TV factory in Kaluga, Russia, southwest of Moscow. Construction is scheduled to be completed by October 2008, and the plant will produce up to 2.2 million TV sets annually beginning in 2010.

Building upon a long history of providing world-leading products and cutting-edge designs, Samsung Electronics enables a strikingly easy, highly convenient user experience by maximizing connectivity options, simplifying designs and optimizing the user environment. Moreover, our Digital Media business provides a myriad of refreshingly bold approaches to the proliferation of digital convergence.



**Global Leader in TVs and the IT Industry**

In 2007, we achieved record-breaking business results, boosted by strong growth within the flat panel TV market and a steady increase in sales of our core products, such as LCD monitors, digital audio-visual products, laser printers and notebook PCs. Sales increased to KRW26.51 trillion, a 26% jump from 2006, while operating profits soared to KRW1.06 billion, a 43% increase year-to-year.

Our dominance of the flat panel TV market helped us to maintain No. 1 market share in both sales revenue and units sold for two consecutive years and seven consecutive quarters, respectively, including the No. 1 position in the sale of TVs overall, as well as in the flat panel TV and LCD TV categories. We also ranked first in the monitor market for five quarters straight, widening our lead over our competitors in 2007. Our color laser printer solidified its market share position—No. 2 in the world—as well. In our PC business, we achieved our best sales ever by increasing exports of Samsung-brand products. Meanwhile, our digital AV products, including MP3 players, received positive feedback from the world market for their enhanced quality and design.

Overall, Samsung's Digital Media products were highly recognized for their innovative technology and attractive designs. Our LCD TV and home theater system won three EISA Awards while eight products, including an MP3 player, received Innovation Awards at CES 2007. Last year, we were also honored with an iF Design Award for the quality of a wide range of our digital media products.



**650 Series Full HD LCD TV**

Developed using our unique Crystal Design with a hint of rose-red color accentuating a traditional piano-black bezel frame, the 650 Series LCD TV features Auto Motion Plus 120Hz, an Ultra Clear Panel, DNle Pro and Wide Color Enhancer Pro to provide perfect picture quality.

**JUNE 15** :::: **Launched the world's largest (70-inch) Full HD LCD TV** Samsung Electronics introduced the world's largest, commercially available Full HD LCD TV. It was built with the world's first Local Dimming Technology, which enables it to deliver a dynamic contrast ratio of 500,000:1 while lowering power consumption by as much as 50%.

**AUGUST 20** :::: **Sold more than five million LCD TVs** Introduced in March 2006, our newly designed LCD TV surpassed an ambitious target of selling an aggregated 5 million units, just 16 months after its launch. The 2007 model also set an industry sales record, when one million sets were sold only five months after launch—a historic milestone in the TV industry.

### **A View According to Crystal Design**

As the TV market accelerates its move toward larger screen sizes and higher picture quality, competition among companies in the industry continues to intensify. The flat panel TV market, in which both LCD and plasma TVs are major segments, is experiencing explosive growth, while TV makers are engaged in an unprecedented price war. Yet, we have managed to lead the global TV market for the past two years by responding to diverse customer needs with a portfolio that includes LCD, plasma, projection and cathode ray tube (CRT) TVs. In particular, our new style of LCD TVs, introduced in March 2006, surpassed aggregated sales of five million units only one year and four months after its launch—a major success and a historic milestone in the global TV industry.

In 2008, we will be solidifying our flat panel technology leadership with a broad range of new TVs including the 120Hz Full HD, LED, 3D Plasma and Content TVs. Our newly sculpted "Crystal Design" TV, inspired by the craftsmanship of Italian glassblowers, represents the best-in-class of our TV product design, while the Armani TV, co-developed with Giorgio Armani, has already received an enthusiastic response from the marketplace. By strengthening our marketing activities, diversifying distribution channels and stepping up retail promotions, we are further elevating our global leadership.

### **A True Leader in the World IT Industry**

Our LCD monitors have become the most popular monitors in the world. In 2007, we ranked No. 1 in the global LCD monitor market and were selected as the best U.S. monitor brand for the fifth year in a row. The T series, applying our Crystal Design look, is leading the market in terms of technological innovation and advanced design features. We plan to extend our product line of 20-inch and larger LCD screens, and expand our leadership in special monitors for network, videoconference and graphics professionals, emphasizing brand recognition and quality production.

Our PC business has performed well, increasing profits after converting all exported notebook PCs to the Samsung brand last year. In 2008, with a wide range of new products, such as the third-generation Ultra Mobile PC (UMPC), and a Blu-ray-enabled notebook PCs, we will penetrate the emerging markets of China, Eastern Europe and the Commonwealth of Independent States (CIS, the former Soviet Union) to sell more than five million units.

In the printer business, one of our future growth engines, we launched several innovative products that combine cutting-edge technology with stylish designs. Our ultra-slim mono laser, the world's smallest laser printer, and our all-in-one flat panel mono laser have been recognized as the top products in the world printer market. As our color laser printer business is growing our market share on the global stage, the world's smallest



#### **Color Laser Printer (CLP-315K)**

Stylish design adorning a superb space-saving architecture, the CLP-315K is the world's smallest high-quality color laser printer. The CLP-315K boasts a resolution of up to 2400x600 dpi, 32MB of internal memory, low-noise production (45dB), and the ability to print up to 16 pages per minute in B&W and four pages in color.



#### **Blu-ray Disc Player (BD-P1500)**

As Samsung's fourth-generation Blu-ray disc player, the BD-P1500 provides incredibly detailed images with brilliant color in full high definition (1080p) resolution. The BD-P1500 lets users have it all—watching their favorite DVDs and Blu-ray discs, or listening to CDs with the highest possible audio quality.

# 43%

SIZE RATIO COMPARED  
TO COMPETITIVE MODEL



#### Wide Video MP3 Player (YP-P2)

Equipped with Bluetooth and a touch screen interface, the YP-P2 lets consumers enjoy vivid videos on a 3-inch wide LCD screen. Samsung's proprietary DNSe 2.0 technology with EmoTure™ UI enhances the ultimate multimedia experience.



#### UMPC Q1 Ultra Premium

Improving portability and screen resolution, the second-generation UMPC includes a touch screen, a QWERTY keyboard and an enhanced battery life of up to 4-1/2 hours—guaranteed to add more freedom to anyone's lifestyle.

**AUGUST 22** :::: Selected as "Company of the Year" in the Display Technology category For an unprecedented fifth consecutive year, Samsung Electronics has been named "Company of the Year" in the Display Technology category of the VARBusiness Annual Report Card (ARC), recognizing Samsung's innovation, partnership relationships and advanced display technology.

**DECEMBER 10** :::: Attained highest global TV market share seven quarters in a row According to DisplaySearch, Samsung Electronics remained the global leader in the world TV market, both in sales revenue and units sold, as of Q3 2007. We were No. 1 in sales revenue for seven straight quarters and No. 1 in unit sold for five consecutive quarters. In addition, our Plasma TV ranked No. 2 and our projection TVs attained the No. 1 standing in Q2 2007.

color laser printer and all-in-one color laser printer have also received a strong market reception. In addition, we are pursuing the corporate printer market aggressively to provide a total solution, including printer, software and service.

#### Opening a New Era of Digital AV

Following our development of the world's first Blu-ray disc (BD) player, referred to as the "next-generation DVD player," Samsung Electronics is ready again to launch an up-graded version of the player, our fourth-generation BD player. The device will be a part of home entertainment packages including a complete TV and home theater system. In addition, we have launched a full lineup of HD AV environmental products, featuring a Full HD home theater with projector or TV, an HD camcorder and a BD player.

We also came out with a Bluetooth-enabled wide video MP3 player and the "new concept" K5 MP3 player with a "slide and tilt" speaker. Our goal in 2008 in the MP3 business is to gain the No. 2 market share globally with these innovative players. The Samsung digital cameras, backed by the premium "NV" series, ranked No. 3 in 2007 with sales of 12 million units. In maximizing our synergistic creations with Samsung Techwin, we will focus more on premium products and enhance their quality in order to increase market share and further strengthen our premium brand image.

#### Challenge for the Top-tier Digital Media Company

The world economy in 2008 has been slowing down, with reduced consumption and intensifying competition. To overcome such challenges and lead the world's TV market for a third consecutive year, we will launch diverse high-end products such as a 120Hz LCD TV, an LED BLU LCD TV and a Large Format Display (LFD), while developing more innovatively designed products with some unique features.

We will step up our involvement in the B2B IT market, consisting of PCs, printers, servers and monitors, which will establish us as a first-rate global IT company in both corporate and consumer markets. In the digital AV business, our advanced technologies continue to yield innovative products that strengthen our leadership in the industry.

In May 2008, we reorganized our Digital Media business to create greater synergy and enhance our overall performance. This decision integrated Digital Appliance into our Digital Media operations and transferred our PC, MP3 and set-top box businesses to the Telecommunications Network business. In Digital Media, we have folded our home theater, DVD player and BD player businesses into our TV business, while revamping our camcorder and video security device businesses and providing them with an independent team. Building upon this reorganization, we expect to dominate the global digital media markets and further enhance the brand value of Samsung Electronics.



telecommunication  
networks



**JANUARY 22** ■■■ **Ranked No. 1 in France two years in a row** In the French market, we ranked as the No. 1 market leader with a leadership share of 24% in units sold and 35% in sales, maintaining the No. 1 spot in market share for a second consecutive year. After eight years in the French market, we reached a breakthrough level of an accumulated 20 million units sold, another significant achievement.

**APRIL 5** ■■■ **No. 1 market share in Russia three years consecutively** We attained the market leader position in Russia for the third consecutive year, with a 26.2% share of units sold and a 30.7% share of overall sales. We became the first mobile phone maker to surpass EUR1 billion in sales, at EUR1.29 billion.

Samsung Electronics is fortifying its position as a leading global brand in the telecommunication networks business with a wide range of premium products. Our mobile phones, admired by customers around the world, are at the forefront of enhancing mobile lifestyles while meeting the converging needs of the mobile marketplace.

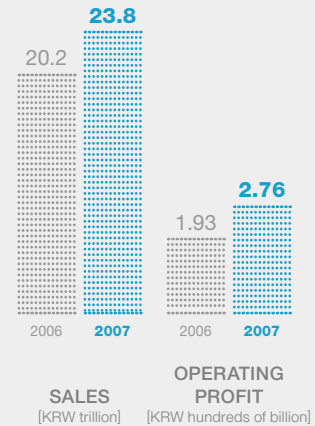


**Samsung Soul (SGH-U900)**

Dubbed as the "Soul of Ultra," the Samsung Soul has a thin 12.9mm profile, and is made of bronze-gray metal. It offers a new series of Thematic UIs, which enables users to change the interface. A five megapixel camera, HSDPA connectivity and Bluetooth are included.



**GLOBAL MOBILE PHONE MARKET SHARE IN 2007**



**Haptic Touch Screen Phones (SCH-W420/W4200)**

Built with TouchWiz UI software, our Haptic model promises a unique user experience, one that touches all of the senses. The Samsung Haptic features one-touch access, a widget for creating customized desktops and a G sensor for automatic horizontal rotation of photos and videos. It is designed for the innovative, 'on-the-go' user who demands cutting-edge multimedia features, including a web browser.

**Global Leader in Telecommunication Networks**

The global market in mobile phones has shown rapid growth year after year. In 2007, the market showed a 10-15% increase over 2006, thanks to a growing need for new phones in the advanced mobile segments and a steady flow of new customers into emerging markets, according to Strategy Analytics, a market research firm. In Korea, the market surged 25% as new mobile services, such as 3G and multimedia offerings, grew rapidly. In addition, a number portability policy was launched to improve customer service.

Driven by its premium brand and unique products, Samsung Electronics showed record-breaking figures in sales and units sold for 2007, holding a global market share of 14.3% to rank No. 2 in the world. Sales reached KRW23.76 trillion globally, with 160 million units sold—a 41.6% increase year-over-year. Our management efficiency strategy, initiated in early 2007 to focus on customer value and cost reduction, also boosted operating profits. As a result, our net profit soared to KRW2.75 trillion, a 42% increase from the previous year, maintaining a two-digit rate of growth for operating profits at 11.6%.

In the U.S. market, we were voted the best brand six years in a row, while customers in France and Russia made Samsung the No. 1 market leader for two and three consecutive years, respectively. Our products also were recently honored as the "Best Handset" in the 2007 GSMA Awards (SGH-D900), "The Best European Mobile Phone 2007-2008 (SGH-U700)" at the European Imaging and Sound Association (EISA) Awards and "Phone of the Year" at the Mobile Choice Award, securing our reputation for providing the world's best mobile phones.

**MAY 4** :::: **Launched Ultra Music Phone with ad featuring Beyonce** We launched the Ultra Music Phone (SGH-F300) with a commercial starring Beyonce Knowles, a world-renowned actress and artist. The dual-face design of the phone is fresh and eye-opening in its slim 9.4mm package, a highly efficient model providing the complete functionality of a multimedia phone and music player.

**MAY 9** :::: **Selected as favorite mobile phone brand six years in a row** According to research conducted by Brand Keys, a U.S. market research company, Samsung was selected as the most favored mobile phone brand for the sixth year in a row. A series of new products that went a long way in enhancing customer value proved to be the key to becoming the top brand in the mobile phone sector.

### Fashioning the Mobile Customer Worldwide

Launching premium products, as well as rapidly penetrating emerging markets, enabled Samsung Electronics to become world's second-largest mobile phone maker last year. Following this strategy, we introduced the Ultra Edition II to drive sales of mid-range products in emerging markets. Our Ultra Edition I model SGH-D900 and Ultra Edition II model SCH-U600 sold a combined total of more than 10 million units in European, Asian and Middle Eastern countries. SCH-E250, the premium mass market model, experienced overwhelming success, selling more than 20 million units in Europe and Asia. SCH-C260 was very popular in emerging markets such as India and China. In the U.S. market, we distributed the popular BlackJack (SGH-i607) and BlackJack II (SGH-i617), which were recognized by Brand Keys, a U.S. market research company, as the most favored mobile phone brand for six years in a row.

Our wide range of premium phones such as the Ultra Edition smart phone, touch screen phone, high-megapixel camera phone and music phone captured our customers' hearts worldwide with engaging designs and convenient features. In 2007, we launched the world's slimmest phone in the Ultra Edition II category, the 5.9 SGH-U100. In addition, we collaborated with some of the world's top designers to create the SGH-E590 (with Jasper Morrison), and the Giorgio Armani Samsung mobile. Serenata, co-developed with Bang & Olufsen, was another trendsetting mobile phone design. In 2008, we are going to expand our innovative mobile phone lineup with multimedia phones that include a full touch screen user interface and enhanced versions of Samsung Soul, our worldwide flagship product.

### The Leader in Next-Generation Telecommunications Technology

In telecommunication systems, we developed the world's first Mobile WiMAX (mobile broadband Internet) technology in 2006, a next-generation telecommunication technology. In 2007, we started to commercialize Mobile WiMAX among Korean service providers. Our Mobile WiMAX technology was adopted as the 3G global standard at the International Telecommunications Union (ITU) conference in October, 2007, paving the way for increased market penetration worldwide. Banking on a Mobile WiMAX total solution, including chipset, terminal and system, we provided a commercial package to the U.S., Japan and Brazil, solidifying our leadership in the field.



### Ultra-messaging BlackJack II (SGH-i617)

Microsoft's Windows Mobile software-enabled HSDPA smart phone boasts a bigger screen than the BlackJack I and includes a jog wheel. The phone also has cutting-edge features such as a touch screen, Bluetooth, GPS and wireless LAN.

# 5.9mm

At only 5.9mm, the SGH-U100 is the world's slimmest mobile phone. It includes a three megapixel camera and a bevy of high-end features, such as Bluetooth. Its slim design is made possible by Samsung's innovative Smart Surface Mounting Technology (SSMT). The phone is listed in the 2008 Guinness Book of World Records as the slimmest phone.

**JULY 19** ■■■ **Launched five megapixel camera phone in the European market** We launched our SGH-G600 model, a five megapixel camera phone, in the European market. One of the slimmest slider phones—only 14.9mm thick—it has high-end camera functions such as a panorama shot capability. It also features a web browser, a virtual pointer working as a mini-mouse, the new Espresso UI interface and Bluetooth.

**SEPTEMBER 24** ■■■ **Co-developed Giorgio Armani Samsung mobile** In an alliance with world-famous fashion designer Giorgio Armani, we launched the Giorgio Armani Samsung mobile (SGH-P520). The touch screen model features cutting-edge phone technology, such as a three megapixel camera, a web browser and Bluetooth, in a slim 10.5mm package brimming with style.

150 units

ACCUMULATED BLACKJACK SALES IN THE U.S. [5 AS OF 2008]



**Five-megapixel Camera Phone (SGH-G800)**

The SGH-G800, our most advanced camera phone, features a five megapixel sensor, 3x optical zoom, and face detection. It's also equipped with the latest 3G HSDPA connectivity, enabling multimedia features such as mobile blogging, and a web browser.

**Giorgio Armani Samsung Mobile (SGH-P520)**

Designed by Giorgio Armani, the Armani phone represents the perfect marriage between mobile haute couture and advanced technology. This stylish, super slim phone features a 2.6-inch touch screen, three megapixel camera and Bluetooth.



**Ultimate Choice for Mobile Lifestyles**

In 2008, the global mobile phone market is expected to slow, due to saturated conditions in the European and U.S. markets. However, replacement needs for 3G and multimedia mobile services, in addition to growing demand in the emerging markets of Southwest Asia, the Middle East and Africa, will boost overall market growth by about 15%. Opening the era of "Mobile for Every Lifestyle," our goal is to become the most admired mobile phone brand, providing premium products that meet the needs of our most discerning customers' lifestyles.

We plan to develop a wider variety of mobile phones to satisfy the needs of virtually everyone. In the Mobile WiMAX business, we will establish alliances with a number of carriers around the world, as well as pursue a more extensive market penetration in Korea. This will help us move into next-generation mobile communications, such as 4G technology, while setting a new standard for the industry.

**Challenge for Convergence**

In May 2008, Samsung Electronics reorganized its Telecommunication Networks unit by merging the PC and MP3 player businesses that were part of Digital Media. The decision will boost our synergy with related businesses to enhance our competitive edge throughout the telecommunications industry. We believe we can create a unique platform by merging the latest mobile technology with core computing technology for the PC business, and by leading the market with the most sophisticated products to embrace technology convergence. Our MP3 business also will be fine-tuned by converging core mobile technologies with our world-leading power efficiency and design capabilities. Our leadership in digital convergence will further bolster our mobile communication brand as the industry takes mobility to the next level.



digital appliance

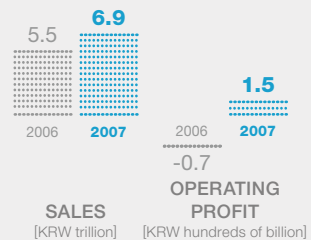
**JANUARY 10** ■■■ **4th-generation Smart Inverter air conditioner for the home** The energy efficient Smart Inverter air conditioner from Samsung Electronics delivers quick and powerful cooling with minimum energy consumption. The Smart Inverter system also can accurately control a room's temperature with minimal fluctuation.

**APRIL 3** ■■■ **Korea's first B2B total solution showcase** Samsung Electronic opens Korea's first B2B total solution showcase, the "System Hauzen Gallery," displaying the latest total solutions in appliance technology. Featured in the showcase are built-in home appliances, and home and office network systems, as well as system air conditioners—all available to the consumer.

At Samsung Electronics, satisfying the needs of our customers is our top priority. By developing innovative products that enhance the lives of our customers worldwide, we have made pioneering moves in the digital appliances market, whose impact will be felt for many years to come. Stylishly designed, well equipped with convenient features, and environmentally friendly, our digital appliances are tailor-made with our customers at the forefront of our thinking.



**2007 SALES INCREASE IN THE U.S. REFRIGERATOR MARKET**  
[versus 2006]



**Front-sliding Air Conditioner**

Our innovative, front-sliding unit showcases a unique Biosleep function, keeping body temperature at an optimal level during the three stages of sleep. The unit also can quickly lower a room's temperature with its Surround Cooling System, and includes eco- and health-friendly features such as an air purification system.

**Pioneering the Future of Digital Appliances**

Intent on becoming the leading global company in the digital appliance industry, we are moving aggressively to bolster our capabilities for developing innovative products and improving market outreach. To achieve this, we are enhancing the competitive edge of our business by reorganizing our production network, strengthening our R&D department, and expanding our high-end product lineups. To further increase profitability, we are also investing in the development of premium appliances in the side-by-side refrigerator, system air conditioner and drum washing machine segments, while underscoring our commitment to quality. As a market leader in advanced digital appliances, we are committed to continually strengthening our competence in both the built-in appliance and home network markets.

In 2007, we applied the world's most innovative technology and design approaches to our full range of digital appliances, introducing diverse new product lines that will be recognized by consumers around the globe. We have received outstanding praise, particularly in the premium market. Our product lines were enhanced through such advancements as our drum washing machine whose Vibration Reduction Technology™ (VRT) provides the lowest noise and vibration levels in the industry; our system air conditioner, which incorporates our High Efficiency Combination technology; and our side-by-side refrigerator with twin cooling systems.

These and other innovations helped us achieve sales of KRW6.85 trillion, a 24% increase over 2006, and a global operating profit of KRW159.8 billion. Eight of our products, including our side-by-side refrigerator, received the Red Dot Design Award in Germany. In Korea, we also placed first in the 2007 National Customer Satisfaction Index (NCSI) in the refrigerator, washing machine and air conditioner categories.

**MAY 22** :::: **Jasper Morrison designed home appliances in Europe** We launched a side-by-side refrigerator and an electric oven, both conceived by Jasper Morrison, one of today's most influential industrial designers. These products combine sophisticated design aesthetics with innovative technology to ensure that performance is as impressive as appearance.

**JUNE 19** :::: **VRT drum washing machine** Our innovative front-loading washer, built with our unique Vibration Reduction Technology™ (VRT), showcases the world's lowest levels of vibration, and water and energy consumption. It reduces energy and water consumption by 20% and 25%, respectively, compared to ordinary machines.

### The Global Leader in Side-by-Side Refrigerators

Since side-by-side refrigerators were introduced in Korea in 1997, Samsung Electronics has led the premium refrigerator market, debuting such innovations as our unique side-by-side model called the Quatro. In 2007, we broke the industry's cumulative sales record with global sales of over six million units, and attained the No. 1 market share position in 34 countries. In North America, we showed a 68% sales increase over the previous year after the launch of our French door refrigerator with a built-in Twin Cooling Plus System, which has received tremendous praise. Also in 2007, J.D. Power and Associates awarded our side-by-side refrigerators its "Highest Customer Satisfaction" rating for the third straight year.

In 2008, Samsung Electronics' new products lead the industry by applying cutting-edge technology, such as advanced moisture-regulating technology inside of our refrigerators, and an eco-friendly LED lighting system designed to remove dirt and agrochemicals from fruits and vegetables stored in the vegetable box. Looking forward, we plan to accelerate our penetration of the premium market and expand our distribution channels through new alliances in the North American and European markets. In addition, we will improve our competitive edge by developing advanced compressor technologies that dramatically increase efficiency and reduce noise, helping us with our goal of becoming the No. 1 brand in side-by-side refrigerators in the near future.

### Cooling the World We Live In

In 2007, we launched a cutting-edge, fourth-generation home air conditioner. In it, Samsung Electronics' proprietary Smart Inverter technology reduces energy consumption by as much as 87.5% compared to conventional air conditioners. This was also the industry's first unit to be offered in black, which garnered strong favorable response from customers. In 2008, we introduced an innovative, front-sliding unit to speed up cooling time while enhancing eco-friendly and health-friendly features such as an air purification system and a Good Sleep mode. Our unique air conditioner system also was built with the latest High Efficiency Combination technology, further boosting energy efficiency. We are strengthening our marketing efforts in emerging markets such as China, Central Asia and the CIS countries. We also are continuing to expand our market leadership in air purification by launching products equipped with a DNA filter and Micro Plasma Ion (MPI) technology.

### Reducing Noise Through Our Advanced Technology

In 2007, we developed an innovative drum washing machine that featured the world's lowest levels of vibration, and water and energy consumption. Designed with VRT, the machine reduces barrel vibration to such an extent that it cannot be felt, even at the highest speed. It also reduces energy and water consumption by 20% and 25%, respectively, compared with ordinary washing machines. Furthermore, we enhanced



### VRT Front Loading Washer

Designed with Vibration Reduction Technology™ (VRT), our washer dramatically reduces barrel vibration—even at the highest speed. It also reduces energy and water consumption to the world's lowest levels. Further, we've enhanced washing performance and eco-friendly performance with a diamond-shaped embossing drum.

# 87.5%

Built with Smart Inverter technology, Samsung Electronics' air conditioner is individually operated by several indoor units linked to a single outdoor unit, using 87.5% less power than conventional units. It is designed to precisely maintain the room temperature and operation settings for each indoor unit.

**OCTOBER 16** :::: **Named Vendor of the Year by Lowe's**  
 Samsung Electronics was selected as Vendor of the Year by Lowe's, one of the four major U.S. consumer electronics retailers, establishing us as the first Korean company to achieve such an honor in the home appliance category. Building on this accolade, we will work to solidify our partnership with Lowe's in further penetrating the U.S. market.

**NOVEMBER 4** :::: **Highest Customer Satisfaction rating by J.D. Power**  
 Samsung's side-by-side refrigerators received the "Highest Customer Satisfaction" rating for the third year in a row from J.D. Power and Associates, a global marketing information services firm. Our French door refrigerator, built with the Twin Cooling Plus System, combines cutting-edge technology with eco-friendly design.

LESS WATER CONSUMPTION **25%**  
 LESS ENERGY CONSUMPTION **20%**



**Nano e-HEPA Filtration System-Equipped Air Purifier**

Our Nano electric, High Efficiency Particulate Arrest (e-HEPA) filtration system removes air particles, eliminates odors and kills airborne health threats. It features a 12-stage air purification system, including a dust filter coated with 8 nanometer (nm) silver particles, which delivers the cleanest and healthiest air quality possible.



**6-in-1 Steam Oven**

Simple, yet stylish, our 6-in-1 steam oven combines all of the features of a conventional oven with advanced steam cooking technology to stimulate healthier eating. Samsung's versatile steam cooking solution adds a steam function to the conventional oven, grill and microwave, as well as dry heat and fermenting.

**Robot Vacuum Cleaner**

Samsung's innovative robot vacuum enables faster and more efficient cleaning, with a built-in camera that draws a 3D map of the entire room. It also features a power brush cleaner with a three-way vacuum system that leaves floors spotless. And, it is equipped with 15 anti-crash sensors to minimize any damage to furniture and the machine itself.



washing performance and environment friendliness with a diamond-shaped embossing drum. Our washing machines developed with VRT have garnered quite a positive response within developed markets around the world, including the United States and Canada. Looking ahead, we will strengthen our global leadership by expanding large-capacity drum washing machines and bolstering our competitive edge in mid- and small-size machines, while enhancing our low-vibration and low-noise technologies.

**Innovating to Improve Consumer Health and Convenience**

Responding to rising demand in the microwave oven market, we launched the Smart Oven, followed by our Compact Oven and Steam Oven. By offering unique features like smart cooking and home networking, we have improved the quality of life while boosting product differentiation. In the vacuum cleaner sector, we developed the Stealth Vacuum Cleaner, offering the world's lowest noise levels, and the Steam Vacuum Cleaner, with rotating steam mop, as well as the Robot Cleaner, comprising a full lineup of cleaning solutions to lead both the domestic and global markets.

**Leading the Premium Market**

In 2008, we will focus our efforts on further penetrating premium markets by launching new products in the United States and Europe amidst an acceleration in brand marketing activities. We hope to achieve a 25% sales increase over 2008. To accomplish this, we will bolster our marketing of side-by-side refrigerators and drum washing machines in North America, as well as side-by-side refrigerators and air conditioners in Europe. In the fast-growing markets of China, India and the CIS, we will boost sales of our premium models where the market conditions of these regions warrant doing so. In addition, we will strengthen our efforts to lead the market by steadily growing the built-in and B2B businesses, and continuing a product-centered marketing strategy.



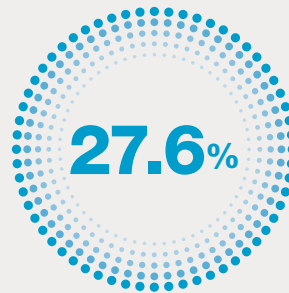
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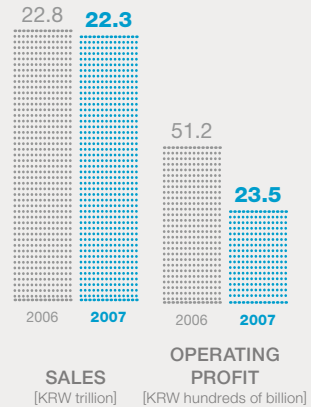
**MARCH 2** :::: **World's first 60nm-class 1Gb DRAM mass produced** As of March 2007, we began mass producing the world's first 1Gb DDR2 DRAM using 60nm-class process technology. Compared to 80nm-class process technology, 60nm increases production efficiency by up to 40%.

**MARCH 13** :::: **Developed high-capacity 8GB MoviNAND** We have developed a high capacity 8GB MoviNAND, which uses 50nm-class NAND Flash memory. We doubled the capacity and function of the 4GB product, widening the capacity range of our product lineup from 512MB to 8GB.

The Semiconductor Business of Samsung Electronics—leveraging numerous industry-leading technologies, highly advanced production capabilities and close collaborations with a myriad of customers—is a global leader in the memory, large scale integration (LSI) and storage markets. We will continue to lead the market in our areas of focus with non-stop development of the industry's most innovative products and advanced technology.



2007 MEMORY CHIP  
WORLDWIDE MARKET SHARE



**Solidifying Leadership in the Global Marketplace**

While the world semiconductor market has shown impressive growth over the years, it has been prone to highly cyclical market fluctuations, experiencing more volatility than the global economy as a whole. In 2007, the global semiconductor market showed 3.3% growth over 2006. Overall, however, the industry has experienced a number of difficult challenges, which have sharply reduced the profitability of most chipmakers. DRAM prices continue to suffer as a result of continued market oversupply and NAND Flash prices also show weakness in spite of expanding sales in segments featuring multimedia mobile devices. Depressed revenues have encouraged a wide range of new alliances, joint capital investments and accelerated technology development—further intensifying industry competition.

In today's fast-changing markets, even in the face of modest growth, most chipmakers have been weighed down by significant losses. However, Samsung's Semiconductor Business succeeded in posting KRW2.2 trillion in earnings in 2007, backed by improvements in operational efficiency, the introduction of cost-reducing process technologies and the development of clearly differentiated products with distinct market advantages. Our No. 2 ranking in the semiconductor industry remained solid with continued market dominance in most areas of the memory business, including strong sales in DRAM, SRAM, MCPs, flash memory and fusion memory devices.



**30nm-class 64Gb NAND Flash Memory**

To combat the growing demands of higher density flash storage solutions, we developed the world's first 64Gb multi-level cell (MLC) NAND flash memory, using 30nm-class process technology, in October 2007. This highly advanced device can store up to 80 DVD resolution movies or 32,000 MP3 music files.

**APRIL 30** :: World's first 50nm-class 16Gb NAND Flash memory mass produced We became the first company to mass produce 16Gb NAND Flash memory chips—the largest capacity on the market today. This milestone signals our commitment to minimizing production costs while improving performance.

**MAY 31** :: World's first 2.5-inch 250GB HDD We launched the world's first 2.5-inch 250GB HDD. Optimized for mobile devices, the 250GB HDD produces 85% less noise and consumes 95% less energy compared to our previous HDD. Plus, the 250GB HDD includes enhanced data stability capabilities.

#### 128GB SSD

In our quest to provide a better alternative to hard disk drives in devices such as notebook PCs, we announced development of a 128GB flash-based SSD in January 2008. Compared to HDDs, Samsung SSDs are lighter, more durable, consume less power, make no noise and allow PCs to start up and load software at higher speeds.



#### 60nm-class 2GB DDR2 DRAM

In September 2007, we developed the industry's first 60nm-class 2GB DDR2 DRAM, improving DRAM performance by up to 20%. In addition, this new device will also deliver twice as much storage capacity over existing system memory solutions.

In addition, we achieved many more world firsts, including introduction of the 1.8" SATA II 64 Gigabyte (GB) Solid State Drive (SSD); development of 30nm-class 64Gb NAND Flash memory; development of a 65nm digital TV receiver chip; and roll-out of the FlashON™ Hybrid HDD (hard disk drive). Furthermore, we introduced the world's fastest graphics memory—our 6Gb per second, 512 Megabit (Mb) GDDR5 chip—which doubled the data speed of the previous industry leader, GDDR4.

#### Unwavering Memory Leadership

In 2007, Samsung Electronics easily held on to its No. 1 position in the memory industry with 28% overall market share. Our product portfolio included the industry's most extensive mix of Flash and DRAM chips, designed to power the widest range of PC, server, graphics, consumer and mobile devices. We also succeeded in producing the world's first 60nm-class 1Gb DRAM and 50nm-class 16Gb NAND Flash memory chips. Beyond these areas of demonstrated success and underscoring our role as leading market innovator, we remain highly aggressive in pioneering the development of new memory markets.

Other stand-out accomplishments in 2007 include becoming the supplier with the most NAND Flash-based SSD product offerings and the successful addition of another fusion memory offering—the Flex-OneNAND™—to our existing portfolio, which also includes the OneNAND™ and OneDRAM™. As interest intensifies in memory solutions that resolve multiple design issues in a single chip, our fusion memory products are expected to account for an increasingly major part of the Samsung memory business over the next several years.

**JUNE 26** :::: **1.8-inch 64GB SSD mass produced** We started to mass produce 1.8-inch SATA II 64GB SSDs—the highest density SSD available at the time. Compared to HDDs, SSDs are more reliable and have faster boot and application start-up times. SATA II SSDs can also significantly improve a PC's battery life.

**DECEMBER 2** :::: **Developed world's fastest GDDR5 memory** The GDDR5 memory chip, which can transfer data at a rate of six gigabits per second, is the world's fastest memory. Developed by Samsung Electronics, the GDDR5 is more than four times faster than the memory chips found in most advanced game consoles on the market today.

40%

INCREASED PRODUCTIVITY  
COMPARED TO 80NM-CLASS  
2GB DRAM

256GB

In May 2008, we announced that we had developed the world's fastest 2.5", 256GB multi-level cell (MLC) solid-state drive (SSD). This milestone represents a new day in improved performance of storage drives for devices such as notebook PCs, while also making them lighter, more durable, quieter, and more energy efficient.

#### 16M-Color DDI for AMOLED

In 2007, we developed a 16M-color display driver IC (DDI) for active-matrix OLED (AMOLED) displays used in mobile phones and other mobile devices. Made of organic material, AMOLED allows for lighter and thinner display designs, and low power consumption.



#### Next-Generation System LSI Growth Engine

Our System LSI Division has been designated as one of the most promising growth engines within Samsung Electronics. In spite of unfavorable market conditions in 2007, the System LSI Division solidified a strong base for further growth by increasing sales of Display Drive ICs (DDIs), CMOS image sensors and media player chips. Specific products such as mobile DDIs; media player System on Chip (SoC) devices; application processors (APs) for navigation; smart card ICs; and CMOS image sensors are being developed as core components for next generation mobile devices. Future growth engines also will include our foundry/ASIC business, digital TV/mobile TV SoC products, next-generation optical storage SoCs and memory storage controllers.

#### Expanding Storage Business Capability

In the HDD market, Samsung Electronics produces high-capacity hard drives for both mobile devices and digital home appliances. We are expanding our storage business by entering new HDD markets in 3.5", 2.5" and 1.8" form factors, soon to be followed by a 1.3" size. Also, our FlashON™ Hybrid HDD has helped us to cultivate new markets within the storage industry. With mass production of the 1.8" HDD beginning in 2007, we intend to expand our presence in the consumer marketplace even further.

#### Strategic Growth and Product Line Focus

In the midst of price-pressuring oversupply situations in a number of memory markets, we will enhance our competitive edge by continuing capital investments and extensive R&D efforts. Through the expansion of 68nm and introduction of 56nm DRAM production, as well as the expansion of 51nm and introduction of 42nm NAND Flash production, we are on track to further reduce costs. In the meantime, we plan to increase sales by reinforcing our moviNAND™, Flex-OneNAND™ and high-capacity SSD product lines. Furthermore, in our System LSI Division, we will also add digital TV/mobile TV SoCs, SoCs for next-generation optical storage and memory storage controllers to our line-up of strategic product areas for future R&D focus and targeted market penetration.

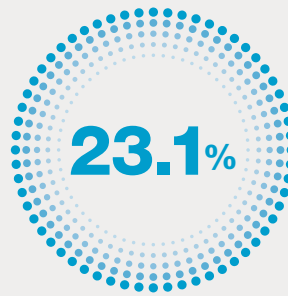


LCD  
LCD

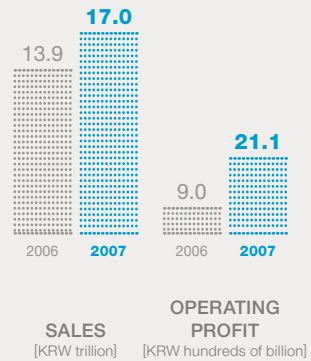
**JANUARY 5** :: World's first truly double-sided LCD panel Samsung's announced creation of the world's first double-sided LCD panel. Unlike conventional double-sided panels, our panel can display two entirely different images simultaneously on the front and back of the same screen.

**JUNE 1** :: Mass production of 70-inch HD LCD panels for TVs Starting in June 2007, we began mass producing the world's largest (70-inch) LCD panel for Full HD TVs. By applying LED backlight technology, we have been able to increase the panel's picture quality and contrast ratio while reproducing rapidly moving video images with much greater clarity.

With the world's best display technology and most innovative production techniques, Samsung Electronics is leading the evolution in innovation within the display industry. Our LCD business is paving the way to a wider, brighter and clearer window to the world.



2007 LCD MARKET SHARE WORLDWIDE



**Achieving No. 1 in the World, Six Years in a Row**

The display business is widely predicted to see steady growth in the sale of large-screen LCD TVs, expansion of the IT business and continued diversification of mobile products. New applications for LCD products, such as large-format Digital Information Displays (DID), small- and mid-format Personal Multimedia Players (PMP) and Ultra Mobile PCs (UMPC) are also boosting the growth of the LCD industry. According to DisplaySearch, the global LCD market in 2007 was US\$89.8 billion, and it expects the market to grow to more than US\$114 billion in 2008.

In the 1990s, we were primarily involved in the production of LCD panels for use in notebook PCs, and then expanded into display panels for desktop monitors and various mobile products, such as mobile phones, game consoles, PDAs and MP3 players. Along the way, we also extended our business into display panels for TVs, leading the world's LCD industry in a wide variety of applications. In 2007, Samsung Electronics was ranked No. 1 in display panels for TVs, desktop monitors and notebook PCs, achieving a global market share of 23.1%, in terms of sales. We have held the highest share of this product segment globally for six consecutive years, ensuring our continued leadership in the LCD industry.



**Monitor Panel**

From its ordinary desktop computer monitors to high-end multimedia ones, Samsung Electronics leads the industry in picture quality. Optimized for Microsoft's Window Vista, our monitors are built for high performance and designed to facilitate multitasking.

**AUGUST 28** :::: **Successful mass production of the 8th-generation line** Samsung Electronics has secured its leadership position through the successful shipment of LCD panels produced from its 8th-generation line. With growing demand for larger panels, the 8th-generation line is essential to fulfilling this need.

**SEPTEMBER 17** :::: **First aggregate 200 million LCD shipments for IT products** As of the end of August 2007, we shipped an industry-first aggregate of 2.04 hundred million LCD panels for IT products, exceeding 200 million shipments. This took place over the course of 12 years after mass production began in 1995.



#### **TV Panel**

Our highly impressive LCD TV panels range from 26 to 70 inches. The successful commercialization of our 8th-generation production lines has transformed us into the industry-leading manufacturer of LCD TV panels, 46 inches or greater.



#### **Small- and Mid-sized Panels**

We are producing a wide range of AMOLED sizes for premium mobile multimedia devices. The displays use Samsung's proprietary amorphous silicon gate technology and their production has reduced the mobile panel circuitry footprint and the number of parts by about one-third.

Our LCD panel sales reached more than KRW17.06 trillion with an operating profit of KRW2.11 trillion in 2007, a 23% and a 147% increase from the previous year, respectively, to maintain the industry's best profit rate. With the help of price increases due to short product supply and continuing cost-reduction efforts, our outstanding performance should continue to lead the LCD industry.

#### **The Successful Commercialization of the 8th-Generation Production Line**

In August 2007, we began manufacturing LCD panels from the world's largest motherglass to date, at the first 8th-generation production lines. These lines can make a 2200 by 2500mm motherglass, from which 300,000 panels a month (based on 52-inch panels) can be produced. We returned a profit for the new lines after only three months of commercial production. In 2008, we are expanding capacity to bolster our position in the rapidly expanding large-screen LCD TV market. Our industry-leading production capacity here will be leveraged with investments in the building of additional 7th-generation production lines, and our second 8th-generation production line in a joint venture with Sony.

We also are expanding our global LCD production capacity by building new facilities around the world. In September 2007, we completed our second plant in Suzhou, China and already have produced more than five million LCD modules for TVs there. In addition, we commenced operations in a new plant in Slovakia in January 2008. With an annual production capacity of 2.5 million LCD modules, the Slovakian plant will increase its cost efficiency quickly in helping us to meet the needs of the fast-growing European LCD TV market.

**OCTOBER 12** :::: **PVC-free LCD panel products** In efforts to preserve the environment and curb chemical use, Samsung Electronics made a commitment to produce only PVC-free LCD panels in the future. We replaced PVC with polyethylene to increase our commitment to eco-friendliness.

**NOVEMBER 28** :::: **First LCD sales record over US\$2 billion a month** In October 2007, our LCD sales exceeded US\$2 billion for the first time. By October, aggregate sales surpassed our 2006 total sales amount. By the end of 2007, we had maintained our No. 1 global leadership position for six years in a row.

300 million

MID- AND SMALL-SIZED LCD  
AGGREGATE TOTAL SHIPPING AMOUNT  
[AS OF OCTOBER 2007]

#### Notebook PCs Panel

With this multifunctional panel, we are leading the trend toward wider-screen notebook PCs. The ultra-slim profile improves portability, and its screen size is ideal for multimedia applications.



#### Leading the Industry with Cutting-Edge Technology

Samsung Electronics has led the LCD industry with aggressive investments and cutting-edge technology development. As we move to the next generation, we will continue to introduce new products and technology to build a sustainable growth platform. We have developed the world's first truly double-sided LCD panel, which can display a different image on each side of the panel, followed by the world's first touch-screen-enabled LCD in response to the expansion of the touch screen market. In addition, we have developed the world's first blue phase mode LCD—a 15-inch prototype having a super-fast 240Hz visualization rate, as well as a 2.1-inch Sensor-based Automatic Brightness Control (SABC) LCD which can reduce power consumption by 25% compared to conventional models. Furthermore, we introduced next-generation standards for color displays and black-and-white e-paper, plus several commercial sizes of AMOLEDs as we continue to accelerate the advancement of the display business.

#### Expanding Production Capacity and Premium Product Lines

In 2008, we expect increased demand for LCD modules in the production of large-format TVs and mobile devices, while we expect to see continued product supply shortages. In anticipation of the 2008 Olympic Games in Beijing and full-scale implementation of digital broadcasting in the U.S. by 2009, Samsung Electronics plans to accelerate its market leadership position within the LCD industry. With expansion of our 7th- and 8th-generation production operations, we will increase our share in the 46-inch LCD module segment of the large-screen TV market. Our strategy will include expanding our premium product lineup for the multimedia and digital broadcasting categories, as well as further market penetration in the areas of next-generation display panels and thin-film solar cells. With such aggressive expansion efforts, we will consolidate our status as the world's leading LCD producer.

240Hz

Samsung's new Blue Phase technology will dramatically enhance the picture quality on our high-end LCD TVs. With image quality driven at a speed of 240Hz, LCD TVs built with Blue Phase technology will far exceed the performance of other LCD TVs.

A global leader is not only responsible for that which lies within its walls but also for that which lies beyond them.

thinking

Making industry-leading products is only part of the big picture. Our commitment to creating a better world for future generations is equally as important. We strongly believe that if future generations aren't given the opportunity to succeed, we definitely won't. As a corporate citizen, we have dedicated ourselves to nurturing our local communities through corporate social responsibility and co-prosperity initiatives. Samsung has also remained steadfast when it comes to supporting education initiatives, helping the disadvantaged and efforts to stop the "greening" of the planet.





more of you

We share with all communities our hope for a brighter future, and try each day to make this world a better place to live in.

hopeful



**Samsung Running Festival** Linking social contribution activity with sports, Samsung Running Festival represents an ongoing community commitment on a global scale. Every year, more and more people participate in the event to raise donations for those in need within participating communities while enjoying a 5km run.

**Adopt-a-Village in China** Since 2005, our 40 regional offices in China have established sisterhood relationships with farming villages nationwide to help disadvantaged people and rural communities, while protecting the environment and supporting education.

### From a Good Company to an Admirable One

Samsung Electronics believes that it's our responsibility to realize sustainable growth while driving business performance to enhance the value of the corporation. We also believe that corporate citizenship entails a responsibility to contribute to local and global communities, thereby enhancing the values of our society. Through our program "Contribution to a Better Society through CSR Management for Communities," we fulfill our vision of corporate social responsibility (CSR) and corporate citizenship by promoting social welfare, culture and the arts, academics and education, the environment, international exchange, and volunteer community service to make life better for all. To become a great company that earns trust and respect around the globe, we continue to develop a wide range of social contribution programs worldwide.

### Gaining Love and Respect from the Community

Establishing social contribution programs to help people in need within local communities is part of our corporate culture. All of our employees understand that pursuing mutual prosperity is an important corporate ethical value. In 1995, Samsung Electronics launched the Social Contribution Corps to encourage employees to participate in community service. In 2006, the organization expanded with the creation of a Social Contribution Secretariat at the Head Office to map out a new direction in philanthropic initiatives and establish a CSR brand. Currently, the secretariat has eight volunteer centers under its wing. The centers are manned by social welfare experts who support the development of employee volunteer programs.

We chose "Another Family" as our new CSR motto in 2006. This shift in message has led to specific changes in our social contribution programs, such as supporting a better future for teenagers, assisting children from low-income families; and implementing a family well-being program. We are also carrying out programs designed specifically for each of our eight major volunteer centers and have collaborated on a wide range of programs with Samsung Community Relations, the Samsung Group's social contribution organization. In 2007, our employees in 1500 volunteer groups contributed to a wide range of undertakings for our neighbors in need, through associations with more than 400 organizations and 1300 people. Moreover, we pledge that our efforts to earn trust and respect as a member of society will continue.

### Making a Difference through Active Involvement

In order to promote mutual prosperity, our social contribution programs focus on the following areas: social welfare, culture and the arts, academics and education, the environment, international exchanges, and volunteer services. For social welfare, we established the Stepping Stone Scholarship Foundation to provide scholarships for disabled university students. We also have formed "One Company, One Village Sisterhood Ties" for helping farming communities, in addition to offering computer training for the blind.

## thinking

**Samsung's Four Seasons of Hope** With world famous sports stars and major retail partners, Samsung's Four Seasons of Hope strives to improve the quality of life for children in need and their families. Since 2002, we've raised more than US\$10 million and have made a major difference in the lives of countless needy children.



In particular, each of our business divisions support industry-related contribution programs that give back to their local communities. To help combat the growing number of people affected by Alzheimer's disease, our Semiconductor Business established the Alzheimer's Disease Prevention Center. Our Telecommunication Network Business also supports hearing aids for the deaf and guide dogs for the blind. Our LCD Business provides magnifying glasses for low-income elderly people in farming communities and drives an eye disease prevention campaign.

### Sharing Love and Hope around the World

Samsung Electronics' social contribution work extends beyond our country's borders. We contribute to communities on the global stage with diverse CSR programs and events. Responding to social environments and regional situations, we have developed unique programs to meet the needs of local communities.

The "Samsung Running Festival" is a showcase for our ongoing commitment to community service. Originally organized in Hungary in 1995, the event has subsequently spread to other regions around the world, including countries in Asia, Europe, Africa, South America and Australia. A charity program including fundraising and a 5km run, the event has gathered more people and larger donations each year, and has proven to be a big help to the communities involved.

Samsung's "Four Seasons of Hope" program in the U.S., since 2002, has brought Samsung Electronics together with major retail partners and world-famous sports stars for an incredibly effective charity campaign. By 2007, the program raised US\$10 million in donations. We also launched the "Hope for Education" program with Microsoft in 2004, supporting primary and secondary schools in the U.S. with a number of education products representing the latest in technology.

In China, we are promoting goodwill and our reputation as a company that gives to society by protecting the environment, supporting education and helping disadvantaged people and rural communities. Our social contribution programs, such as "Adopt-a-Village" and a program that provides free cataract surgery for patients in need, were highly praised by the communities they served. In 2007, the Guangming Daily awarded Samsung Electronics, for the third year in a row, with one of its Public Benefit Prizes in recognition of our support for Chinese communities.

Our "Digital Hope" program for Southeast Asia continued to offer opportunities to share the digital experience with many youths and people with disabilities. Program funds were used to set up computer-equipped classrooms in Thailand, Vietnam, Indonesia, the Philippines, Singapore, Malaysia and Australia. In Russia, we raised money to help children with congenital heart defects, children's hospitals and other undertakings for the disadvantaged. In Ukraine, we have supported the "Chestnut Run," a fundraiser for children with heart disease, since 2002.

# 269,000

A total of 269,000 Samsung Electronic employees participated in volunteer community activities in 2007, with over 981,815 hours of service. Each individual contributed an average of 12 hours of their time in community-based projects.

# 74%

Our employees have made significant donations and participated in numerous volunteer activities over the years. 74% of our employees contributed a portion of their salaries to further our corporate citizenship initiatives.

We pursue true co-prosperity  
through win-win partnerships.

collaborative



**Samsung Partners' Day** The annual Samsung Partners' Day was held in February 2007 with more than 400 executives from Samsung and its partner companies in attendance. The event encompasses various activities, including an awards presentation to recognize exceptional innovation. In the future, we will remain a true "partner for mutual prosperity," sharing an ambitious global strategy with our partners while advancing further toward the pinnacle of global leadership.

### Mutual Growth with Our Partners

Our business partners have been our companions and a key source of sustainable growth. Driven by our philosophy of mutual growth, we are continuously pursuing win-win partnerships that elevate Samsung Electronics to being a truly top-notch global company. In late 2003, we announced a comprehensive supplier support plan to help solve partners' issues with technology, human resources and capital for promoting our co-prosperity management philosophy. Following this announcement, we supported our business partners through the construction of facilities, on-site training and professional development programs. Besides conducting fair evaluations of our partners, we encourage their participation through Samsung Partners' Day, inviting hundreds of executives to share management goals and strategy while presenting awards for exceptional innovation. In May 2008, we established the Co-prosperity Management Office under the CEO to drive more efficient and rewarding win-win alliances with our partners.

### Supporting Our Business Partners' Competitive Edge

Embracing our belief that "our business partners' competitiveness is our own competitiveness," we at Samsung Electronics strive to help our partners sharpen their expertise through a long-term mutual development strategy. Facility upgrades and technology development are some of the examples of our support. In addition, we have helped to improve how work is performed on the factory floor. We have sent our own experts or hired outside professionals to provide guidance for production innovation to enhance quality, productivity and distribution. External consultants were hired to help implement our Enterprise Resource Planning (ERP) installation project, which aims to improve our business partners' information management systems and their ability to improve business management controls internally by sharing transaction information with Samsung Electronics in real time.

In addition, our support included funds for hardware and software as well as management consultants. Along with financial and manpower support, we are involved in promoting technology exchange among outstanding companies. Assistance is also extended for development projects related to government policy such as those linked to the Small and Medium Business Association (SMBA). In our strategic alliances, we provide full support, through joint development projects, for local development of parts and equipment used in our semiconductor and LCD products. Competitive business partners enable us to secure high-quality parts and components at the right time at the right price, paving the way for win-win partnerships.

### Nurturing the Talent of Our Business Partners

We believe our partners' competitive edge lies within nurturing their talented workforce. Samsung Electronics contributes to fostering our business partners' human resources through a wide range of education and training programs in three categories: job specialists, future leaders and top management leadership. Job specialists programs include GVE (Group Value Engineering), Six Sigma, CAD planning, ERP education and support in the fields of manufacturing and quality control. We also offer technology courses in collaboration with domestic universities. In addition, we help our suppliers with recruiting and run other education support programs. Furthermore, we pass our management know-how on to our business partners' top executives through diverse education programs and seminars.

50%

As part of a comprehensive supplier support plan, we implemented the ERP Project from 2004 to 2006. This program has greatly enhanced our business partners' operational efficiency, reducing inventory days by 30% and bookkeeping time by 50%.

#### 2007 Innovation Case Studies of Partner Companies

On November 15, 2007, we organized our "Innovation Case Studies of Partner Companies" event, attended by 196 partner companies and our employees. At the event, our partners presented a wide range of innovative ideas to sharpen our mutual leadership in technology while enhancing the cohesiveness of our partnerships.



We continue our Green Management initiative for a healthy future for our people and planet.

green



■ **ISO 14001 and OHSAS 18001 Certificates** We are building an advanced EHS management system to ensure sustainable development, and our EHS certification continues to expand worldwide.

■ **Eco-partner Certification Program** In 2004, Samsung Electronics established the Eco-partner Certification Program to manage hazardous substances found within components and other raw materials. This program has helped our business partners set up their own environmental quality management systems.

### Green Management Initiative to be a Global Standard

Building upon Samsung's philosophy of contributing to a better global society and preserving the planet through activities related to the environment, safety and human health (ESH), we are committed to being a respectful global corporate citizen. In 1992, Samsung Electronics established a set of environmental guidelines, and took our commitment one step further in May 1996 as we announced our Green Management policy. Enhancing our Green Management initiative, we organized an Environment and Safety Committee, implemented an Environment and Safety Management System based on ISO 14001 and OHSAS 18001 certifications, and adopted a Total Integrated Safety System to better implement the policy.

Green Management consists of five major segments aimed at preserving the global environment: the Greening of Management is a commitment toward improving our ESH program through the public disclosure of corporate information; the Greening of Products is our assumption of responsibility for all processes related to our products; the Greening of Processes is the application of clean process technologies; the Greening of Workplaces is a set of actions aimed at eliminating pollution, occupational illnesses and accidents on the job; and the Greening of Communities, as the name suggests, is a "green partnership" between Samsung and society.

### Minimizing the Environmental Impact

Samsung Electronics is developing cleaner production technologies by revamping its manufacturing processes and facilities, while converting to alternative resources in a concerted effort to become more sensitive to the environment. We also are striving to minimize the pollutants discharged during manufacturing and to reduce the amount of energy consumed company-wide.

We have undertaken a series of activities that encompass the entire product lifecycle to improve our products' environmental performance. The "Eco-Design" concept was adopted to develop products with minimal environmental impact in every respect, from raw material acquisition, production and logistics to the use and disposal of materials. An ongoing effort is underway to make Samsung products as environment friendly as possible without the use of hazardous materials. In addition, we have taken steps to promote eco-friendly supply chain management, operate recycling centers that disposal of end-of-life products more efficiently, and fulfill transparent disclosure requirements for environmental information.

1400

We continue to be recognized by our peers around the world for our development of innovative environment-friendly products backed by our unique Eco-Design process. As of April 2008, we have received six Eco-labels, including the Korean Eco-label and the China Environmental Label, in addition to EU's Eco-Flower, Germany's Blue Angel, Sweden's TCO and the U.S. EPEAT. More than 1400 Samsung Electronics products were certified as eco-friendly from these institutions, making us the No. 1 producer of Eco-labeled products in the global electronics industry.

### Actively Responding to Climate Change

In line with the Kyoto Protocol—the international Framework Convention on Climate Change—the world is strengthening its efforts and regulations to reduce greenhouse gases. As an active leader of environment initiatives to address global warming, Samsung Electronics introduced the “Catch CO<sub>2</sub> Project” in 2002, a voluntary initiative to reduce our CO<sub>2</sub> emissions. We also signed a voluntary agreement with the Korean government to reduce greenhouse gas emissions through energy conservation. In addition, we are striving to curtail the discharge of substances that cause global warming, with a particular focus on CO<sub>2</sub> emissions during the manufacturing processes. Meanwhile, we continue to be a leader in energy conservation efforts through company-wide energy-saving initiatives, including the manufacturing of more energy-efficient electronic products.

### Partnerships on Environmental Initiatives

Samsung Electronics is committed to earning the respect of local communities by fulfilling its social obligations regarding ESH. We have a program in place to minimize our environmental impact, starting with the construction of new plants and office buildings. Data on facility operations is analyzed regularly and all necessary follow-up measures are carried out in a timely manner.

We also sponsor activities to protect the ecosystem of the communities where we work. These activities heighten public awareness of the importance of preserving the environment and restoring it where it has been damaged. True to our commitment to environmental responsibility, we organize regular cleanup drives at local mountains and streams, as well as nature classes for local schools. By publishing the Environmental & Social Report every year, we provide detailed information about our Green Management initiatives to customers, shareholders and communities for their better understanding of and involvement in our activities.

■ ■ ■ **Environment Website for Our Product Group** We proactively communicate our environmental activities to stakeholders through our website's homepage. With environmental websites designed specifically for our semiconductors and mobile phones, we are able to provide further information on our product-related environmental policies .and programs.





**SAMSUNG**





## FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT AUDITORS

### TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF SAMSUNG ELECTRONICS CO., LTD.

We have audited the accompanying consolidated balance sheets of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years 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 audits. We did not audit the financial statements of Samsung Card Co., Ltd. and certain other subsidiaries, whose statements reflect total assets representing 20% and 19% of the consolidated total assets as of December 31, 2007 and 2006, respectively, and total revenues representing 24% and 19% of the consolidated total revenues for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished us, and our opinion expressed herein, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits 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 audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Samsung Electronics Co., Ltd. and its subsidiaries as of December 31, 2007 and 2006, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to the following matters.

As discussed in Note 18 to the accompanying consolidated financial statements, Samsung Electronics Co., Ltd. ("SEC") and 30 other Samsung Group affiliates (the "Affiliates") entered into an agreement with the institutional creditors (the "Creditors") of Samsung Motors Inc. ("SMI") in September 1999. In accordance with this agreement, SEC and the Affiliates agreed to sell 3,500,000 shares of Samsung Life Insurance Co., Ltd. (the "Shares"), which were previously transferred to the Creditors in connection with the petition for court receivership of SMI. The Shares were to be disposed of by December 31, 2000, and if the sales proceeds fell short of ₩2,450 billion (the "Shortfall"), SEC and the Affiliates agreed to compensate the Creditors for the Shortfall by other means, including participating in any equity offering or subordinated debentures issued by the Creditors. Any excess proceeds over ₩2,450 billion were to be distributed to SEC and the Affiliates. In the event of non-performance to this agreement, default interest on the Shortfall was agreed to be paid to the Creditors by SEC and the Affiliates.

As of December 31, 2007, the sale of the Shares had not been completed and on December 9, 2006, the Creditors filed a civil action against Mr. Kun-Hee Lee, the Chairman of SEC, SEC and 27 of the remaining Affiliates, in connection with this agreement claiming the agreed sales proceeds in the amount of ₩2,450 billion plus interest of 6% per annum and penalties.

On January 31, 2008, the court ruled that the original agreement was valid, and that Mr. Kun-Hee Lee, SEC and 27 of the remaining Affiliates have a joint and severable liability for the principal less an amount related to Samsung Life shares that have already been disposed of by the Creditors, plus interest at a rate of 6% per annum.

As of the balance sheet date, the financial impact of this civil action is uncertain and accordingly, the ultimate effect of this matter on the financial position of the Company cannot presently be determined.

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 consolidated financial statements.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations, changes in their shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Samil PricewaterhouseCoopers  
Seoul, Korea  
March 11, 2008

This report is effective as of March 11, 2008, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# CONSOLIDATED BALANCE SHEETS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Korean won and in thousands of U.S. dollars (Note 3))

	2007	2006	2007	2006
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	₩ 5,831,989	₩ 4,222,027	\$ 6,217,472	\$ 4,501,095
Short-term financial instruments (Note 4)	5,061,898	3,504,366	5,396,480	3,735,998
Short-term available-for-sale securities (Note 5)	922,833	2,058,781	983,830	2,194,862
Short-term held-to-maturity securities (Note 5)	130	248	139	264
Trade accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	11,125,132	9,089,452	11,860,482	9,690,247
Other accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	989,143	972,426	1,054,523	1,036,701
Inventories, net of valuation losses (Note 7)	7,968,803	6,753,445	8,495,526	7,199,835
Short-term financing receivables, net (Note 8)	5,575,006	4,586,972	5,943,503	4,890,162
Short-term deferred income tax assets (Note 24)	1,537,946	1,469,973	1,639,601	1,567,135
Prepaid expenses and other current assets	2,888,134	2,331,215	3,079,035	2,485,305
<b>Total Current Assets</b>	<b>41,901,014</b>	<b>34,988,905</b>	<b>44,670,591</b>	<b>37,301,604</b>
Property, plant and equipment, including revaluations, net of accumulated depreciation (Note 11)	37,380,644	33,784,615	39,851,433	36,017,713
Long-term available-for-sale securities (Note 9)	3,712,322	2,557,004	3,957,699	2,726,017
Long-term held-to-maturity securities (Note 9)	147,287	197,680	157,022	210,746
Equity-method investments (Note 10)	3,782,413	3,393,617	4,032,423	3,617,929
Deferred income tax assets (Note 24)	266,280	353,027	283,881	376,361
Intangible assets, net of accumulated amortization (Note 12)	704,627	658,385	751,201	701,903
Long-term financing receivables, net of allowance for doubtful accounts (Note 8)	3,799,955	3,806,535	4,051,125	4,058,140
Long-term deposits and other assets, net	1,680,594	1,626,438	1,791,678	1,733,943
<b>Total Assets</b>	<b>₩ 93,375,136</b>	<b>₩ 81,366,206</b>	<b>\$ 99,547,053</b>	<b>\$ 86,744,356</b>

continued

(In millions of Korean won and in thousands of U.S. dollars (Note 3))

	2007	2006	2007	2006
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities				
Trade accounts and notes payable	₩ 6,037,864	₩ 4,578,915	\$ 6,436,955	\$ 4,881,572
Short-term borrowings (Note 13)	8,453,099	7,360,778	9,011,833	7,847,311
Current maturities of long-term debts (Notes 14 and 15)	1,987,148	2,771,866	2,118,495	2,955,081
Other accounts and notes payable	3,861,661	3,609,419	4,116,909	3,847,995
Accrued expenses	6,777,936	5,011,755	7,225,945	5,343,022
Income taxes payable	1,343,941	1,263,088	1,432,773	1,346,576
Other current liabilities	1,334,327	927,050	1,422,522	988,327
<b>Total Current Liabilities</b>	<b>29,795,976</b>	<b>25,522,871</b>	<b>31,765,432</b>	<b>27,209,884</b>
Long-term debts, net of current maturities (Note 14)	3,843,728	4,210,669	4,097,791	4,488,986
Foreign currency notes and bonds (Note 15)	228,658	133,797	243,772	142,641
Long-term accrued expenses (Note 17)	43,005	276,019	45,848	294,263
Long-term advances received	168,913	341,438	180,078	364,006
Accrued severance benefits, net (Note 16)	739,936	721,205	788,844	768,875
Deferred income tax liabilities (Note 24)	1,465,555	1,182,262	1,562,425	1,260,407
Other long-term liabilities	1,117,457	1,038,078	1,191,319	1,106,694
<b>Total Liabilities</b>	<b>₩ 37,403,228</b>	<b>₩ 33,426,339</b>	<b>\$ 39,875,509</b>	<b>\$ 35,635,756</b>
Commitments and contingencies (Note 18)				
Minority interests	<b>4,306,221</b>	<b>2,675,456</b>	<b>4,590,854</b>	<b>2,852,299</b>
Shareholders' equity				
Capital stock (Note 19)				
Common stock	778,047	778,047	829,474	829,474
Preferred stock	119,467	119,467	127,364	127,364
Capital surplus	6,574,995	6,364,604	7,009,590	6,785,292
Capital adjustments				
Treasury stock (Note 22)	(9,157,492)	(7,520,023)	(9,762,785)	(8,017,082)
Others	410,111	525,813	437,218	560,568
Accumulated other comprehensive income (Note 26)	1,875,385	532,820	1,999,345	568,038
Retained earnings (Note 20)	<b>51,065,174</b>	<b>44,463,683</b>	<b>54,440,484</b>	<b>47,402,647</b>
<b>Total shareholders' equity</b>	<b>51,665,687</b>	<b>45,264,411</b>	<b>55,080,690</b>	<b>48,256,301</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>₩ 93,375,136</b>	<b>₩ 81,366,206</b>	<b>\$ 99,547,053</b>	<b>\$ 86,744,356</b>

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Korean won and in thousands of U.S. dollars (Note 3))

	2007	2006	2007	2006
<b>SALES</b> (Note 27)	₩ 98,507,817	₩ 85,834,604	\$ 105,018,995	\$ 91,508,107
<b>Cost of sales</b> (Note 27)	70,880,912	60,055,925	75,566,005	64,025,507
Gross profit	27,626,905	25,778,679	29,452,990	27,482,600
<b>Selling, general and administrative expenses</b>	<b>18,653,619</b>	<b>16,649,654</b>	<b>19,886,587</b>	<b>17,750,164</b>
Operating profit	8,973,286	9,129,025	9,566,403	9,732,436
<b>Non-Operating Income</b>				
Interest and dividend income	483,604	384,169	515,569	409,562
Foreign exchange gains	1,831,629	1,328,344	1,952,696	1,416,145
Gain on foreign currency translation (Note 29)	127,891	191,178	136,344	203,814
Gain on valuation of equity method investments (Note 10)	652,500	551,057	695,629	587,481
Others	1,049,315	810,542	1,118,674	864,118
	<b>4,144,939</b>	<b>3,265,290</b>	<b>4,418,912</b>	<b>3,481,120</b>
<b>Non-Operating Expenses</b>				
Interest expense	294,140	294,449	313,582	313,912
Foreign exchange losses	1,849,002	1,257,136	1,971,217	1,340,230
Loss on foreign currency translation (Note 29)	116,231	109,444	123,914	116,678
Loss on valuation of equity method investments (Note 10)	274,874	31,396	293,043	33,471
Impairment losses on investments	1,452	14,499	1,548	15,457
Others	949,653	859,745	1,012,424	916,573
	<b>3,485,352</b>	<b>2,566,669</b>	<b>3,715,728</b>	<b>2,736,321</b>
Net income before income tax	9,632,873	9,827,646	10,269,587	10,477,235
Income tax (Note 24)	1,709,892	1,633,987	1,822,912	1,741,991
<b>Net income</b>	<b>₩ 7,922,981</b>	<b>₩ 8,193,659</b>	<b>\$ 8,446,675</b>	<b>\$ 8,735,244</b>
Controlling interests	7,420,579	7,926,087	7,911,065	8,449,986
Minority interests	502,402	267,572	535,610	285,258
Basic earnings per share (Note 25) (in Korean won and U.S. dollars)	₩ 49,502	₩ 52,880	\$ 53	\$ 56
Diluted earnings per share (Note 25) (in Korean won and U.S. dollars)	₩ 48,924	₩ 52,120	\$ 52	\$ 56

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Korean won)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interests	Total
Shareholders' equity, January 1, 2006	₩ 897,514	₩ 6,338,460	₩ (5,343,046)	₩ 445,333	₩ 37,369,265	₩ 1,899,885	₩ 41,607,411
Cash dividends from prior year's net income	-	-	-	-	(757,403)	-	(757,403)
Retained earnings after appropriations	-	-	-	-	36,611,862	1,899,885	40,850,008
Cash dividends from current year's net income	-	-	-	-	(74,386)	-	(74,386)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(398)	-	-	-	-	(398)
Cumulative effects of changes of consolidated subsidiaries	-	2,284	-	-	-	1,805	4,089
Net income	-	-	-	-	7,926,087	267,572	8,193,659
Acquisition of treasury stock	-	-	(1,812,879)	-	-	-	(1,812,879)
Disposal of treasury stock	-	4,366	263,634	-	-	-	268,000
Stock options	-	664	(77,672)	-	-	-	(77,008)
Gain on valuation of available-for-sale securities	-	-	-	173,169	-	-	173,169
Loss on valuation of available-for-sale securities	-	-	-	21,607	-	-	21,607
Gain on valuation of equity-method investments	-	-	-	18,574	-	-	18,574
Loss on valuation of equity-method investments	-	-	-	20,082	-	-	20,082
Others	-	19,228	(24,247)	(145,945)	120	506,194	355,350
<b>Shareholders' equity, December 31, 2006</b>	<b>₩ 897,514</b>	<b>₩ 6,364,604</b>	<b>₩ (6,994,210)</b>	<b>₩ 532,820</b>	<b>₩ 44,463,683</b>	<b>₩ 2,675,456</b>	<b>₩ 47,939,867</b>

continued

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Korean won)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interests	Total
Shareholders' equity, January 1, 2007	₩ 897,514	₩ 6,364,604	₩ (6,994,210)	₩ 532,820	₩ 44,463,683	₩ 2,675,456	₩ 47,939,867
Cash dividends from prior year's net income	-	-	-	-	(746,075)	(5,888)	(751,963)
Retained earnings after appropriations	-	-	-	-	43,717,608	2,669,568	47,187,904
Cash dividends from current year's net income	-	-	-	-	(73,036)	(21,793)	(94,829)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	275,760	-	-	-	934,832	1,210,592
Cumulative effects of changes of consolidated subsidiaries	-	17,970	-	-	-	-	17,970
Net income	-	-	-	-	7,420,579	502,402	7,922,981
Acquisition of treasury stock	-	-	(1,825,395)	-	-	-	(1,825,395)
Disposal of treasury stock	-	(5,978)	187,925	-	-	-	181,947
Stock options	-	2,403	(63,955)	-	-	-	(61,552)
Gain on valuation of available-for-sale securities	-	-	-	697,756	-	190,969	888,725
Loss on valuation of available-for-sale securities	-	-	-	583	-	(258)	325
Gain on valuation of equity-method investments	-	-	-	109,633	-	-	109,633
Loss on valuation of equity-method investments	-	-	-	35,870	-	-	35,870
Translation of foreign currency financial statements	-	-	-	496,509	-	29,029	525,538
Others	-	(79,764)	(51,746)	2,214	23	1,472	(127,801)
<b>Shareholders' equity, December 31, 2007</b>	<b>₩ 897,514</b>	<b>₩ 6,574,995</b>	<b>₩ (8,747,381)</b>	<b>₩ 1,875,385</b>	<b>₩ 51,065,174</b>	<b>₩ 4,306,221</b>	<b>₩ 55,971,908</b>

continued



(In thousands of U.S. dollars (Note 3))

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interests	Total
Shareholders' equity, January 1, 2006	\$ 956,838	\$ 675,420	\$ (5,696,211)	\$ 474,769	\$ 39,839,302	\$ 2,025,464	\$ 44,357,582
Cash dividends from prior year's net income	-	-	-	-	(807,466)	-	(807,466)
Retained earnings after appropriations	-	-	-	-	39,031,836	2,025,464	43,550,116
Cash dividends from current year's net income	-	-	-	-	(79,303)	-	(79,303)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(424)	-	-	-	-	(424)
Cumulative effects of changes of consolidated subsidiaries	-	2,435	-	-	-	1,924	4,359
Net income	-	-	-	-	8,449,986	285,258	8,735,244
Acquisition of treasury stock	-	-	(1,932,707)	-	-	-	(1,932,707)
Disposal of treasury stock	-	4,654	281,060	-	-	-	285,714
Stock options	-	708	(82,806)	-	-	-	(82,098)
Gain on valuation of available-for-sale securities	-	-	-	184,615	-	-	184,615
Loss on valuation of available-for-sale securities	-	-	-	23,035	-	-	23,035
Gain on valuation of equity-method investments	-	-	-	19,802	-	-	19,802
Loss on valuation of equity-method investments	-	-	-	21,409	-	-	21,409
Others	-	20,449	(25,850)	(155,592)	128	539,653	378,838
<b>Shareholders' equity, December 31, 2006</b>	<b>\$ 956,838</b>	<b>\$ 6,785,292</b>	<b>\$ (7,456,514)</b>	<b>\$ 568,038</b>	<b>\$ 47,402,647</b>	<b>\$ 2,852,299</b>	<b>\$ 51,108,600</b>

continued

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of U.S. dollars [\(Note 3\)](#))

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interests	Total
Shareholders' equity, January 1, 2007	\$ 956,838	\$ 6,785,292	\$ (7,456,514)	\$ 568,038	\$ 47,402,647	\$ 2,852,299	\$ 51,108,600
Cash dividends from prior year's net income	-	-	-	-	(795,389)	(6,277)	(801,666)
Retained earnings after appropriations	-	-	-	-	46,607,258	2,846,022	50,306,934
Cash dividends from current year's net income	-	-	-	-	(77,864)	(23,233)	(101,097)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	293,987	-	-	-	996,623	1,290,610
Cumulative effects of changes of consolidated subsidiaries	-	19,158	-	-	-	-	19,158
Net income	-	-	-	-	7,911,065	535,610	8,446,675
Acquisition of treasury stock	-	-	(1,946,050)	-	-	-	(1,946,050)
Disposal of treasury stock	-	(6,373)	200,346	-	-	-	193,973
Stock options	-	2,562	(68,182)	-	-	-	(65,620)
Gain on valuation of available-for-sale securities	-	-	-	743,876	-	203,592	947,468
Loss on valuation of available-for-sale securities	-	-	-	622	-	(276)	346
Gain on valuation of equity-method investments	-	-	-	116,880	-	-	116,880
Loss on valuation of equity-method investments	-	-	-	38,241	-	-	38,241
Translation of foreign currency financial statements	-	-	-	529,327	-	30,948	560,275
Others	-	(85,036)	(55,167)	2,361	25	1,568	(136,249)
<b>Shareholders' equity, December 31, 2007</b>	<b>\$ 956,838</b>	<b>\$ 7,009,590</b>	<b>\$ (9,325,567)</b>	<b>\$ 1,999,345</b>	<b>\$ 54,440,484</b>	<b>\$ 4,590,854</b>	<b>\$ 59,671,544</b>

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Korean won and in thousands of U.S. dollars (Note 3))

	2007	2006	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	₩ 7,922,981	₩ 8,193,659	\$ 8,446,675	\$ 8,735,244
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	8,497,528	6,872,793	9,059,198	7,327,071
Provision for severance benefits	615,586	522,926	656,275	557,490
Loss on transfer of trade accounts and notes receivable	296,375	269,450	315,965	287,260
Bad debt expenses	172,827	545,878	184,251	581,959
Loss on disposal of property, plant and equipment	71,964	54,270	76,721	57,857
Gain on disposal of property, plant and equipment	(107,542)	(84,629)	(114,650)	(90,223)
Loss on foreign currency translation	122,597	159,382	130,700	169,917
Gain on foreign currency translation	(128,580)	(238,194)	(137,079)	(253,938)
Loss on valuation of equity-method investments	274,874	31,396	293,043	33,471
Gain on valuation of equity-method investments	(372,239)	(340,893)	(396,843)	(363,425)
Deferred income taxes	(99,601)	115,565	(106,184)	123,204
Others	501,656	575,920	534,813	613,988
	<b>17,768,426</b>	<b>16,677,523</b>	<b>18,942,885</b>	<b>17,779,875</b>
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivables	(1,355,615)	(2,409,893)	(1,445,219)	(2,569,182)
Increase in inventories	(1,301,580)	(1,336,430)	(1,387,612)	(1,424,765)
Increase in trade accounts and notes payable	464,720	882,643	495,437	940,984
Increase in accrued expenses	1,146,178	713,322	1,221,938	760,471
Increase in income taxes payable	43,576	308,838	46,456	329,252
Payment of severance benefits	(338,137)	(184,845)	(360,487)	(197,063)
Decrease(increase) in financing receivables	(1,288,638)	364,223	(1,373,814)	388,297
Increase in long-term accrued expenses	198,601	139,471	211,728	148,690
Others	(546,719)	(74,253)	(582,856)	(79,161)
<b>Net cash provided by operating activities</b>	<b>14,790,812</b>	<b>15,080,599</b>	<b>15,768,456</b>	<b>16,077,398</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in short-term financial instruments	(1,646,130)	564,016	(1,754,936)	601,296
Proceeds from sale of short-term available-for-sale securities	3,028,477	3,718,317	3,228,654	3,964,091
Acquisition of short-term available-for-sale securities	(1,842,360)	(3,718,158)	(1,964,136)	(3,963,921)

continued

# CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Korean won and in thousands of U.S. dollars (Note 3))

	2007	2006	2007	2006
Decrease (increase) in other accounts and notes receivable	₩ 220,787	₩ (93,219)	\$ 235,381	\$ (99,381)
Proceeds from disposal of property, plant and equipment	491,701	344,797	524,201	367,587
Acquisition of property, plant and equipment	(12,251,537)	(11,738,291)	(13,061,340)	(12,514,170)
Proceeds from sale of long-term available-for-sale securities	82,198	22,625	87,631	24,120
Proceeds from sale of long-term held-to-maturity securities	49,124	75,211	52,371	80,182
Proceeds from sale of equity-method investments	184,472	23,073	196,665	24,598
Acquisition of long-term available-for-sale securities	(20,758)	(34,226)	(22,130)	(36,488)
Acquisition of equity-method investments	(127,080)	(142,904)	(135,480)	(152,350)
Others	(170,953)	(118,948)	(182,253)	(126,808)
<b>Net cash used in investing activities</b>	<b>(12,002,059)</b>	<b>(11,097,707)</b>	<b>(12,795,372)</b>	<b>(11,831,244)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from (repayment of) short-term borrowings	798,134	(545,201)	850,889	(581,238)
Proceeds from long-term debts	2,527,696	3,086,201	2,694,772	3,290,193
Repayment of long-term debts	(191,644)	(277,859)	(204,311)	(296,225)
Repayment of current maturities of long-term debts	(2,767,259)	(4,183,020)	(2,950,170)	(4,459,510)
Payment of dividends	(819,110)	(831,789)	(873,252)	(886,769)
Acquisition of treasury stock	(1,825,395)	(1,812,879)	(1,946,050)	(1,932,707)
Others	677,766	675,317	722,565	719,955
<b>Net cash used in financing activities</b>	<b>(1,599,812)</b>	<b>(3,889,230)</b>	<b>(1,705,557)</b>	<b>(4,146,301)</b>
Effect of exchange rate changes on cash and cash equivalents	419,006	30,125	446,701	32,116
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	2,016	15,423	2,150	16,443
Net increase in cash and cash equivalents	1,609,963	139,210	1,716,378	148,412
<b>CASH AND CASH EQUIVALENTS</b>				
<b>Beginning of year</b>	<b>4,222,027</b>	<b>4,082,817</b>	<b>4,501,095</b>	<b>4,352,683</b>
<b>End of the year</b>	<b>₩ 5,831,990</b>	<b>₩ 4,222,027</b>	<b>\$ 6,217,473</b>	<b>\$ 4,501,095</b>

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

Consolidated base

## CONSOLIDATED BALANCE SHEET

(In billions of Korean won)

	2003	2004	2005	2006	2007
<b>Assets</b>	<b>68,042</b>	<b>69,005</b>	<b>74,462</b>	<b>81,366</b>	<b>93,375</b>
Cash & Cash Eq. *	9,095	8,108	8,144	7,726	10,894
Marketable Securities	2,795	2,868	1,932	2,059	923
A/R (Traded)	6,315	6,774	7,397	9,090	11,125
Inventory	4,781	5,804	5,865	6,753	7,969
<b>Liabilities</b>	<b>37,882</b>	<b>32,604</b>	<b>32,854</b>	<b>33,426</b>	<b>37,403</b>
Debt	23,466	17,654	16,432	14,477	14,514
<b>Stockholder's Equity</b>	<b>30,160</b>	<b>36,400</b>	<b>41,607</b>	<b>47,940</b>	<b>55,972</b>

## CONSOLIDATED INCOME STATEMENT

(In billions of Korean won)

	2003	2004	2005	2006	2007
<b>Sales</b>	<b>64,817</b>	<b>81,963</b>	<b>80,630</b>	<b>85,426</b>	<b>98,508</b>
- COGS	42,252	52,953	55,252	59,652	70,881
<b>Gross Profit</b>	<b>22,565</b>	<b>29,010</b>	<b>25,378</b>	<b>25,773</b>	<b>27,627</b>
(Margin)	34.8%	35.4%	31.5%	30.2%	28%
- SG&A	16,269	17,250	17,802	16,766	18,654
<b>Operating Profit</b>	<b>6,296</b>	<b>11,761</b>	<b>7,575</b>	<b>9,008</b>	<b>8,973</b>
(Margin)	9.7%	14.3%	9.4%	10.5%	9.1%
- Non Operating Income (Expense)	133	615	550	820	660
Interest Payment (Net)	76	192	66	70	171
Equity Method Gain (Loss)	247	496	342	520	378
- Extra Gain (Loss)	0	0	0	0	0
<b>Income before tax</b>	<b>6,430</b>	<b>12,376</b>	<b>8,125</b>	<b>9,828</b>	<b>9,633</b>
(Margin)	9.9%	15.1%	10.1%	11.5%	9.8%
- Income Tax Expense	1,076	2,207	1,218	1,634	1,710
- Minority Interests, etc. (Net)	609	621	733	(268)	(502)
<b>Net Income</b>	<b>5,962</b>	<b>10,790</b>	<b>7,640</b>	<b>7,926</b>	<b>7,421</b>
(Margin)	9.2%	13.2%	9.5%	9.3%	7.5%

continued

# CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

Consolidated base

## CONSOLIDATED CASH FLOW STATEMENT

(In billions of Korean won)

	2003	2004	2005	2006	2007
<b>Cash Flow from Operating Activities</b>	<b>14,565</b>	<b>16,744</b>	<b>13,329</b>	<b>15,081</b>	<b>14,791</b>
Net Income	5,962	10,790	7,640	7,926	7,421
Depreciation & Amortization	4,299	5,185	6,020	6,873	8,498
<b>Cash Flow from Investing Activities</b>	<b>(7,728)</b>	<b>(8,183)</b>	<b>(9,046)</b>	<b>(11,098)</b>	<b>(12,002)</b>
Acquisition of PP&E	(7,701)	(10,497)	(11,540)	(11,738)	(12,252)
<b>Cash Flow from Financing Activities</b>	<b>(5,178)</b>	<b>(9,639)</b>	<b>(3,266)</b>	<b>(3,889)</b>	<b>(1,600)</b>
Dividend	(910)	(1,596)	(849)	(832)	(819)
Rights Issuance / Stock repurchase	(1,979)	(3,841)	(2,149)	(1,813)	(1,825)
Consolidation adjustments	108	81	(63)	46	421
<b>Increase in Cash &amp; Cash Eq. *</b>	<b>1,767</b>	<b>(996)</b>	<b>953</b>	<b>139</b>	<b>1,610</b>

## FINANCIAL RATIOS

(In billions of Korean won)

	2003	2004	2005	2006	2007
<b>ROE</b>	<b>21.4%</b>	<b>32.4%</b>	<b>19.6%</b>	<b>17.7 %</b>	<b>14.3%</b>
Profitability (Net Income/Sales)	0.09	0.13	0.09	0.09	0.08
Asset Turnover (Sales/Asset)	0.97	1.20	1.12	1.10	1.13
Leverage (Asset/Equity)	2.39	2.06	1.84	1.74	1.68
<b>Debt to Equity</b>	<b>77.8%</b>	<b>48.5%</b>	<b>39.5%</b>	<b>30.2%</b>	<b>25.9%</b>
<b>Net Debt / Equity</b>	<b>38.4%</b>	<b>18.8%</b>	<b>15.3%</b>	<b>9.8%</b>	<b>4.8%</b>
<b>Earnings per share (KRW)</b>	<b>36,376</b>	<b>67,916</b>	<b>49,969</b>	<b>52,880</b>	<b>49,502</b>

\* Cash & Cash Eq. includes short-term financial instruments

The numbers are adjusted for the latest change in Korean GAAP and thus may be different from those in audited financial statements.

Financial sectors are included in the consolidated base financial statements from 2000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

## 1. THE COMPANY

Samsung Electronics Co., Ltd. ("SEC") was incorporated under the laws of the Republic of Korea to manufacture and sell semiconductors, LCD, telecommunication products, digital appliances and digital media products.

SEC's shares of stock are publicly traded, and all issued and outstanding shares are listed on the Korea Stock Exchange.

As of December 31, 2007, the major shareholders of SEC, including preferred shareholders, and their respective shareholdings, are as follows:

Name of Shareholder	Number of Shares	Percentage of Ownership (%)
Citibank N.A.	14,089,230	8.28
Samsung Life Insurance Co., Ltd.	10,774,501	6.33
Samsung Corporation	5,917,362	3.48
National Pension Corporation	5,447,212	3.20
Lee Kun-Hee and related parties	4,790,712	2.82
EURO-PACIFIC GROWTH	2,823,753	1.66
Samsung Fire & Marine Insurance Co., Ltd.	1,856,370	1.09
NTC-GOV SPORE	1,777,715	1.04

## CONSOLIDATED SUBSIDIARIES

The consolidated financial statements include the accounts of SEC and its controlled subsidiaries (collectively referred to as "the Company"). Controlled subsidiaries include majority-owned entities and entities in which SEC owns more than 30% of the total outstanding voting stock and is the largest shareholder. Percentage of ownership is the sum of the percentage of direct and indirect ownership. The consolidated financial statements include the accounts of the consumer financing subsidiary, Samsung Card Co., Ltd., in accordance with the consolidation accounting standards of the Republic of Korea.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2007.

(In millions of Korean won)

Subsidiaries	Primary Business	Capital	Percentage of Ownership(%)	Location
Samsung Gwangju Electronics Co., Ltd.	Home appliances manufacturing	₩ 720,123	94.25	Korea
Samsung Card Co., Ltd. <sup>1</sup>	Consumer financing	3,558,879	36.87	Korea
STECO Co., Ltd.	Semiconductor equipment manufacturing	63,486	51.00	Korea
SEMES Co., Ltd.	Semiconductor equipment manufacturing	85,550	63.87	Korea
Secron Co., Ltd.	Semiconductor equipment manufacturing	44,345	50.63	Korea
Samsung Electronics Service Co., Ltd.	Service center for electronic goods	56,695	83.33	Korea
Living Plaza, Co., Ltd.	Sales	140,428	100.00	Korea
Samsung Electronics Logitech Co., Ltd.	Distribution	39,838	100.00	Korea
S-LCD Corporation	LCD manufacturing	3,484,000	50.00	Korea
Samsung Electronics Hainan Fiberoptics Korea Co., Ltd. (SEHF-K)	Optical cable manufacturing	24,765	100.00	Korea
Samsung Electronics Canada Inc. (SECA)	Sale of electronic goods	75,104	100.00	Canada
Samsung Electronics America, Inc. (SEA)	Sale of electronic goods	1,956,231	100.00	U.S.A
Samsung Receivables Corporation (SRC)	Financing	444,626	100.00	U.S.A
Samsung Semiconductor, Inc. (SSI)	Semiconductor sales	1,096,135	100.00	U.S.A
Samsung Austin Semiconductor, LLC (SAS)	Semiconductor manufacturing	1,196,354	100.00	U.S.A
Samsung Information Systems America, Inc. (SISA)	Information system research and development	24,373	100.00	U.S.A
Samsung International, Inc. (SII)	Manufacturing and sale of electronic goods	137,710	100.00	U.S.A
Samsung Mexicana S.A. de C.V. (SAMEX)	Manufacturing and sale of electronic goods	35,473	100.00	Mexico
Samsung Telecommunications America, LLC (STA)	Mobile phone sales and research and development	209,333	100.00	U.S.A
Samsung Electronics Latinoamerica (Zona Libre), S.A. (SELA)	Sale of electronic goods	44,141	100.00	Panama
Samsung Electronics Latinoamerica Miami, Inc. (SEMI)	Sale of electronic goods and mobile phone	16,498	100.00	U.S.A

1. As of June 27, 2007, Samsung Card Co., Ltd., one of SEC's domestic subsidiaries, has listed its issued and outstanding shares on the Korea Stock Exchange.

continued



(In millions of Korean won)

Subsidiaries	Primary Business	Capital	Percentage of Ownership(%)	Location
Samsung Electronica Columbia S.A. (SAMCOL)	Sale of electronic goods	₩ 9,942	100.00	Columbia
Samsung Electronics Mexico S.A.de C.V. (SEM)	Manufacturing and sale of electronic goods	24,613	100.00	Mexico
Samsung Electronics Argentina S.A. (SEASA)	Sale of electronic goods	5,443	100.00	Argentina
Samsung Electronica da Amazonia Ltda. (SEDA)	Sale and manufacturing of electronic goods	216,614	100.00	Brazil
Samsung Electronics Iberia, S.A. (SESA)	Sale of electronic goods	109,970	100.00	Spain
Samsung Electronics Nordic AB (SENA)	Sale of electronic goods	55,113	100.00	Sweden
Samsung Electronics Hungarian RT. Co., Ltd. (SEH)	CTV manufacturing and sales	377,579	100.00	Hungary
Samsung Electronica Portuguesa S.A. (SEP)	Sale of electronic goods	27,901	100.00	Portugal
Samsung Electronics France S.A.S. (SEF)	Sale of electronic goods	160,897	100.00	France
Samsung Electronics (UK) Ltd. (SEUK)	Sale of electronic goods	338,957	100.00	U.K.
Samsung Semiconductor Europe Limited (SSEL)	Semiconductor sales	48,293	100.00	U.K.
Samsung Electronics Holding GmbH (SEHG)	Holding company (financing)	251,055	100.00	Germany
Samsung Semiconductor Europe GmbH (SSEG)	Semiconductor sales	12,607	100.00	Germany
Samsung Electronics GmbH (SEG)	Sale of electronic goods	62,502	100.00	Germany
Samsung Electronics Austria GmbH (SEAG)	Marketing	22,155	100.00	Austria
Samsung Electronics Italia SpA (SEI)	Sale of electronic goods	102,363	100.00	Italy
Samsung Electronics Europe Logistics B.V. (SELS)	Logistics	45,354	100.00	Netherlands
Samsung Electronics Benelux B.V. (SEBN)	Distribution and sale of electronic goods	190,903	100.00	Netherlands
Samsung Electronics LCD Slovakia s.r.o. (SELSK)	LCD manufacturing	84,814	100.00	Slovakia
Samsung Semiconductor Israel R&D Center Ltd. (SIRC)	Research center	(87)	100.00	Israel
LLC Samsung Electronics Rus (SER)	Marketing	12,547	100.00	Russia
Samsung Electronics Polska Sp.zo.o. (SEPOL)	Sale of electronic goods and telephone	59,273	100.00	Poland
Samsung Electronics South Africa (Pty) Ltd. (SSA)	Sale of electronic goods	29,092	100.00	South Africa
Samsung Electronics Slovakia s.r.o. (SESK)	Monitor manufacturing	421,867	100.00	Slovakia

continued

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

(In millions of Korean won)

Subsidiaries	Primary Business	Capital	Percentage of Ownership(%)	Location
Samsung Electronics Overseas B.V. (SEO)	Sale of electronic goods	₩ 791	100.00	Netherlands
LLC Samsung Electronics Rus Company (SERC)	Sale of electronic goods	101,461	100.00	Russia
LLC Samsung Russia Service Center (SRSC)	Service	8,290	100.00	Russia
Samsung Japan Corporation (SJC)	Sales	275,280	50.96	Japan
Samsung Yokohama Research Institute (SYRI)	Research center	54,135	100.00	Japan
Samsung Electronics Australia Pty. Ltd. (SEAU)	Sale of electronic goods	93,605	100.00	Australia
Samsung Electronics (M) Sdn.Bhd. (SEMA)	Home appliances manufacturing	121,753	100.00	Malaysia
Samsung Gulf Electronics FZE (SGE)	Sale of electronic good	27,238	100.00	Arab Emirates
PT. Samsung Electronics Indonesia (SEIN)	A/V manufacturing and sale of electronic goods	124,924	99.99	Indonesia
PT. Samsung Telecommunications Indonesia (STIN)	Installation of telecom systems	5,057	99.00	Indonesia
Samsung Electronics Display (M) Sdn.Bhd. (SDMA)	Monitor manufacturing	226,638	100.00	Malaysia
Samsung India Electronics Private.Ltd. (SIEL)	CTV manufacturing and sale of electronic goods	65,382	100.00	India
Samsung India Software Operations Private. Ltd. (SISO)	Research and development	19,874	100.00	India
Samsung Telecommunications India Private. Ltd. (STI)	Mobile phone manufacturing and sales	14,010	100.00	India
Samsung Asia Private. Ltd. (SAPL)	Sales	325,414	70.00	Singapore
Samsung Electronics Philippines Corporation (SEPCO)	Sale of electronic goods	17,003	100.00	Philippines
Samsung Electronics Asia Holding Private. Ltd. (SEAH)	Holding company	195,964	100.00	Singapore
Samsung Vina Electronics Co., Ltd. (SAVINA)	Manufacturing and sale of electronic goods	21,026	80.00	Vietnam
Thai Samsung Electronics Co., Ltd. (TSE)	CTV and washing machine manufacturing and sales	241,592	91.83	Thailand
Samsung Electronics Philippines Manufacturing Corporation (SEPHIL)	ODD Manufacturing	49,023	100.00	Philippines
Samsung Malaysia Electronics Sdn.Bhd. (SME)	Semiconductor and LCD sales	7,936	100.00	Malaysia

continued

(In millions of Korean won)

Subsidiaries	Primary Business	Capital	Percentage of Ownership(%)	Location
Samsung Electronics Hong Kong Co., Ltd. (SEHK)	Sales	₩ 75,890	100.00	China
Samsung Electronics Taiwan Co., Ltd. (SET)	Semiconductor sales and sale of electronic good	75,036	100.00	Taiwan
Samsung Electronics Suzhou Semiconductor Co., Ltd. (SESS)	Semiconductor manufacturing	327,507	100.00	China
Samsung (China) Investment Co., Ltd. (SCIC)	Holding company	127,040	100.00	China
Tianjin Tongguang Samsung Electronics Co., Ltd. (TTSEC)	CTV manufacturing	213,085	96.02	China
Samsung Electronics (Beijing) Service Co., Ltd. (SBSC)	Service	4,299	100.00	China
Samsung Electronics Huizhou Co., Ltd. (SEHZ)	A/V manufacturing	136,030	99.91	China
Tianjin Samsung Electronics Display Co., Ltd. (TSED)	Monitor manufacturing	87,216	79.95	China
Souzhou Samsung Electronics Co., Ltd. (SSEC)	Home appliances manufacturing	130,382	88.28	China
Tianjin Samsung Electronics Co., Ltd. (TSEC)	A/V manufacturing	152,986	91.07	China
Samsung Electronics (Shandong) Digital Printing Co., Ltd. (SSDP)	Manufacturing and sales of facsimile, printer and telecommunication products	61,325	100.00	China
Tianjin Samsung Telecom Technology Co., Ltd. (TSTC)	Mobile phone manufacturing	374,277	90.00	China
Samsung Electronics Suzhou Computer Co., Ltd. (SESC)	Computer manufacturing	48,962	100.00	China
Samsung Electronics Suzhou LCD Co., Ltd. (SESL)	LCD manufacturing	210,300	100.00	China
Shenzhen Samsung Kejian Mobile Telecommunication Technology Co., Ltd. (SSKMT)	Mobile phone manufacturing	115,037	60.00	China
Shanghai Samsung Semiconductor Co., Ltd. (SSS)	Semiconductor sales	8,953	100.00	China
Samsung Semiconductor (China) R&D Co., Ltd. (SSCR)	Research center	5,050	100.00	China
Samsung Electronics Hainan Fiberoptics Co., Ltd. (SEHF)	Optical cable manufacturing	29,703	100.00	China
Hangzhou Samsung Eastcom Network Technology Co., Ltd. (HSEN)	Network equipment manufacturing and sales	1,061	70.00	China

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

The summary of financial information of subsidiaries as of and for the year ended December 31, 2007, included in the consolidated financial statements follows:

Subsidiaries	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Gwangju Electronics Co., Ltd.	₩ 953,935	₩ 233,812	₩ 2,404,892	₩ 109,582
Samsung Card Co., Ltd.	12,493,877	8,934,998	2,426,287	531,589
S-LCD Corporation	4,348,221	864,221	4,785,445	112,076
Samsung Electronics America, Inc. (SEA)	3,226,435	1,270,204	11,615,562	246,241
Samsung Semiconductor, Inc. (SSI)	1,892,931	796,796	6,781,587	(13,534)
Samsung Austin Semiconductor, LLC (SAS)	2,053,873	857,519	782,056	(7,590)
Samsung Electronica da Amazonia Ltda. (SEDA)	662,151	445,537	1,647,862	42,441
Samsung Electronics Hungarian RT. Co., Ltd. (SEH)	782,263	404,684	2,493,452	70,551
Samsung Electronics France S.A.S. (SEF)	799,839	638,943	2,960,391	48,970
Samsung Electronics (UK) Ltd. (SEUK)	812,420	473,464	3,198,687	113,590
Samsung Electronics Holding GmbH (SEHG)	715,438	464,383	-	50,583
Samsung Electronics Europe Logistics B.V. (SELS)	1,016,397	971,043	7,839,805	6,488
Samsung Electronics Slovakia s.r.o. (SESK)	1,005,736	583,869	4,197,888	135,223
Samsung Electronics Overseas B.V. (SEO)	799,356	798,566	3,667,001	(406)
Samsung Japan Corporation (SJC)	1,784,996	1,509,715	9,528,018	38,919
Samsung Asia Private Ltd. (SAPL)	833,138	507,724	4,795,851	29,991
Samsung Electronics Hong Kong Co., Ltd. (SEHK)	821,489	745,599	6,196,513	15,244
Samsung Electronics Taiwan Co., Ltd. (SET)	1,308,695	1,233,659	10,584,827	20,518
Samsung (China) Investment Co., Ltd. (SCIC)	868,529	741,488	1,827,410	102,692
Tianjin Samsung Telecom Technology Co., Ltd. (TSTC)	914,925	540,647	4,788,349	232,717
Others	15,441,374	10,216,292	52,893,772	902,661

(In millions of Korean won)

Subsidiaries excluded from the consolidated financial statements as of December 31, 2007, are as follows:

(In millions of Korean won)

Subsidiaries	Primary Business	Percentage of Ownership(%)	Location
SEMES America Inc.	Service	100.00	U.S.A
Samsung Electronics Chile Limitada(Ltda)	Marketing and service	99.99	Chile
Samsung Semiconductor International Inc.	Holding company	100.00	Mexico
Samsung Semiconductor Mexico, S.A. de C.V.	Semiconductor sales	100.00	Mexico
Tasman Properties, Inc.	Real-properties collateral pledge	100.00	U.S.A
Samsung-Crosna Joint Stock Company	Telecom(switchboard)	67.00	Russia
LLC Samsung Electronics Rus Kaluga	CTV manufacturing	100.00	Russia
Samsung Electronics Istanbul Marketing & Trading LTD Company	Marketing	100.00	Turkey
Samsung Electronics Ukraine	Marketing	99.99	Ukraine
Samsung Telecom Benelux B.V.	Installation and service of telecom systems	100.00	Netherlands
Samsung Electronics Kazakhstan LLP	Marketing	100.00	Kazakhstan
Samsung Electronics Baltics S.I.A.	Sale of electronic goods	100.00	Latvia
Samsung Electronics Romania LLC	Marketing	100.00	Rumania
Samsung Semiconductor France S.A.R.L	Semiconductor sales	100.00	France
Samsung Semiconductor Italia S.R.L	Semiconductor sales	100.00	Italy
Samsung Semiconductor Sweden AB	Semiconductor sales	100.00	Sweden
Samsung Electronics Limited	-	100.00	U.K.
Samsung Telecoms(UK) Ltd.	-	100.00	U.K.
Batino Realty Corporation	Real-properties lease	38.90	Philippines
Beijing Samsung Telecom R&D Center	Research	100.00	China
Samsung Electronics China R&D Center	Research	100.00	China
Samsung Electronics Shenzhen Co., Ltd.	Semiconductor sales	100.00	China

In accordance with consolidation accounting standards generally accepted in the Republic of Korea, the financial statements of the above subsidiaries are excluded from the consolidated financial statements because their total assets at the end of the prior fiscal year end were less than ₩7,000 million.

#### CHANGES IN SUBSIDIARIES CONSOLIDATED

(a) Details of subsidiaries newly included in the consolidated financial statements for the year ended December 31, 2007, are as follows:

Location	Name of Subsidiaries	Remark
China	Samsung Semiconductor (China) R&D Co., Ltd. (SSCR)	Increase in assets
Europe	Samsung Electronics LCD Slovakia s.r.o. (SELSK)	Newly incorporated
	Samsung Semiconductor Israel R&D Center Ltd. (SIRC)	Newly acquired

(b) The subsidiaries excluded from the consolidated financial statements for the year ended December 31, 2007, are as follows:

Location	Name of Subsidiaries	Remark
Korea	Bluetek Co., Ltd.	Liquidation completed

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### BASIS OF FINANCIAL STATEMENT PRESENTATION

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements. Certain information attached to the Korean language consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows or changes in shareholders' equity, is not presented in the accompanying consolidated financial statements.

### APPLICATION OF THE STATEMENTS OF KOREAN FINANCIAL ACCOUNTING STANDARDS

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial and Supervisory Board. As SKFAS No. 11, No. 21 and No. 24 became applicable to the Company on January 1, 2007, the Company adopted these statements in its financial statements as of and for the year ended December 31, 2007.

In accordance with SKFAS No. 21, *Preparation and Presentation of Financial Statements* and SKFAS No. 25, *Consolidated Financial Statements*, the Company separated its capital adjustments account into capital adjustment and accumulated other comprehensive income, and disclosed the details of its comprehensive income in the notes to the consolidated financial statements. In addition, the Company disclosed its earnings per share on the face of its statements of income and net incomes of the controlling interests and minority interests were presented separately on its statements of income.

In accordance with SKFAS No. 24, *Preparation and Presentation of Financial Statements (Financial Industry)*, Samsung Card Co., Ltd., one of SEC's domestic subsidiaries, changed its account

classification. The Company's consolidated financial statements for the year ended December 31, 2006, presented herein for comparative purposes, have been restated to reflect this change. These changes had no effect on previously reported net income or shareholders' equity.

In accordance with SKFAS No. 23, *Earnings per Share*, the Company now deducts any excess of the consideration given over the carrying amount of the preferred shares from the profit available to common stockholders in calculating its earnings per share. As explained in Note 24, in accordance with the *Korea Accounting Institute Opinion 06-2* announced on December 29, 2006, the Company changed its method of recognizing deferred income taxes on temporary differences related to investments in subsidiaries and equity-method investees. The Company's consolidated financial statements for the year ended December 31, 2006, presented herein for comparative purposes, have not been restated as permitted under the *Korea Accounting Institute Opinion 06-2*.

### USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

### PRINCIPLES OF CONSOLIDATION

The Company records differences between the investment account and corresponding capital account of subsidiaries as goodwill or negative goodwill, and such differences are amortized over five years using the straight-line method. However, differences which occur from additional investments acquired in consolidated subsidiaries are reported in a separate component of shareholders' equity, and are not included in the determination of the results of operations. In accordance with accounting principles generally accepted in the Republic of Korea, minority interests in consolidated subsidiaries are presented within equity and identified separately from the equity of the controlling interests in the consolidated balance sheet.

All significant intercompany transactions and balances have been eliminated during consolidation.

Unrealized profits included in inventories, property, plant and equipment and other assets, as a result of intercompany transactions, are eliminated.

Unrealized profits, arising from sales by the consolidated subsidiaries, or equity-method investees, to the controlling companies, or sales between consolidated subsidiaries, or equity-method

investees, are fully eliminated, and charged to the equity of the controlling interests and minority interests, based on the percentage of ownership.

SEC and its consolidated subsidiaries follow the same fiscal year end. Differences in accounting policies between the Company and its consolidated subsidiaries are adjusted during consolidation.

#### MARKETABLE SECURITIES

Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, except those securities that mature or are certain to be disposed of within one year, which are classified as current assets.

Cost is measured at the market value upon acquisition, including incidental costs, and is determined using the average cost method.

Available-for-sale securities are stated at fair value, while non-marketable equity securities are stated at cost. Unrealized holding gains and losses on available-for-sale securities are reported in a separate component of shareholders' equity under capital adjustments, which are to be included in current operations upon the disposal or impairment of the securities. In the case of available-for-sale debt securities, the difference between the acquisition cost after amortization, using the effective interest rate method, and the fair value is reported as a capital adjustment.

Impairment resulting from the decline in realizable value below the acquisition cost, net of amortization, are included in current operations.

#### EQUITY-METHOD INVESTMENTS

Investments in business entities in which the Company has control or the ability to exercise significant influence over the operating and financial policies are accounted for using the equity method of accounting.

Under the equity method, the original investment is recorded at cost and adjusted by the Company's share in the net book value of the investee with a corresponding charge to current operations, a separate component of shareholders' equity, or retained earnings, depending on the nature of the underlying change in the net book value. All significant unrealized profits arising from intercompany transactions between the Company and its equity-method investee and subsidiaries are fully eliminated.

Differences between the investment amounts and corresponding capital amounts of the investee at the date of acquisition of the investment are recorded as part of investments and are

amortized over five years using the straight-line method. However, differences which occur from additional investments made after the Company obtains control and the investment becomes a subsidiary are reported in a separate component of shareholders' equity, and are not included in the determination of the results of operations.

Assets and liabilities of the Company's foreign investees are translated at current exchange rates, while income and expense are translated at average rates for the period. Adjustments resulting from the translation process are reported in a separate component of shareholders' equity, and are not included in the determination of the results of operations.

Certain equity-method investments are accounted for based on unaudited or unreviewed financial statements as the audited or reviewed financial statements of these entities are not available as of the date of this audit report.

#### 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 net realizable value. Cost is determined using the average cost method, except for materials-in-transit which are stated at actual cost as determined using the specific identification method. Losses on valuation of inventories and losses on inventory obsolescence are recorded as part of cost of sales.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Estimated useful lives
Buildings and auxiliary facilities	15 and 30 years
Structures	15 years
Machinery and equipment	5 years
Tools and fixtures	5 years
Vehicles	5 years

### 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.

### INTANGIBLE ASSETS

Intangible assets are amortized on a straight-line basis over the following estimated useful lives:

	Estimated useful lives
Goodwill	5 years
Intellectual property rights	10 years
Other intangible assets	5 years

### LEASES

A lease which has substantially non-cancelable terms, and transfers the benefits and risks incidental to ownership from lessor to lessee is classified as a financing lease. All other leases are classified as operating leases.

Financing lease receivables are recorded at the present value of minimum lease payments. Accrued interest is recognized over the lease period using the effective interest rate method.

Operating lease assets are recognized as property, plant and equipment and depreciated using the same depreciation method used for other similar assets. Revenues from operating lease assets are recognized on a reasonable basis to reflect patterns of benefits over the lease term.

### DISCOUNTS AND PREMIUMS ON DEBENTURES

The difference between the face value and the proceeds on issuance of a debenture is treated as either a discount or premium on the debenture, which is amortized over the term of the debenture using the effective interest rate method. The discount or premium is reported in the balance sheet as a direct deduction from or addition to the face value of the debenture. Amortization of the discount or premium is treated as part of interest expense.

### CONVERTIBLE BONDS

The Company separately recognizes the value of conversion rights when issuing convertible bonds. The conversion rights compensation, which is calculated by deducting the present value of general bonds from the issue price of convertible bonds, is stated as capital surplus. The conversion rights adjustment is deducted from the par value and the put premium is added to the par value of convertible bonds. Amortization of the conversion right adjustment is treated as part of interest expense over the term of the bonds using effective interest rate method.

However, for convertible bonds issued before December 31, 2002, the previous standard is applied.

### ACCRUED SEVERANCE BENEFITS

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with SEC, its Korean subsidiaries and certain foreign subsidiaries, 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 and directors were to terminate their employment as of the balance sheet date.

In accordance with the National Pension Act, a certain portion of the accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits liability.

### REVENUE RECOGNITION

Sales of products and merchandise are recognized upon delivery when the significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from installation service contracts is recognized using the percentage-of-completion method.

### FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated into Korean won at the rate of exchange in effect as of the balance sheet date. Gains and losses resulting from the translation are reflected as either income or expense for the period.

### TRANSLATION OF FOREIGN OPERATIONS

Accounts of foreign subsidiaries are maintained in the currencies of the countries in which they operate. In translating the foreign currency financial statements of these subsidiaries into Korean won, income and expenses are translated at the average rate for the year and assets and liabilities are translated at the rate prevailing on the balance sheet date. Resulting translation gains or losses are recorded as a cumulative translation adjustment presented as part of shareholders' equity.



#### DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are recognized based on estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred income tax assets and liabilities are computed on such temporary differences by applying statutory tax rates applicable to the years when such differences are expected to be reversed. Tax assets related to tax credits and exemptions are recognized to the extent of the Company's certain taxable income.

The balance sheet distinguishes the current and non-current portions of the deferred tax assets and liabilities, whose balances are offset against each other.

#### LONG-TERM RECEIVABLES AND PAYABLES

Long-term receivables and payables that have no stated interest rate or whose interest rate are different from the market rate are recorded at their present values using the market rate of discount. The difference between the nominal value and present value of the long-term receivables and payables are amortized using the effective interest rate method with interest income or expense adjusted accordingly.

#### STOCK-BASED COMPENSATION

The Company uses the fair-value method in determining compensation costs of stock options granted to its employees and directors. The compensation cost is estimated using the Black-Scholes option-pricing model and is accrued as a charge to expense over the vesting period, recorded as a separate component of shareholders' equity under other capital adjustments.

#### EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is calculated using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

#### PROVISIONS AND CONTINGENT LIABILITIES

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

#### DERIVATIVE INSTRUMENTS

Derivative financial instruments for trading or hedging purpose are valued at estimated market price with the resulting unrealized gains or losses recognized in the current operations, except for the effective portion of derivative transactions entered into for the purpose of cash-flow hedges, which is recorded as an adjustment to shareholders' equity.

All derivative instruments are accounted for at fair value with the resulting valuation gain or loss recorded as an asset or liability. If the derivative instrument is not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change. Fair value hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk.

The gain or loss, both on the hedging derivative instrument and on the hedged item attributable to the hedged risk, is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of the gain or loss recorded as a capital adjustment is reclassified to current operations in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss recognized as a capital adjustment is added to or deducted from the asset or the liability.

#### ASSET IMPAIRMENT

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or the abrupt decline in the market value of the asset, the decline in value is deducted from the book value and recognized as an asset impairment loss in the current period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

### 3. UNITED STATES DOLLAR AMOUNTS

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩938 to US\$1, the exchange rate in effect on December 31, 2007. Such presentation is not in accordance with generally accepted accounting principles 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 readily converted, realized or settled in U.S. dollars at this or at any other rate.

The 2006 U.S. dollar amounts, which were previously expressed at ₩929 to US\$1, the rate in effect on December 31, 2006, have been restated to reflect the exchange rate in effect on December 31, 2007.

### 4. CASH SUBJECT TO WITHDRAWAL RESTRICTIONS

Cash deposits subject to withdrawal restrictions as of December 31, 2007 and 2006, consist of the following:

		(In millions of Korean won)			
		2007		2006	
Short-term financial instruments	Government-sponsored research and development projects	₩	35,632	₩	31,425
	Other activities		34,548		26,493
		₩	<b>70,180</b>	₩	<b>57,918</b>
Long-term financial instruments	Special deposits	₩	19	₩	77
	Other activities		374		330
		₩	<b>393</b>	₩	<b>407</b>

### 5. SHORT-TERM AVAILABLE-FOR-SALE SECURITIES AND SHORT-TERM HELD-TO-MATURITY SECURITIES

Short-term available-for-sale securities as of December 31, 2007 and 2006, consist of the following:

		(In millions of Korean won)			
		2007		2006	
Financial institution bonds <sup>1</sup>		₩	147,340	₩	589,697
Beneficiary certificates <sup>2</sup>			775,493		1,469,084
		₩	<b>922,833</b>	₩	<b>2,058,781</b>

1. Include accrued interest income amounting to ₩2,677 million (2006: ₩5,022 million).

2. Beneficiary certificates as of December 31, 2007 and 2006, consist of the following:

		(In millions of Korean won)			
		2007		2006	
Call loan		₩	9,151	₩	13,937
Certificates of deposit			270,546		400,824
Bonds			392,414		1,033,091
Time deposits			101,500		-

For the years ended December 31, 2007 and 2006, changes in valuation gain or loss on short-term available-for-sale securities are as follows:

(In millions of Korean won)

2007	Valuation Gain on Available-For-Sale Securities				Valuation Loss on Available-For-Sale Securities			
	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007
Beneficiary certificates	₩ 9,085	₩ 5,493	₩ 9,085	₩ 5,493	-	-	-	-
Financial institution bonds	-	-	-	-	(580)	(196)	(580)	(196)
	₩ 9,085	₩ 5,493	₩ 9,085	5,493	₩ (580)	₩ (196)	₩ (580)	(196)
Deferred income tax				(1,510)				53
				₩ 3,983				₩ (143)

(In millions of Korean won)

2006	Valuation Gain on Available-For-Sale Securities				Valuation Loss on Available-For-Sale Securities			
	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006
Beneficiary certificates	₩ 4,543	₩ 9,085	₩ 4,543	₩ 9,085	-	-	-	-
Financial institution bonds	-	-	-	-	(392)	(580)	(392)	(580)
Listed equities	-	-	-	-	(31,683)	-	(31,683)	-
	₩ 4,543	₩ 9,085	₩ 4,543	9,085	₩ (32,075)	₩ (580)	₩ (32,075)	(580)
Deferred income tax				(2,498)				160
				₩ 6,587				₩ (420)

Short-term held-to-maturity securities as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

	2007	2006
Government and public bonds	₩ 130	₩ 248

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 6. ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable, and their allowance for doubtful accounts as of December 31, 2007 and 2006, are as follows:

	(In millions of Korean won)	
	2007	2006
Trade accounts and notes receivable	₩ 11,180,598	₩ 9,133,647
Less: Allowance for doubtful accounts	(55,466)	(44,195)
	<b>₩ 11,125,132</b>	<b>₩ 9,089,452</b>
Other accounts and notes receivable	₩ 1,010,801	₩ 987,634
Less: Allowance for doubtful accounts	(21,600)	(15,156)
Discounts on present value	(58)	(52)
	<b>₩ 989,143</b>	<b>₩ 972,426</b>

The outstanding balance of trade accounts and notes receivable sold to financial institutions as of December 31, 2007 and 2006, are as follows:

	(In millions of Korean won)	
	2007	2006
Asset-backed securities with recourse	₩ 1,396,041	₩ 1,254,030
Trade accounts receivable with recourse	446,770	556,432
Trade accounts receivable without recourse	1,206,320	905,375
	<b>₩ 3,049,131</b>	<b>₩ 2,715,837</b>

As a consolidation entry to account for the sale of subsidiaries' receivables, the Company has recognized borrowings of ₩4,384,783 million and ₩3,808,404 million as of December 31, 2007 and 2006, respectively.

The outstanding balances of financing receivables sold to financial institutions as of December 31, 2007 and 2006, are as follows:

	(In millions of Korean won)	
	2007	2006
Asset-backed securities with limited recourse	₩ 4,037,885	₩ 4,002,923

From 2003 to 2005, Samsung Card Co., Ltd. transferred credit card receivables and financial assets to SangRokSoo 1st Securitization Specialty Co., Ltd., Badbank Harmony Co., Ltd. and Badbank Heemangmoah Securitization Specialty Co., Ltd. in accordance with the "personal credit rehabilitation" program in exchange for cash, preferred stock and subordinated bonds. The preferred stock is recorded as available-for-sale securities, while the subordinated bonds are recorded as held-to-maturity securities.

Accounts that are valued at present value under long-term installment transactions, including current portions, are as follows:

	(In millions of Korean won)				
Accounts	Face Value	Discount	Present Value	Period	Weighted-Average Interest Rate (%)
Long-term loans and other receivables	₩ 220,439	₩ 22,858	₩ 197,581	2004.5 ~ 2013.1	3.1~8.0
Long-term payables and other payables	745,634	92,970	652,664	2002.3 ~ 2015.12	7.7~8.0

## 7. INVENTORIES

Inventories, net of valuation losses, as of December 31, 2007 and 2006, consist of the following:

	(In millions of Korean won)	
	2007	2006
Finished goods and merchandise	₩ 2,340,066	₩ 2,181,047
Semi-finished goods and work-in-process	1,695,511	1,594,414
Raw materials and supplies	2,309,980	1,963,723
Materials-in-transit	1,623,246	1,014,261
	<b>₩ 7,968,803</b>	<b>₩ 6,753,445</b>

Inventories are insured against fire and other casualty losses for up to ₩6,258,083 million as of December 31, 2007 (2006: ₩5,572,203 million).

As of December 31, 2007, losses on valuation of inventories, amounted to ₩258,787 million (2006: ₩183,964 million).

## 8. FINANCING RECEIVABLES

Financing receivables of the consumer financing subsidiary, Samsung Card Co., Ltd., as of December 31, 2007 and 2006, are as follows:

	(In millions of Korean won)	
Accounts	2007	2006
<b>Short-term financing receivables</b>		
Credit card assets	₩ 4,311,592	₩ 3,323,235
Lease assets	141,228	107,293
Installment finance	358,870	448,653
General loans	698,043	615,031
Call loans and others	507,215	595,000
	<b>6,016,948</b>	<b>5,089,212</b>
Less: Allowance for doubtful accounts	(441,942)	(502,240)
	<b>5,575,006</b>	<b>4,586,972</b>
<b>Long-term financing receivables</b>		
Credit card assets	2,069,388	2,425,802
Lease assets	801,395	624,094
Installment finance	406,619	352,049
General loans	547,318	606,330
Trust assets and others	221,087	247,291
	<b>4,045,807</b>	<b>4,255,566</b>
Less: Allowance for doubtful accounts	(245,852)	(449,031)
	3,799,955	3,806,535
	<b>₩ 9,374,961</b>	<b>₩ 8,393,507</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

Collection schedule of installment finance and general loans as of December 31, 2007, follows:

(In millions of Korean won)

Year	Installment finance		General loans	
2008	₩	358,870	₩	698,043
2009		222,723		247,706
2010		150,112		183,552
2011		23,129		86,957
2012		10,170		25,741
Thereafter		485		3,362
	₩	<b>765,489</b>	₩	<b>1,245,361</b>

Maturities of finance lease, as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007		2006	
	Minimum Lease Payment	Present Values	Minimum Lease Payment	Present Values
Within one year	₩ 26,466	₩ 25,636	₩ 32,327	₩ 31,147
From one year to five years	259,274	234,557	187,270	168,167
More than five years	804	639	1,337	1,148
Unguaranteed residual value	62,420	54,691	29,279	25,607
	348,964		250,213	
Present value adjustment	(33,441)		(24,144)	
<b>Financing lease receivables</b>	₩ <b>315,523</b>	₩ <b>315,523</b>	₩ <b>226,069</b>	₩ <b>226,069</b>

The minimum lease receipts relating to operating lease agreements as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007		2006	
Within one year	₩	214,707	₩	192,193
From one year to five years		195,561		163,158
	₩	<b>410,268</b>	₩	<b>355,351</b>

As of December 31, 2007 and 2006, properties under operating leases are classified as follows:

(In millions of Korean won)

	2007		2006	
Automobiles	₩	867,157	₩	688,021
Electronic system		12,546		14,390
		<b>879,703</b>		<b>702,411</b>
Less: Accumulated depreciation		270,168		204,652
Accumulated impairment losses		1,970		854
<b>Operating lease assets</b>	₩	<b>607,565</b>	₩	<b>496,905</b>

## 9. LONG-TERM AVAILABLE-FOR-SALE SECURITIES AND LONG-TERM HELD-TO-MATURITY SECURITIES

### (1) LONG-TERM AVAILABLE-FOR-SALE SECURITIES

Long-term available-for-sale securities as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

	2007		2006	
	Detail	Acquisition Cost	Recorded Book Value	Recorded Book Value
Listed equities <sup>1</sup>	(1)	₩ 564,524	₩ 3,027,052	₩ 1,810,756
Non-listed equities <sup>1</sup>	(2)	505,252	682,002	729,190
Government and public bonds and others		3,266	3,268	17,058
		₩ 1,073,042	₩ 3,712,322	₩ 2,557,004

1. Exclude equity-method investees.

### 1) LISTED EQUITIES

Listed equities as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won, except for the number of shares and percentage)

	2007					2006
	Number of Shares Owned	Percentage of Ownership(%)	Acquisition Cost	Market Value	Recorded Book Value	Recorded Book Value
<b>Related parties</b>						
Samsung Heavy Industries Co., Ltd.	40,675,641	17.61	₩ 258,299	₩ 1,635,161	₩ 1,635,161	₩ 907,067
Samsung Fine Chemicals Co., Ltd.	2,969,730	11.51	61,374	130,668	130,668	69,195
The Shilla Hotels & Resorts	2,529,580	6.35	18,604	56,915	56,915	38,323
Cheil Communications Inc.	259,949	5.65	25,737	73,306	73,306	60,048
Samsung Fire & Marine Insurance Co., Ltd.	2,298,377	4.85	90,443	581,489	581,489	371,188
Samsung Securities Co., Ltd.	3,143,194	4.70	57,347	285,402	285,402	159,360
S1 Corporation Inc.	725,060	1.91	16,207	40,893	40,893	31,431
Samsung Engineering Co., Ltd.	704,104	1.76	9,018	66,045	66,045	30,452
Cheil Industries Inc.	2,449,713	4.90	18,339	128,120	128,120	96,151
<b>Other companies</b>						
Korea Information Service Inc.	107,603	2.26	797	1,915	1,915	2,513
Hanmi Capital	-	-	-	-	-	2,086
Saehan Media	324,579	2.32	1,840	1,529	1,529	1,675
SANYO	-	-	-	-	-	11,806
Tomen Device Corp.	832,000	12.23	942	11,586	11,586	16,360
Others			5,577	14,023	14,023	13,101
			₩ 564,524	₩ 3,027,052	₩ 3,027,052	₩ 1,810,756

The Company determined that the decline in the fair value of certain investments would not be recoverable, and recorded an impairment loss of ₩13,349 million under non-operating expenses for the year ended December 31, 2006.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 2) NON-LISTED EQUITIES

Non-listed equities as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won, except for the number of shares and percentage)

	2007					2006	
	Number of Shares Owned	Percentage of Ownership(%)	Acquisition Cost	Net Book Value/ Market Value	Recorded Book Value	Recorded Book Value	
<b>Related parties</b>							
Samsung Petrochemical Co., Ltd.	514,172	12.96	₩ 8,040	₩ 23,582	₩ 8,040	₩ 8,040	
Samsung General Chemicals Co., Ltd.	1,914,251	3.91	19,143	30,220	13,864	13,865	
Samsung Venture Investment Corporation	980,000	16.33	4,900	6,554	4,900	4,900	
Samsung Life Insurance	131,588	0.66	92,112	60,905	92,112	92,112	
iMarketKorea Inc.	380,000	14.10	1,900	8,382	1,900	1,900	
International Cyber Marketing, Inc. <sup>1</sup>	450,000	45.00	1,166	-	-	1,166	
Samsung Everland Co., Ltd. <sup>1</sup>	641,123	25.64	64,112	496,077	256,452	270,313	
Allat Corporation <sup>1</sup>	300,000	30.00	1,500	5,074	5,074	3,476	
LLC Samsung Electronics Rus Kaluga <sup>1</sup>	-	100.00	9,168	9,168	9,168	-	
Samsung Electronics Manufacturing (UK) Ltd.	-	-	-	-	-	40,152	
Others			24,567	12,541	18,750	13,005	
<b>Other companies</b>							
Kihyup Technology Banking Corporation	1,000,000	17.24	5,000	10,687	5,000	5,000	
Pusan Newport Co., Ltd.	1,135,307	1.15	5,677	5,144	5,677	5,677	
Renault Samsung Motors	17,512,000	19.90	87,560	143,896	143,896	127,680	
Bluebird Soft Inc.	140,000	17.00	10,199	2,606	2,441	2,441	
SkyLife Broadcasting	600,000	0.71	3,344	571	3,000	3,000	
Yong Pyong Resort Co., Ltd.	400,000	1.05	1,869	1,278	1,869	2,000	
TU Media Corp.	3,015,195	5.62	15,076	3,527	15,076	15,076	
Symbian Ltd.	10,359,926	4.50	31,839	11,886	31,839	31,839	
Beijing T3G Technology Co., Ltd.	-	16.90	9,164	-	9,164	9,164	
Mybi Co., Ltd.	72,000	1.31	1,080	423	423	312	
MasterCard International Inc. (Class B)	-	-	-	-	-	12,152	
Bad bank Harmony	58,524	-	58,524	36,899	36,899	47,931	
Others			49,312	16,932	16,458	17,989	
			₩ 505,252	₩ 886,352	₩ 682,002	₩ 729,190	

1. As of December 31, 2007, these investments in affiliated companies were not valued using the equity method of accounting due to the immateriality of their total asset balances or the Company's inability to exercise significant influence over the operating and financial policies.



Losses on impairment of cost-method investments resulting from the decline in realizable value below the acquisition cost amounted to ₩6,234 million for the year ended December 31, 2007 (2006: ₩1,150 million).

As of December 31, 2007, the Company's investments in Pusan Newport Co., Ltd. are pledged as collateral against the investee's debt.

Gain and loss on evaluation of available-for-sale securities for 2007 are as follows:

2007	Valuation Gain on Available-For-Sale Securities				Valuation Loss on Available-For-Sale Securities			
	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007
	₩1,286,374	₩1,244,388	₩ 11,581	₩ 2,519,181	₩ (2,086)	₩ (897)	₩ (1,318)	₩ (1,665)
Deferred income tax and Minority interest				(1,092,358)				458
				₩ 1,426,823				₩ (1,207)

Gain and loss on evaluation of available-for-sale securities for 2006 are as follows:

2006	Valuation Gain on Available-For-Sale Securities				Valuation Loss on Available-For-Sale Securities			
	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006
	₩ 989,079	₩ 297,297	₩ 3	₩ 1,286,373	₩ (402)	₩ (2,060)	₩ (375)	₩ (2,087)
Deferred income tax and Minority interest				(559,910)				574
				₩ 726,463				₩ (1,513)

## (2) LONG-TERM HELD-TO-MATURITY SECURITIES

Long-term held-to-maturity securities as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

	2007		2006	
	Face Value	Recorded Book Value	Face Value	Recorded Book Value
Government and public bonds	₩ 165	₩ 165	₩ 294	₩ 294
ABS subordinated securities	572,406	147,122	621,281	197,386
	₩ 572,571	₩ 147,287	₩ 621,575	₩ 197,680

The subordinate bonds of SangRokSoo 1st Securitization Specialty Co., Ltd. were previously impaired by ₩423,895 million; however, the realizable value subsequently recovered and a gain of ₩19,312 million was recognized in 2007. Also in 2007, as the recoverable amount of the subordinate bonds of Badbank Heemangmoah Securitization Specialty Co., Ltd. declined significantly, the difference between the book value and recoverable amount amounting to ₩20,700 million was charged to impairment loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

The maturities of long-term held-to-maturity securities as of December 31, 2007, consist of the following:

(In millions of Korean won)

Maturity	Recorded book value		
	Government and public bonds	ABS subordinated securities	Total
From one year to five years	₩ 165	₩ 147,122	₩ 147,287

## 10. EQUITY-METHOD INVESTMENTS

Equity-method investments as of December 31, 2007, consist of the following:

(In millions of Korean won, except for the number of shares and percentage)

Investee	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value
Samsung SDI Co., Ltd.	9,282,753	19.68	₩ 423,722	₩ 911,657	₩ 893,419
Samsung Electro-Mechanics Co., Ltd.	17,693,084	22.80	359,237	448,570	445,205
Samsung Techwin Co., Ltd.	19,604,254	25.46	211,726	261,362	258,411
Seoul Commtech Co., Ltd.	3,933,320	35.76	9,172	48,686	47,020
Samsung Economic Research Institute	3,576,000	29.80	17,880	35,144	34,535
Samsung SDS Co., Ltd.	11,977,770	21.27	12,753	202,790	178,123
Samsung Networks Inc.	23,955,550	23.07	5,214	62,350	61,205
Samsung Lions Co., Ltd.	55,000	27.50	275	-	-
MEMC Electronic Materials Korea, Inc.	3,440,000	20.00	17,200	35,245	35,245
Samsung Corning Precision Glass Co., Ltd.	7,512,165	42.54	297,165	1,302,773	1,246,710
Samsung Thales Co., Ltd.	13,500,000	50.00	135,000	128,045	128,020
Bokwang FUND I	75	50.00	7,500	10,503	10,500
SVIC FUND IV	985	65.67	98,500	112,102	112,102
SVIC FUND V	297	99.00	29,700	13,996	13,996
SVIC FUND VI	407	99.00	40,689	33,374	33,374
SVIC FUND II	149	99.00	14,850	15,244	15,244
Samsung SDI (Malaysia) Sdn. Bhd.	38,595,040	25.00	19,759	19,852	23,346
Skyworld Corporation	530,000	25.00	1,834	1,205	1,394
Siltronic Samsung Wafers Private Ltd.	-	50.00	195,978	184,819	184,830
Samsung Electro-Mechanics Thailand Co., Ltd.	1,060,625	25.00	3,709	18,640	17,114
Syrian-Korean Telecommunication Equipments Manufacturing Establishment Co., Ltd.	-	49.00	2,061	3,654	3,260
Shanghai Bell Samsung Mobile Communications Co., Ltd.	-	49.00	7,742	2,482	2,393
eSamsung Greater China Co., Ltd.	295,294,966	22.71	858	2,378	1,470
TSST Japan Co., Ltd.	294	49.03	150,451	19,024	35,497
			₩ 2,062,975	₩ 3,873,895	₩ 3,782,413

Equity-method investments as of December 31, 2006, consisted of the following:

(In millions of Korean won, except for the number of shares and percentage)

Investee	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value
Samsung SDI Co., Ltd.	9,282,753	19.68	₩ 423,722	₩ 925,819	₩ 920,389
Samsung Electro-Mechanics Co., Ltd.	17,693,084	22.80	359,237	407,018	394,899
Samsung Techwin Co., Ltd.	19,604,254	25.46	211,726	216,657	216,118
Seoul Commtech Co., Ltd.	3,933,320	35.76	9,172	47,171	46,120
Samsung Economic Research Institute	3,576,000	29.80	17,880	24,153	23,535
Samsung SDS Co., Ltd.	11,977,770	21.27	12,753	151,457	125,614
Samsung Networks Inc.	23,955,550	23.07	5,214	46,368	45,024
Samsung Lions Co., Ltd.	55,000	27.50	275	-	-
MEMC Electronic Materials Korea, Inc.	3,440,000	20.00	17,200	37,639	37,639
Samsung Corning Precision Glass Co., Ltd.	7,406,991	42.47	179,993	922,347	894,801
Samsung Thales Co., Ltd.	13,500,000	50.00	135,000	116,121	116,075
Bokwang FUND I	75	50.00	7,500	7,428	7,422
SVIC FUND II	-	99.00	-	3,563	3,563
SVIC FUND III	42	99.00	4,158	2,884	2,884
SVIC FUND IV	985	65.67	98,500	98,077	98,077
SVIC FUND V	297	99.00	29,700	14,000	14,000
SVIC FUND VI	265	99.00	26,532	24,337	24,337
SVIC FUND VII	149	99.00	14,850	15,096	15,096
Samsung SDI (Malaysia) Sdn. Bhd.	38,595,040	25.00	18,445	31,492	27,679
Skyworld Corporation	530,000	25.00	1,712	974	1,195
Siltronic Samsung Wafers Private Ltd.	-	50.00	79,681	77,751	77,751
Samsung Electro-Mechanics Thailand Co., Ltd.	1,060,625	25.00	3,462	13,865	10,808
Syrian-Korean Telecommunication Equipments Manufacturing Establishment Co., Ltd.	-	49.00	2,061	3,683	3,356
Shanghai Bell Samsung Mobile Communications Co., Ltd.	-	49.00	7,742	4,458	3,233
TSST Japan Co., Ltd.	294	49.03	150,451	19,926	50,518
			₩ 1,911,229	₩ 3,445,782	₩ 3,393,617

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Changes in goodwill (negative goodwill) for the years ended December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Investee	2007				2006			
	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year
Seoul Commtech Co., Ltd.	₩ (548)	-	₩ (153)	₩ (395)	₩ (701)	-	₩ (153)	₩ (548)
Samsung Corning Precision Glass Co., Ltd.	(7,971)	(23,631)	(2,346)	(29,256)	-	(9,761)	(1,790)	(7,971)
eSamsung Greater China Co., Ltd.	-	(1,010)	(202)	(808)	-	-	-	-
TSST Japan Co., Ltd.	30,592	-	14,119	16,473	44,712	-	14,120	30,592
Others	(6)	12	(2)	8	(9)	-	(3)	(6)
	<b>₩ 22,067</b>	<b>₩ (24,629)</b>	<b>₩ 11,416</b>	<b>₩ (13,978)</b>	<b>₩ 44,002</b>	<b>₩ (9,761)</b>	<b>₩ 12,174</b>	<b>₩ 22,067</b>

Eliminated unrealized gains and losses as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007			2006		
	Inventories	Property, Plant and Equipment and Intangible Assets	Total	Inventories	Property, Plant and Equipment and Intangible Assets	Total
Samsung SDI Co., Ltd.	₩ 1,810	₩ (14,236)	₩(12,426)	₩ 2,793	₩ 574	₩ 3,367
Samsung Electro-Mechanics Co., Ltd.	8,516	239	8,755	(9,195)	529	(8,666)
Samsung Techwin Co., Ltd.	(2,407)	194	(2,213)	1,367	221	1,588
Seoul Commtech Co., Ltd.	(875)	106	(769)	24	60	84
Samsung SDS Co., Ltd.	676	500	1,176	(590)	(2,240)	(2,830)
Samsung Networks Inc.	(37)	235	198	1	151	152
Samsung Corning Precision Glass Co., Ltd.	(2,141)	(4,951)	(7,092)	(3,588)	(1,743)	(5,331)
Shanghai Bell Samsung Mobile Communications Co., Ltd.	1,053	75	1,128	(410)	75	(335)
Others	(2)	27	25	886	45	931
	<b>₩ 6,593</b>	<b>₩ (17,811)</b>	<b>₩ (11,218)</b>	<b>₩ (8,712)</b>	<b>₩ (2,328)</b>	<b>₩ (11,040)</b>

Amounts in the table are recognized as part of equity earnings (losses) from equity-method investments' unrealized gains and losses for the years ended December 31, 2007 and 2006.

The changes in the book values of equity-method investments for the years ended December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Investee	2007				2006			
	Balance at Beginning of Year	Earnings (Losses) from Equity -Method Investments	Other Increase (Decrease)	Balance at End of Year	Balance at Beginning of Year	Earnings (Losses) from Equity -Method Investments	Other Increase (Decrease)	Balance at End of Year
Samsung SDI Co., Ltd.	₩ 920,389	₩ (131,751)	₩ 104,781	₩ 893,419	₩ 890,801	₩ 22,360	₩ 7,228	₩ 920,389
Samsung Electro-Mechanics Co., Ltd.	394,899	34,714	15,592	445,205	371,176	13,571	10,152	394,899
Samsung Techwin Co., Ltd.	216,118	48,720	(6,427)	258,411	179,133	42,004	(5,019)	216,118
Samsung SDS Co., Ltd.	125,614	49,285	3,224	178,123	79,187	44,981	1,446	125,614
Samsung Corning Co., Ltd.	233,484	(53,220)	(180,264)	-	253,342	(21,180)	1,322	233,484
MEMC Electronic Materials Korea, Inc.	37,639	3,403	(5,797)	35,245	37,648	5,491	(5,500)	37,639
Samsung Corning Precision Glass Co., Ltd.	894,801	409,000	(57,091)	1,246,710	629,366	374,313	(108,878)	894,801
Samsung Thales Co., Ltd.	116,075	11,945	-	128,020	104,520	11,555	-	116,075
Samsung SDI (Malaysia) Sdn.Bhd.	27,679	(6,325)	1,992	23,346	27,791	3,714	(3,826)	27,679
Siltronic Samsung Wafers Private Ltd.	77,751	(9,147)	116,226	184,830	-	(1,914)	79,665	77,751
TSST Japan Co., Ltd.	50,518	(10,402)	(4,619)	35,497	52,304	(3,182)	1,396	50,518
Others	298,650	31,404	23,553	353,607	298,046	27,948	(27,344)	298,650
	<b>₩ 3,393,617</b>	<b>₩ 377,626</b>	<b>₩ 11,170</b>	<b>₩ 3,782,413</b>	<b>₩ 2,923,314</b>	<b>₩ 519,661</b>	<b>₩ (49,358)</b>	<b>₩ 3,393,617</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Financial information of investees as of and for the years ended December 31, 2007 and 2006, follows:

(In millions of Korean won)

Investee	2007				2006			
	Assets	Liabilities	Sales	Net Income (Loss)	Assets	Liabilities	Sales	Net Income
Samsung SDI Co., Ltd.	₩6,570,071	₩1,936,904	₩3,792,465	₩(592,183)	₩6,399,632	₩1,694,492	₩4,907,618	₩ 91,446
Samsung Electro-Mechanics Co., Ltd.	3,191,355	1,223,959	2,690,431	112,789	3,061,143	1,275,989	2,393,645	96,896
Samsung Techwin Co., Ltd.	1,900,287	873,731	3,243,196	203,209	1,776,634	925,667	2,868,706	160,262
Samsung SDS Co., Ltd.	1,599,974	646,587	2,164,100	226,179	1,272,924	560,871	2,100,034	220,863
MEMC Electronic Materials Korea, Inc.	204,678	28,452	173,508	17,010	224,300	36,104	207,830	28,500
Samsung Corning Precision Glass Co., Ltd.	3,736,683	674,303	2,244,348	974,232	2,445,602	273,780	1,965,653	891,066
Samsung Thales Co., Ltd.	536,827	280,738	480,690	23,847	447,303	215,061	461,872	22,525
Samsung SDI (Malaysia) Sdn.Bhd.	141,555	62,145	303,123	(34,779)	177,821	51,853	330,726	19,370
TSST Japan Co., Ltd.	324,215	285,416	1,542,781	7,582	382,393	341,754	1,395,532	22,311
Others	1,886,436	637,137	1,427,122	87,049	1,892,639	508,814	1,716,891	22,489

Market value information of publicly listed investees as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007		2006	
	Market Value	Recorded Book Value	Market Value	Recorded Book Value
Samsung SDI Co., Ltd.	₩ 617,303	₩ 893,419	₩ 596,881	₩ 920,389
Samsung Electro-Mechanics Co., Ltd.	869,615	445,205	766,995	394,899
Samsung Techwin Co., Ltd.	826,319	258,411	665,564	216,118

Valuation gain or loss on securities as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007				2006			
	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006
Gains from changes in equity of equity method investments	₩ 141,958	₩109,633	-	₩ 251,591	₩ 123,384	₩ 18,877	₩ 303	₩141,958
Losses from changes in equity of equity method investments	(43,887)	33,479	(2,391)	(8,017)	(63,969)	20,562	480	(43,887)
	<b>₩ 98,071</b>	<b>₩143,112</b>	<b>₩ (2,391)</b>	<b>₩ 243,574</b>	<b>₩ 59,415</b>	<b>₩ 39,439</b>	<b>₩ 783</b>	<b>₩ 98,071</b>

As of December 31, 2007, gains and losses from changes in equity of equity method investments included the tax effect of ₩60,599 million and ₩459 million, respectively, which are included in the shareholders' equity.

On December 28, 2007, Samsung Corning Co., Ltd. merged with Samsung Corning Precision Glass Co., Ltd.

The Company has not applied the equity method of accounting for following investees:

(In millions of Korean won)

Location	Subsidiaries	Percentage of Ownership (%)	Reason
Korea	Samsung Everland Inc. <sup>1</sup>	25.64	Absence of significant influence
	Allat <sup>1</sup>	30.00	Absence of significant influence
	International Cyber Marketing <sup>2</sup>	45.00	Limited assets
America	Content Management License Administrator LLC <sup>2</sup>	25.00	Limited assets
Asia	Samsung Electronic Ticaret A.S. <sup>2</sup>	20.00	Limited assets under liquidation
	Future Technology & Service Corporation <sup>2</sup>	28.60	Limited assets
	SSJ Vina LLC <sup>2</sup>	29.00	Limited assets

1. Investments are excluded from the application of equity method of accounting because SEC does not have the ability to exercise significant influence over the operating and financial policies, in accordance with the Monopoly Regulations and Fair Trade Law No. 11.

2. In accordance with the accounting principles generally accepted in the Republic of Korea, these investments are excluded from the application of equity method of accounting either because their total assets at the end of the prior fiscal year end were less than ₩7,000 million, or are in the process of liquidation.

## 11. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the years ended December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

2007	Land	Buildings and Structures	Machinery and Equipment	Construction-In-Progress/ Machinery-In-Transit	Tools and Vehicles	Total
Balance at January 1, 2007	₩ 2,976,819	₩ 6,454,042	₩ 19,141,537	₩ 4,046,119	₩ 1,166,098	₩33,784,615
Acquisition	8,863	151,707	604,391	11,194,987	291,589	12,251,537
Transfer	303,629	1,686,516	9,631,007	(11,834,995)	213,843	-
Disposal	(140,090)	(43,424)	(248,975)	-	(36,594)	(469,083)
Depreciation	-	(492,301)	(7,292,619)	-	(516,148)	(8,301,068)
Others <sup>1</sup>	5,109	43,618	85,680	(51,683)	31,919	114,643
<b>Balance at December 31, 2007</b>	<b>₩ 3,154,330</b>	<b>₩ 7,800,158</b>	<b>₩ 21,921,021</b>	<b>₩ 3,354,428</b>	<b>₩ 1,150,707</b>	<b>₩37,380,644</b>

(In millions of Korean won)

2006	Land	Buildings and Structures	Machinery and Equipment	Construction-In-Progress/ Machinery-In-Transit	Tools and Vehicles	Total
Balance at January 1, 2006	₩2,768,774	₩ 5,570,436	₩ 15,850,980	₩ 4,033,198	₩ 1,052,773	₩29,276,161
Acquisition	3,306	59,430	376,891	11,089,236	209,4281	1,738,291
Transfer	276,892	1,375,293	8,924,265	(10,941,017)	364,567	-
Disposal	(64,372)	(98,285)	(91,858)	-	(37,082)	(291,597)
Depreciation	-	(422,703)	(5,837,939)	-	(435,520)	(6,696,162)
Others <sup>1</sup>	(7,781)	(30,129)	(80,802)	(135,298)	11,932	(242,078)
<b>Balance at December 31, 2006</b>	<b>₩ 2,976,819</b>	<b>₩ 6,454,042</b>	<b>₩ 19,141,537</b>	<b>₩ 4,046,119</b>	<b>₩ 1,166,098</b>	<b>₩33,784,615</b>

1. Others include amounts from changes in scope of consolidation and changes in foreign currency exchanges rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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In accordance with the Asset Revaluation Law, on January 1, 1980, 1982, 1998 and April 1, 1999, SEC revalued a substantial portion of its property, plant, equipment and investments in equity securities by ₩3,051,612 million. The remaining revaluation increments amounting to ₩1,209,024 million, net of revaluation tax, credits to deferred foreign currency translation losses and others, were credited to capital surplus, a component of shareholders' equity. Also, in accordance with the Asset Revaluation Law, on October 1, 2000, Samsung Gwangju Electronics Co., Ltd., an SEC subsidiary, revalued a portion of its property, plant and equipment by ₩63,326 million. The remaining revaluation increments amounting to ₩62,145 million, net of revaluation tax, were credited to capital surplus, a component of shareholders' equity.

As of December 31, 2007 and 2006, a certain portion of overseas subsidiaries' property, plant and equipment amounting to ₩5,251 million equivalent to US\$5,597 thousand (2006: ₩4,633 million, equivalent to US\$4,984 thousand is pledged as collaterals for various loans from financial institutions.

As of December 31, 2007, property, plant, equipment are insured against fire and other casualty losses, and business interruption losses of up to ₩69,342,078 million (2006: ₩56,492,021 million) and ₩22,424,885 million (2006: ₩21,456,224 million), respectively.

As of December 31, 2007, the value of land owned by SEC and its Korean subsidiaries based on the posted price issued by the Korean tax authority amounted to ₩4,124,574 million (2006: ₩3,654,206 million).

As of December 31, 2007 and 2006, Samsung Card Co., Ltd., an SEC subsidiary, recorded ₩626,731 million (2006: ₩505,319 million) of operating lease assets, cancellation lease assets and prepaid finance lease assets acquired through the lease financing business (Note 8).

### 12. INTANGIBLE ASSETS

The changes in intangible assets for the years ended December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

2007	Goodwill	Negative Goodwill	Intellectual Property Rights	Others	Total
Balance at January 1, 2007	₩ 6,776	₩ (186)	₩ 262,726	₩ 389,069	₩ 658,385
Acquisition <sup>1</sup>	22,830	-	113,564	108,006	244,400
Disposal	-	-	(3,019)	(3,145)	(6,164)
Amortization	(3,181)	186	(58,329)	(134,950)	(196,274)
Others <sup>2</sup>	219	-	(41)	4,102	4,280
<b>Balance at December 31, 2007</b>	<b>₩ 26,644</b>	<b>-</b>	<b>₩ 314,901</b>	<b>₩ 363,082</b>	<b>₩ 704,627</b>

(In millions of Korean won)

2006	Goodwill	Negative Goodwill	Intellectual Property Rights	Others	Total
Balance at January 1, 2006	₩ 9,839	₩ (599)	₩ 240,754	₩ 382,862	₩ 632,856
Acquisition <sup>1</sup>	512	-	80,354	124,292	205,158
Disposal	(237)	-	(2,661)	(1,469)	(4,367)
Amortization	(3,170)	413	(55,706)	(117,815)	(176,278)
Others <sup>2</sup>	(168)	-	(15)	1,199	1,016
<b>Balance at December 31, 2006</b>	<b>₩ 6,776</b>	<b>₩ (186)</b>	<b>₩ 262,726</b>	<b>₩ 389,069</b>	<b>₩ 658,385</b>

1. Acquisitions include amounts transferred from other accounts such as construction-in-progress.

2. Others include amounts from changes in scope of consolidation and changes in foreign currency exchange rates.



The amortization expense of intangible assets for the years ended December 31, 2007 and 2006, is distributed among the following accounts:

(In millions of Korean won)

Account	2007		2006	
Production costs	₩	30,327	₩	25,332
Selling and administrative expenses		89,774		81,058
Research and development expenses		76,173		69,888
	₩	<b>196,274</b>	₩	<b>176,278</b>

### 13. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

	Annual Interest Rates (%) as of December 31, 2007	2007	2006
Overdraft	-	-	₩ 16
General term loans from commercial banks	5.6 ~ 7.2	1,616,000	1,290,464
Notes discounted	5.5 ~ 6.9	567,160	320,000
Usance financing, including document against acceptance loans incurred from intercompany transactions	LIBOR +0.5	4,391,387	3,814,409
Short-term borrowings of overseas subsidiaries	0.0 ~ 7.1	1,878,552	1,935,889
		₩ <b>8,453,099</b>	₩ <b>7,360,778</b>

Certain bank deposits and property, plant and equipment are pledged as collaterals for the above borrowings. As of December 31, 2007 and 2006, overdraft facilities of SEC and subsidiaries amount to ₩1,189,000 million and ₩688,500 million. In addition, SEC guarantees repayment of substantially all short-term borrowings of overseas subsidiaries (Note 18).

In addition, the above short-term borrowings include those of Samsung Card Co., Ltd., the consumer financing subsidiary, amounting to ₩2,127,160 million (2006: ₩1,557,976 million) and current maturities of long-term debts of ₩1,933,885 million (2006: ₩2,722,010 million) as of December 31, 2007.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 14. LONG-TERM DEBTS

Long-term debts as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)				
	Reference		2007	2006
Korean won loans	(A)	₩	623,663	₩ 173,013
Foreign currency loans, in Korean won equivalents	(B)		569,564	479,821
Debentures	(C)		4,633,179	6,329,701
			<b>5,826,406</b>	<b>6,982,535</b>
Less: Current maturities			(1,982,678)	(2,771,866)
		₩	<b>3,843,728</b>	₩ <b>4,210,669</b>

As of December 31, 2007, certain bank deposits, and property, plant and equipment are pledged as collaterals for the above long-term debts (Notes 4 and 11). In addition, repayment of certain long-term debts are guaranteed by various Korean financial institutions and/or certain affiliated companies (Note 18).

Included in the long-term debts are the borrowings of Samsung Card Co., Ltd. with an aggregate amount of ₩3,559,518 million (2006: ₩4,032,036 million) as of December 31, 2007.

(A) Local currency loans as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)				
	Annual Interest Rates (%) as of December 31, 2007		2007	2006
Korea Energy Management Corporation	4.5	₩	282	₩ 576
Samsung Shinhan 4th Special Purpose Company	-		151,881	172,320
Shinhan Bank and others	5.8 ~ 6.1		471,500	117
		₩	<b>623,663</b>	₩ <b>173,013</b>

(B) Long-term debts denominated in foreign currencies as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)				
	Annual Interest Rates (%) as of December 31, 2007		2007	2006
Shinhan Bank and others	5.4 ~ 7.9	₩	56,292	₩ 65,072
Royal Bank of Scotland and others	5.2 ~ 5.4		234,550	185,920
Foreign financial institutions (Overseas subsidiaries)	1.4 ~ 8.9		278,722	228,829
		₩	<b>569,564</b>	₩ <b>479,821</b>

(C) Debentures outstanding as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

	Annual Interest Rates (%) as of December 31, 2007		2007		2006
Non-guaranteed debentures	2.68 ~ 8.5	₩	4,337,000	₩	5,318,500
Subordinated convertible bonds	2.0		265,379		799,947
			<b>4,602,379</b>		<b>6,118,447</b>
Add: Premium for non-executed rights			43,902		334,676
Less: Conversion rights			(10,117)		(116,153)
Discounts			(2,985)		(7,269)
		₩	<b>4,633,179</b>	₩	<b>6,329,701</b>

Samsung Card Co., Ltd., a domestic subsidiary, issued subordinated convertible bonds on June 23, 2003, with a principal of ₩ 800,000 million, coupon rate of 2.0% and with a maturity date of June 23, 2008. Convertible bonds are convertible to common stock at the exercise price of ₩43,040 per share adjusted from ₩8,608 to reflect capital reduction from five to one shares on November 2, 2006, effective from June 23, 2006 (or when listed on the exchange) through May 23, 2008. Premium of 9% (or 5% when listed) on principal is additionally payable in case the bonds are not converted to equity before the due date.

Maturities of long-term debts outstanding, excluding premiums and discounts on debentures, as of December 31, 2007, are as follows:

(In millions of Korean won)

For the Years Ending December 31	Local Currency Loans		Foreign Currency Loans		Debentures	Total
2009	₩	9,482	₩	288,163	₩ 1,455,000	₩ 1,752,645
2010		606,708		114,592	890,000	1,611,300
2011		4,828		25,371	370,000	400,199
2012		2,430		4,831	10,000	17,261
Thereafter		-		64,303	-	64,303
	₩	<b>623,448</b>	₩	<b>497,260</b>	₩ <b>2,725,000</b>	₩ <b>3,845,708</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 15. FOREIGN CURRENCY NOTES AND BONDS

Unsecured foreign currency notes and bonds as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)				
	Reference	Due Date	2007	2006
<b>SEC</b>				
US dollar denominated straight bonds	(A)	October 1, 2027	₩ 93,820	₩ 92,960
US dollar floating rate notes	(B)	August 28, 2010	98,511	-
<b>Overseas subsidiaries</b>				
US dollar denominated fixed rate notes	(C)	April 1, 2027	23,455	23,240
US dollar denominated fixed rate notes	(C)	April 1, 2030	23,455	23,240
			<b>239,241</b>	<b>139,440</b>
Discounts			(6,113)	(5,643)
			<b>233,128</b>	<b>133,797</b>
Less: Current maturities			(4,470)	-
			<b>₩ 228,658</b>	<b>₩ 133,797</b>

(A) US dollar denominated straight bonds

On October 2, 1997, SEC issued straight bonds in the amount of US\$100 million at 99.85% of face value. The bonds bear interest at 7.7% per annum and will mature on October 1, 2027, with repayments to be made annually for 20 years after a ten-year grace period from the date of issuance.

(B) US dollar floating rate notes

US dollar floating rate notes issued by Samsung Card Co., Ltd., one of SEC's domestic subsidiaries, will be repaid at their maturities. Interests will be paid every quarter.

(C) Overseas subsidiaries

Overseas subsidiaries' bonds will be repaid at maturities with the biannual interest payments over the terms of the bonds. SEC has provided guarantees over the overseas subsidiaries' bonds.

Maturities of foreign currency notes and bonds, outstanding as of December 31, 2007, are as follows:

For the Years Ending December 31	(In millions of Korean won)	
	Foreign Currency Notes and Bonds	
2009	₩	4,691
2010		103,202
2011		4,691
2012		4,691
Thereafter		117,275
	₩	<b>234,550</b>

## 16. ACCRUED SEVERANCE BENEFITS

Change in accrued severance benefits for the years ended December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

	2007		2006	
Balance at the beginning of the year	₩	1,769,385	₩	1,431,997
Provision for severance benefits		615,586		522,926
Actual severance payments		(346,803)		(184,845)
Others <sup>1</sup>		3,545		(693)
		<b>2,041,713</b>		<b>1,769,385</b>
Less: Cumulative deposits to the National Pension Fund		(11,467)		(13,156)
Severance insurance deposits		(1,239,563)		(1,001,591)
Retirement pension operating assets		(50,747)		(33,433)
<b>Balance at the end of the year</b>	₩	<b>739,936</b>	₩	<b>721,205</b>

1. Others include amounts from changes in scope of consolidation and changes in foreign currency exchange rates.

As of December 31, 2007, the Company funded 60.7% of severance payable through severance insurance deposits with Samsung Life Insurance Co., Ltd. and Samsung Fire & Marine Insurance Co., Ltd.

In addition, Samsung Card Co., Ltd., one of SEC's domestic subsidiaries, implemented a defined benefit pension plan with Samsung Life Insurance Co., Ltd. in accordance with Employee Retirement Benefit Security Act.

Retirement pension operating assets as of December 31, 2007, consist of the following:

	Percentage of the Component (%)
Financial instruments	70.57
Securities	24.21
Others	5.22
	<b>100.00</b>

## 17. LIABILITY PROVISIONS

Changes in main liability provisions for the years ended December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	Reference	2007					December 31, 2007
		January 1, 2007	Increase	Decrease	Others <sup>1</sup>		
Warranty reserves	(A)	₩ 703,797	₩ 1,126,488	₩ 938,852	₩ 37,644	₩ 929,077	
Royalty expenses	(B)	975,238	706,384	340,328	1,638	1,342,932	
Long-term incentives	(C)	274,358	220,635	455,848	-	39,145	
Point reserves	(D)	124,870	156,445	134,440	-	146,875	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(In millions of Korean won)

	Reference	2006				December 31, 2006
		January 1, 2006	Increase	Decrease	Others <sup>1</sup>	
Warranty reserves	(A)	₩ 579,362	₩ 993,817	₩ 862,783	₩ (6,599)	₩ 703,797
Royalty expenses	(B)	844,538	397,689	267,347	358	975,238
Long-term incentives	(C)	133,579	143,796	3,017	-	274,358
Point reserves	(D)	107,984	121,629	104,743	-	124,870

1. Others include amounts from changes in consolidated subsidiaries and foreign currency exchange rates.

(A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of guarantees (1~4 years).

(B) The Company makes provisions for estimated royalty expenses related to technical assistance agreements that have not been settled. The timing of payment depends on the settlement of agreement.

(C) The Company introduced long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive cost for the accrued period. The incentive is expected to be paid from 2008.

(D) Samsung Card Co., Ltd., a domestic subsidiary, accrues point reserves based on estimated expenses of future service occurring within five years to reward loyal members and expand customer base.

## 18. COMMITMENTS AND CONTINGENCIES

(A) As of December 31, 2007, SEC is contingently liable for guarantees of indebtedness, principally for related parties, approximating ₩7,693 million in loans and US\$749 million on drawn facilities which have a maximum limit of US\$3,020 million.

As of December 31, 2007, SEC is contingently liable for guarantees of indebtedness up to a limit of ₩250,132 million for employees' housing rental deposits.

As of December 31, 2007, SEC is contingently liable for guarantees amounting to \$21.6 million undertaken by Citi Bank relating to the guarantees for Samsung Electronics Latinoamerica (Zona Libre), S.A., one of SEC's foreign subsidiaries.

As of December 31, 2007, SEC is providing a US\$25 million guarantee for Samsung Electronics Hungarian RT. Co., Ltd. relating to the investment incentive contract with the Hungarian government.

In addition, as of December 31, 2007, the Company's overseas subsidiaries enter into "Cash Pooling Arrangement" contracts and "Banking Facility" agreements with overseas financial institutions to provide mutual guarantees of indebtedness.

Area	Participating Subsidiaries	Financial Institutions
Europe	SEUK and 18 other subsidiaries	Citibank and another bank
Asia	SAPL and 7 other subsidiaries	Bank of America
Asia	SEMA and 2 other subsidiaries	Standard Chartered bank

- (B) As of December 31, 2007, SEC and its domestic subsidiaries have been insured against future contract commitments of up to ₩122,377 million. In addition, Samsung Card Co., Ltd. has been provided payment guarantee amounting to US\$5 million from Woori Bank, in relation to a payment guarantee to AMEX.
- (C) As of December 31, 2007, the Company has technical assistance agreements with certain companies requiring payment for use of the technology or from sales of products manufactured using such technology.
- (D) The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under capitalized lease agreements are included in property, plant and equipment with a net book value of ₩41,787 million (2006: ₩24,029 million). Depreciation expense for the finance lease assets amounted to ₩2,986 million (2006: ₩1,442 million) for the year ended December 31, 2007.

The minimum lease payments and their present value as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007		2006	
	Minimum Lease Payments	Present Values	Minimum Lease Payments	Present Values
Within one year	₩ 7,837	₩ 6,240	₩ 4,386	₩ 3,833
From one year to five years	26,678	20,576	17,544	14,575
More than five years	55,297	31,489	43,420	24,212
	<b>89,812</b>		<b>65,350</b>	
Present value adjustment	(31,507)		(22,730)	
<b>Financing lease liabilities</b>	<b>₩ 58,305</b>	<b>₩ 58,305</b>	<b>₩ 42,620</b>	<b>₩ 42,620</b>

- (E) As of December 31, 2007, the Company has various lease agreements that are recognized as operating leases. Related rental payments amounting to ₩73,508 million (2006: ₩61,188 million) are charged to current operations for the year ended December 31, 2007.

The minimum lease payments as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007	2006
Within one year	₩ 83,903	₩ 59,156
From one year to five years	192,918	133,373
More than five years	70,242	51,418
	<b>₩ 347,063</b>	<b>₩ 243,947</b>

- (F) As of December 31, 2007, SEC has credit insurance against its approved foreign customers on behalf of its affiliates and subsidiaries with Korea Export Insurance Corporation.
- (G) As of December 31, 2007, the Company has forward exchange contracts to manage the exposure to changes in currency exchanges rates in accordance with its foreign currency risk management policy. The use of foreign currency forward contracts allows the Company to reduce its exposure to the risk that it may be adversely affected by changes in exchange rates.

In addition, the Company has interest rate swap contracts and foreign currency swap contracts to reduce the impact of changes in floating rates on long-term debt and borrowings, and interest rate swap contracts and foreign currency swap contracts to reduce the impact of changes in the fair-value risk on fixed rate long-term debt.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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A summary of derivative transactions as of and for the year ended December 31, 2007 and 2006, follows:

(In millions of Korean won)

Type	2007			2006
	Asset (Liability)	Gain (Loss) on Valuation (I/S)	Gain (Loss) on Valuation (B/S)	Asset (Liability)
Forward exchange	₩ 14,825 (9,417)	₩ 12,534 (8,219)	- -	₩ 6,319 (8,866)
Interest rate swap	₩ 13,898 (3,044)	- -	₩ 13,418 (2,564)	₩ 1,851 (3,876)
Currency swap	₩ 2,149 (5,032)	₩ 6,366 (651)	- (4,794)	- (28,948)

Of the amounts charged to accumulated other comprehensive income from the valuation of interest rate swap contracts, a gain of ₩1,861 million will be realized by December 31, 2008.

(H) As of December 31, 2007, SEC has been named as a defendant in overseas legal actions filed by Matsushita Electric Industrial Co., Ltd., Commissariat A L'Energie Atomique, St.Clair Intellectual Property Consultants Inc., Tadahiro Ohmi, Rambus Inc., Agere Systems Inc., InterDigital Communication Corporation, ON Semiconductor Corporation, Hitachi Global Storage Technologies Netherlands B.V., Stormedia Texas, LLC., Renesas Technology Corp., Anvik Corporation, Texas MP3 Technologies Ltd., Seiko Instruments Inc., Alberta Telecommunications Research Centre, Pioneer Electronics(USA) Inc., Sharp Corporation, Genoa Color Technologies, Ltd., Wistron Corporation, International Printer Corp., Premier International Associates, LLC., Saxon Innovations, LLC., Innovative Patented Technology, LLC., Technology Patents, LLC., and as the plaintiff in overseas legal actions against International Rectifier Corporation, Matsushita Electric Industrial Co., Ltd, Rambus Inc., Hitachi Global Storage Technologies Netherlands B.V., ON Semiconductor Corporation, Renesas Technology Corp., Sharp Corporation, InterDigital Communication Corporation for alleged patent infringements.

Domestic legal actions involving SEC include eight cases as the plaintiff with total claims amounting to approximately ₩7,823 million, and 29 cases as the defendant, excluding the Samsung Motors Inc. case mentioned in (K), amounting to approximately ₩58,862 million.

Considering the legal cases mentioned above and various other claims and proceedings pending as of December 31, 2007, the Company's management believes that, although the outcome of these matters is uncertain, the conclusion of these matters will not have a material adverse effect on the operations or financial position of the Company.

(I) The United States Department of Justice Antitrust Division had investigated the alleged anti-trust violations by the sellers of Dynamic Random Access Memory ("DRAM") in the United States, which include Samsung Semiconductor Inc. (SSI), a US subsidiary of SEC. Following the Justice Department's investigation, several civil class actions were filed against SEC and SSI. SEC and SSI entered into a plea agreement with the Justice Department in 2005 and agreed to pay US\$300 million over five years. The class actions by direct purchasers were settled for US\$67 million in 2006 and the class actions by indirect purchasers were settled for US\$113 million in 2007.

(J) The United States Department of Justice Antitrust Division (the Justice Department) and other countries' anti-trust authorities initiated an investigation into alleged anti-trust violations by the sellers of TFT-LCD, SRAM and Flash Memory, including SEC and some of its foreign subsidiaries. Following the investigation by the Justice Department, several civil class actions were filed against SEC and its subsidiaries. As of balance sheet date, the outcome of these civil actions is uncertain and accordingly, the ultimate effect of this matter on the financial position of the Company cannot be determined.



- (K) SEC and 30 other Samsung Group affiliates (the "Affiliates") entered into an agreement with the institutional creditors (the "Creditors") of Samsung Motors Inc. ("SMI") in September 1999. In accordance with this agreement, SEC and the Affiliates agreed to sell 3,500,000 shares of Samsung Life Insurance Co., Ltd. (the "Shares"), which were previously transferred to the Creditors in connection with the petition for court receivership of SMI. The Shares were to be disposed of by December 31, 2000.

And if the sales proceeds fell short of ₩2,450 billion (the "Shortfall"), SEC and the Affiliates agreed to compensate the Creditors for the Shortfall by other means, including participating in any equity offering or subordinated debentures issued by the Creditors. Any excess proceeds over ₩2,450 billion were to be distributed to SEC and the Affiliates. In the event of non-performance to this agreement, default interest on the Shortfall was agreed to be paid to the Creditors by SEC and the Affiliates.

As of December 31, 2007, the sale of the Shares had not been completed and on December 9, 2005, the Creditors filed a civil action against Mr. Kun-Hee Lee, the Chairman of SEC, SEC and 27 of the remaining Affiliates, in connection with this agreement claiming the agreed sales proceeds amount of ₩2,450 billion plus interest of 6% per annum from January 1, 2001, until the date SEC and the Affiliates were served with court process and 20% per annum thereafter until settlement.

In addition, the Creditors are claiming from SEC and 27 of the Affiliates damages resulting from delays amounting to ₩2,287.9 billion (the "Damages"), the aggregate amount of monthly default interest calculated from January 1, 2001, at 19% per annum on ₩2,450 billion, with interest. Interest on the Damages has been calculated by applying 6% per annum on the monthly calculated Damages amount from the following month until the date SEC and the Affiliates were served with court process and 20% per annum thereafter until settlement. Additional damage for delays, calculated at 19% per annum on ₩2,450 billion, is also being claimed by the Creditors from December 1, 2005, until settlement.

On January 31, 2008, the court ruled that the agreement was valid, and that Mr. Kun-Hee Lee, SEC and 27 of the remaining Affiliates have a joint and severable liability for the principal less an amount related to Samsung Life shares that have already been disposed of by the Creditors, plus interest at a rate of 6% per annum.

As of the balance sheet date, the financial impact of this case is uncertain and accordingly, the ultimate effect of this matter on the financial position of the Company cannot presently be determined.

- (L) As of December 31, 2007, SEA and four other overseas subsidiaries have agreements with financial institutions to sell certain eligible trade accounts receivable under which, on an ongoing basis, a maximum of US\$1,622 million can be sold. SEC and Living Plaza, one of SEC's domestic subsidiaries, have trade notes receivable discounting facilities with financial institutions, including Shinhan Bank with a combined limit of up to ₩498,800 million and a trade financing agreement with 23 banks including Woori Bank for up to US\$9,300 million. In addition, SEC has a credit sales facility agreement with five banks, including Woori Bank and an accounts receivable factoring agreement with Korea Exchange Bank for up to ₩150,000 million. In relation to the credit sales facility agreement with Woori Bank (up to ₩70,000 million) and Kookmin Bank (up to ₩200,000 million), SEC has recourse obligations on the receivables where the extensions have been granted on the credit periods. The Company also has loan facilities with accounts receivable pledged as collaterals with four banks, including Woori Bank, for up to ₩1,065,000 million.

In addition, SEMES Co., Ltd., and two other domestic subsidiaries have credit purchase facility agreements of up to ₩136,500 million with Korean banks, including Hana Bank, and S-LCD Corp. and two other domestic subsidiaries have general term loan facilities of up to ₩282,000 million with Korean banks, including Kookmin Bank.

- (M) As of December 31, 2007, SEC's domestic subsidiaries have provided a blank note and two notes amounting to ₩30,000 million, to financial institutions as collaterals for bank borrowings and for the fulfillment of certain contracts, which do not have a direct adverse effect on the operations or financial position of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(N) A domestic subsidiary of the Company, Samsung Card Co., Ltd. transferred certain eligible financial assets in accordance with the Act on Asset Backed Securitization of the Republic of Korea to several financial institutions ("FIs"). The transfer is with recourse and was completed through a Special Purpose Entity ("SPE") issued securities. In the event of non-performance of those transferred financial assets within certain measurement criteria noted in the transfer agreement, the Samsung Card is obliged to redeem the issued securities.

The transfer of the financial assets has been recognized as a sale and accordingly, have been derecognized from the financial statements. Total financial assets transferred amounted to ₩852,750 million for the year ended December 31, 2007 (2006: ₩1,448,439 million). As of December 31, 2007, ₩4,037,885 million (2006: ₩4,002,923 million) remain uncollected and outstanding with the financial institutions.

### 19. CAPITAL STOCK

Under its Articles of Incorporation, SEC is authorized to issue 500 million shares of capital stock with a par value of ₩5,000 per share, of which 100 million shares are cumulative, participating preferred stock that are non-voting and entitled to a minimum cash dividend at 9% of par value. In addition, SEC is authorized to issue to investors, other than current shareholders, convertible debentures and debentures with warrants with face values up to ₩4,000 billion and ₩2,000 billion, respectively. The convertible debentures amounting to ₩3,000 billion and ₩1,000 billion are assigned to common stock and preferred stock, respectively. While the debentures with warrants amounting to ₩1,500 billion and ₩500 billion are assigned to common stock and preferred stock, respectively.

SEC is also authorized, subject to the Board of Directors' approval, to issue shares of common or preferred stock to investors other than current shareholders for issuance of depository receipts, general public subscription, urgent financing with financial institutions, and strategic alliance.

SEC is authorized, subject to the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. As of December 31, 2007, the 8,310,000 shares of common stock and 1,060,000 shares of non-voting preferred stock had been retired over three tranches, with the Board of Directors' approval.

SEC has issued global depository receipts ("GDR"), representing certain shares of non-voting preferred stock and common stock, at overseas stock markets, are as follows:

	Number of Shares of Stock	Number of Shares of GDR
Non-voting preferred stock	7,695,272	15,390,544
Common stock	4,251,339	8,502,678

In addition to the above issuances, there have been several conversions of foreign currency convertible bonds into GDRs and conversions of the issued GDRs into original shares of common stock or non-voting preferred stock.

As of December 31, 2007, SEC's outstanding global depository receipts, as follows:

	Number of Shares of Stock	Number of Shares of GDR
Non-voting preferred stock	3,459,872	6,919,744
Common stock	10,629,358	21,258,716

As of December 31, 2007, exclusive of retired stocks, 147,299,337 shares of common stock and 22,833,427 shares of preferred stock have been issued. The preferred shares, which are non-cumulative and non-voting, were all issued on or before February 28, 1997, and are entitled to an additional cash dividend of 1% of par value over common stock.

The par value of capital stock differs from paid-in capital as the retirement of capital stock was recorded as a deduction from retained earnings.

## 20. RETAINED EARNINGS

Retained earnings as of December 31, 2007 and 2006, consist of the following:

(In millions of Korean won)

	2007	2006
<b>Appropriated</b>		
<b>Legal reserve</b>		
Earned surplus reserve <sup>1</sup>	₩ 450,789	₩ 450,789
Reserve for improvement of financial structure <sup>2</sup>	-	204,815
<b>Discretionary reserve</b>		
Reserve for improvement of financial structure <sup>2</sup>	204,815	-
Reserve for business rationalization	8,512,101	7,512,101
Reserve for overseas market development	510,750	510,750
Reserve for overseas investment losses	164,982	164,982
Reserve for research and human resource development	22,936,458	18,936,458
Reserve for export losses	167,749	167,749
Reserve for loss on disposal of treasury stock	2,550,000	2,000,000
Reserve for capital expenditure	8,216,439	6,660,814
	<b>43,714,083</b>	<b>36,608,458</b>
<b>Unappropriated</b>	7,351,091	7,855,225
	₩ <b>51,065,174</b>	₩ <b>44,463,683</b>

1. The Commercial Code of the Republic of Korea requires SEC 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 its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through a resolution of the Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the shareholders.

2. In accordance with the Regulation for Securities Issuance and Disclosure ("Regulation"), SEC is required 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 shareholders' equity equals 30% of total assets. This reserve was not available for the payment of cash dividends, but could be transferred to capital stock or used to reduce accumulated deficit, if any. However, effective December 21, 2007, the Regulation was amended and as result the Company is no longer required to further accumulate reserve and removed the restrictions on the usage of the existing reserve.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 21. DIVIDENDS

SEC declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2007 and 2006, and as year-end dividends for the years ended December 31, 2007 and 2006.

Details of interim dividends and year-end dividends are as follows:

#### (A) Interim Dividends

(In millions of Korean won and number of shares)

		2007		2006	
Number of shares eligible for dividends	Common stock	126,217,610 shares		128,519,810 shares	
	Preferred stock	19,853,734 shares		20,253,734 shares	
Dividend rate		10%		10%	
Dividend amount	Common stock	₩	63,109	₩	64,260
	Preferred stock		9,927		10,126
		₩	<b>73,036</b>	₩	<b>74,386</b>

#### (B) Year-end Dividends

(In millions of Korean won and number of shares)

		2007		2006	
Number of shares eligible for dividends	Common stock	126,427,076 shares		128,758,653 shares	
	Preferred stock	19,853,734 shares		20,253,734 shares	
Dividend rate	Common stock	150%		100%	
	Preferred stock	151%		101%	
Dividend amount	Common stock	₩	948,203	₩	643,793
	Preferred stock		149,896		102,282
		₩	<b>1,098,099</b>	₩	<b>746,075</b>

#### (C) Dividend Payout Ratio

(In millions of Korean won)

	2007		2006	
Dividends	₩	1,171,135	₩	820,461
Net income		7,420,579		7,926,087
<b>Dividend payout ratio</b>		<b>15.78%</b>		<b>10.35%</b>

#### (D) Dividend Yield Ratio

SEC declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2007 and 2006, and as year-end dividends for the years ended December 31, 2007 and 2006.

Details of interim dividends and year-end dividends are as follows:

	2007		2006	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Dividend per share	₩ 8,000	₩ 8,050	₩ 5,500	₩ 5,550
Market price <sup>1</sup>	566,600	426,700	611,400	486,000
<b>Dividend yield ratio</b>	<b>1.41%</b>	<b>1.89%</b>	<b>0.90%</b>	<b>1.14%</b>

1. The average closing price for the prior week from two trading days before closing date of shareholders' list.

## 22. TREASURY STOCK

SEC purchases its own common shares and non-voting preferred shares at market price for stock price stabilization. As of December 31, 2007, SEC holds 20,872,261 common shares with acquisition cost of ₩8,535,649 million, and 2,979,693 preferred shares with acquisition cost of ₩621,843 million, as treasury stock recorded as capital adjustment. As of December 31, 2006, SEC held 18,540,684 common shares with acquisition cost of ₩7,078,265 million, and 2,579,693 preferred shares with acquisition cost of ₩441,758 million. SEC is planning to use the treasury stock for stock options in the future.

## 23. STOCK OPTION PLAN

SEC has a stock option plan that provides for the granting of stock purchase options to employees or directors who have contributed or are expected to contribute to the management and technological innovation of SEC.

A summary of the terms of stock options granted is as follows:

	Date of the Grant							
	March 16, 2000	March 9, 2001	February 28, 2002	March 25, 2002	March 7, 2003	April 16, 2004	October 15, 2004	December 20, 2005
Quantity net of forfeitures and exercises	769,356	1,102,704	530,319	82,682	200,122	548,549	7,200	10,000
Exercise price <sup>1</sup>	₩ 272,700	₩ 197,100	₩ 329,200	₩ 342,800	₩ 288,800	₩ 580,300	₩ 460,500	₩ 606,700
Exercise period from the date of the grant <sup>2</sup>	3~10 years	3~10 years	2~10 years	2~10 years	2~10 years	2~10 years	2~4 years	2~10 years

1. The exercise price can be adjusted in the case of the issuance of new shares, stock dividends, stock splits, or stock mergers.

2. The options will be fully vested after two years of continuous employment from the date of grant.

The fair value of each option grant was estimated using the Black-Scholes option-pricing model based on the date of the grant using the following assumptions:

	Date of the Grant							
	March 16, 2000	March 9, 2001	February 28, 2002	March 25, 2002	March 7, 2003	April 16, 2004	October 15, 2004	December 20, 2005
Risk-free interest rates	9.08%	6.04%	5.71%	6.44%	4.62%	4.60%	3.56%	4.95%
Expected stock price volatility	69.48%	74.46%	64.97%	64.90%	60.08%	43.09%	42.46%	32.71%
Expected life	4 years	4 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	0.39%	0.89%	0.73%	0.74%	1.25%	0.73%	0.99%	1.14%

The compensation expense related to stock options amounted to ₩780 million for the year ended December 31, 2007. No compensation expense was estimated for future periods.

As of December 31, 2007, Samsung Card Co., Ltd., a domestic subsidiary, has granted 120,472 shares including 45,472 shares, which had been granted by Samsung Capital Co., Ltd. as part of the merger in 2004. The compensation expense recognized by Samsung Card Co., Ltd. was ₩2,237 million for the year ended December 31, 2006. The stock options of ₩1,231 million according to SEC's ownership ratio are included in a separate component of shareholders' equity as other capital adjustments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 24. INCOME TAX

The statutory income tax rate applicable to the Company, including resident surtax, is 27.5%.

Income tax expense for the years ended December 31, 2007 and 2006, consists of the following:

	(In millions of Korean won)	
	2007	2006
Current income taxes	₩ 1,833,087	₩ 1,652,083
Deferred income taxes	(95,524)	(10,702)
Items charged directly to shareholders' equity	(27,671)	(7,394)
	<b>₩ 1,709,892</b>	<b>₩ 1,633,987</b>

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 for the years ended December 31, 2007 and 2006:

	(In millions of Korean won)	
	2007	2006
Income before taxes	₩ 9,632,873	₩ 9,827,646
Statutory tax rate	27.5%	27.5%
Expected taxes at statutory rate	2,649,040	2,702,603
Tax credit	(1,049,744)	(1,120,772)
Others, net	110,596	52,156
Actual taxes	<b>₩ 1,709,892</b>	<b>₩ 1,633,987</b>
Effective tax rate	<b>17.75%</b>	<b>16.63%</b>

Deferred income tax assets and liabilities from tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2007, are as follows:

(In millions of Korean won)

	Temporary Differences			Deferred Income Tax Asset (Liabilities)				
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance	Current	Non-Current
<b>Deferred tax arising from temporary differences</b>								
Special reserves appropriated for tax purposes	₩ (2,042,850)	₩ 587,286	₩ (1,455,564)	₩ (561,784)	₩ 161,504	₩ (400,280)	₩ (36,667)	₩ (363,613)
Equity-method investments and others	(2,627,490)	(1,470,337)	(4,097,827)	(395,923)	(112,792)	(508,715)	-	(508,715)
Depreciation	(865,817)	496,575	(369,242)	(256,028)	132,543	(123,485)	1,598	(125,083)
Capitalized interest expense	(126,786)	77,068	(49,718)	(34,866)	21,193	(13,673)	-	(13,673)
Accrued income	(223,414)	13,701	(209,713)	(61,157)	3,580	(57,577)	(57,155)	(422)
Allowance(technical expense, others)	2,356,597	128,622	2,485,219	653,549	37,601	691,150	648,569	42,581
Deferred foreign exchange gains	24,112	(3,153)	20,959	6,506	(666)	5,840	472	5,368
Impairment losses on investments	532,066	(23,916)	508,150	149,489	(9,948)	139,541	425	139,116
Others	1,049,223	66,755	1,115,978	254,048	4,644	258,692	169,502	89,190
	₩ (1,924,359)	₩ (127,399)	₩ (2,051,758)	₩ (246,166)	₩ 237,659	(8,507)	726,744	(735,251)
<b>Deferred tax assets arising from the carryforwards</b>								
Undisposed accumulated deficit	₩ 3,353,235	₩ (126,967)	₩ 3,226,268	₩ 246,060	₩ 60,263	306,323	20,090	286,233
Tax credit carryforwards	₩ 1,341,941	₩ (101,330)	₩ 1,240,611	₩ 988,122	₩ (196,903)	791,219	787,929	3,290
<b>Deferred tax relating to items charged to equity</b>								
	₩ (1,283,947)	₩ (2,278,554)	₩ (3,562,501)	₩ (355,117)	₩ (399,886)	(755,003)	(1,456)	(753,547)
						₩ 334,032	₩ 1,533,307	₩ (1,199,275)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

Deferred income tax assets and liabilities from tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2006, were as follows:

(In millions of Korean won)

	Temporary Differences			Deferred Income Tax Asset (Liabilities)				
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance	Current	Non-Current
<b>Deferred tax arising from temporary differences</b>								
Special reserves appropriated for tax purposes	₩ (2,054,259)	₩ 11,409	₩ (2,042,850)	₩ (564,094)	₩ 2,310	₩ (561,784)	₩ (160,417)	₩ (401,367)
Equity-method investments and others	(1,280,543)	(1,346,947)	(2,627,490)	(287,144)	(108,779)	(395,923)	-	(395,923)
Depreciation	(618,076)	(247,741)	(865,817)	(184,221)	(71,807)	(256,028)	(5,681)	(250,347)
Capitalized interest expense	(139,753)	12,967	(126,786)	(38,432)	3,566	(34,866)	-	(34,866)
Accrued income	(449,617)	226,203	(223,414)	(123,627)	62,470	(61,157)	(60,735)	(422)
Accrued expenses	2,204,061	152,536	2,356,597	603,695	49,854	653,549	548,076	105,473
Deferred foreign exchange gains	26,628	(2,516)	24,112	7,221	(715)	6,506	(462)	6,968
Impairment losses on investments	631,212	(99,146)	532,066	174,830	(25,341)	149,489	229	149,260
Others	765,310	283,913	1,049,223	153,779	100,269	254,048	134,872	119,176
	₩ (915,037)	₩ (1,009,322)	₩ (1,924,359)	₩ (257,993)	₩ 11,827	(246,166)	455,882	(702,048)
<b>Deferred tax assets arising from the carryforwards</b>								
Undisposed accumulated deficit	₩ 3,773,184	₩ (419,949)	₩ 3,353,235	₩ 334,513	₩ (88,453)	246,060	28,411	217,649
Tax credit carryforwards	₩ 1,236,484	₩ 105,457	₩ 1,341,941	₩ 909,804	₩ 78,318	988,122	980,149	7,973
<b>Deferred tax relating to items charged to equity</b>								
	₩ (757,513)	₩ (526,434)	₩ (1,283,947)	₩ (210,876)	₩ (144,241)	(355,117)	(2,308)	(352,809)
						₩ 632,899	₩ 1,462,134	₩ (829,235)

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



Temporary differences, whose deferred tax effects were not recognized due to the uncertainty regarding ultimate realizability such assets, as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)					
		2007		2006	
I . Deductible temporary differences	Equity-method investments and others <sup>2</sup>	₩	422,188	₩	1,631,015
	Undisposed accumulated deficit		2,235,756		2,457,237
	Tax credit carryforwards		413,966		318,588
	Others		161,308		137,061
II . Taxable temporary differences	Land revaluation <sup>1</sup>		(398,538)		(399,034)
	Equity-method investments and others <sup>2</sup>		(1,807,196)		(1,884,373)
	Others		(344)		(1,026)

1. It is uncertain that the temporary differences arising from the revaluation of the land are realizable as it is uncertain that the land will be disposed in the foreseeable future.

2. The Company does not expect cash inflows, such as proceeds from the disposal of, or receipts of dividends from earnings arising from certain subsidiaries and equity method investments within the foreseeable future.

Deferred income tax assets and liabilities and income tax expense charged directly to shareholders' equity as of and for the years ended December 31, 2007 and 2006, are as follows:

(In millions of Korean won)					
		2007		2006	
I . Deferred income tax assets and liabilities					
	Gain(Loss) on valuation of available-for-sale securities and others	₩	(755,003)	₩	(355,117)
II . Income tax expense					
	Gain on sale of treasury stock and others	₩	(27,671)	₩	(7,394)

In accordance with the *Korea Accounting Institute Opinion 06-2* announced on December 29, 2006, the Company changed its method of recognizing deferred income taxes on temporary difference in relation to investments in subsidiaries and equity-method investees. The Company's consolidated financial statements for the year ended December 31, 2006, presented herein for comparative purposes, have not been restated as permitted under the *Korea Accounting Institute Opinion 06-2*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 25. EARNINGS PER SHARE

Earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year.

Basic earnings per share for the years ended December 31, 2007 and 2006, are calculated as follows:

	(In millions of Korean won and number of shares)	
	2007	2006
Net income as reported on the statements of income	₩ 7,420,579	₩ 7,926,087
Adjustments:		
Dividends for preferred stock	(159,823)	(112,408)
Undeclared participating preferred stock dividend	(825,162)	(965,779)
Excess of purchase price of preferred stock	(169,607)	-
Net income available for common stock	6,265,987	6,847,900
Weighted-average number of common shares outstanding	126,580,267	129,499,781
<b>Earnings per share (in Korean won)</b>	<b>₩ 49,502</b>	<b>₩ 52,880</b>

Diluted earnings per share for the years ended December 31, 2007 and 2006, are calculated as follows:

	(In millions of Korean won and number of shares)	
	2007	2006
Net income available for common stock	₩ 6,265,987	₩ 6,847,900
Adjustment: Compensation expense for stock options	-	-
Net income available for common stock and common equivalent shares	6,265,987	6,847,900
Weighted-average number of shares of common stock and common equivalent shares <sup>1</sup> outstanding	128,075,176	131,388,160
<b>Diluted earnings per share (in Korean won)</b>	<b>₩ 48,924</b>	<b>₩ 52,120</b>

1. Common equivalent shares:

2007	Number of shares	Weight	Common Stock Equivalent
Stock options	1,494,909	365/365	1,494,909
2006	Number of shares	Weight	Common Stock Equivalent
Stock options	1,888,379	365/365	1,888,379

The number of dilutive shares of outstanding stock options is calculated by applying the treasury stock method.

Under the treasury stock method, the proceeds from the exercise of the stock options are assumed to be used to purchase common stock at the average market price. The incremental number shares which is the difference between the number of shares assumed to be issued and the number of shares assumed to be purchased, is included in the denominator in calculating diluted earnings per share.

Potential ordinary shares that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share for the year ended December 31, 2007, because they are anti-dilutive, are as follows:

	Exercise Period	Quantity	Exercise Price (Per share)	
Stock options	April 17, 2006 ~ April 16, 2014	548,549 shares	₩	580,300
Stock options	December 21, 2007 ~ December 20, 2015	10,000 shares	₩	606,700

## 26. CONSOLIDATED COMPREHENSIVE INCOME

Consolidated comprehensive income for the years ended December 31, 2007 and 2006, consist of:

(In millions of Korean won)

	2007	2006
Net income	₩ 7,922,981	₩ 8,193,659
Other cumulative comprehensive income		
Gain on valuation of available-for-sale securities, net of tax of ₩338,645 million (2006: ₩80,697 million)	941,648	220,660
Loss on valuation of available-for-sale securities, net of tax of ₩221 million (2006: ₩8,191 million)	248	21,286
Gain on valuation of equity-method investments, net of tax of ₩60,599 million (2006: nil)	109,633	18,574
Loss on valuation of equity-method investments, net of tax of ₩459 million (2006: nil)	35,870	20,082
Gain (loss) on translation of foreign operation, net of tax of ₩13,828 million (2006: ₩56,752 million)	525,538	(156,147)
Gain (loss) on valuation of derivative instruments, net of tax of ₩2,202 million (2006: ₩1,399 million)	5,761	(3,734)
<b>Consolidated comprehensive income</b>	<b>₩ 9,541,679</b>	<b>₩ 8,314,380</b>
Comprehensive income of controlling interests	₩ 8,763,144	₩ 8,013,574
Comprehensive income of minority interests	778,535	300,806
	<b>₩ 9,541,679</b>	<b>₩ 8,314,380</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 27. RELATED PARTY TRANSACTIONS

(A) Significant transactions between SEC and its consolidated subsidiaries, which have been eliminated during consolidation, for the years ended December 31, 2007 and 2006, and the related receivables and payables as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Subsidiaries	Sales		Purchases		Receivables <sup>1</sup>		Payables	
	2007	2006	2007	2006	2007	2006	2007	2006
SJC	₩ 3,878,456	₩ 3,798,069	₩ 1,816,334	₩ 2,100,737	₩ 266,067	₩ 194,106	₩ 164,459	₩ 244,467
SLCD	1,272,13	4,930,983	2,401,750	1,940,542	618,180	327,564	270,395	161,129
STA	2,042,880	1,248,304	490,280	401,378	240,957	110,333	182,683	166,839
SET	4,846,588	3,987,161	749,573	578,541	389,544	334,475	31,958	42,696
SSI	6,339,597	6,797,940	32,249	9,471	537,142	589,577	-	-
SAPL	1,977,577	2,318,294	868,209	880,677	166,710	189,049	43,345	36,921
SEHK	2,602,602	2,293,407	1,251,867	1,053,224	305,260	246,390	67,928	40,261
SEA	681,968	619,432	1,588,155	1,310,381	136,749	138,846	58,545	65,619
SSEG	4,683,872	3,866,865	16,476	5,405	566,969	371,801	5,712	3,324
SEO	683,950	1,726,447	43,322	58,595	210,339	292,635	13,087	20,103
SEUK	1,275,001	1,386,474	128,178	122,189	24,554	40,646	46,473	54,091
SEF	1,149,175	989,792	26,613	31,421	100,131	77,575	14,228	24,730
SSEL	1,285,898	1,289,931	1,855	148	192,224	219,342	8	3,702
SII	697,578	678,497	21,106	15,517	81,189	66,468	320	2,010
SEI	478,643	797,545	38,400	45,937	33,078	30,600	26,220	41,100
SELS	361,466	340,656	8,378	3,260	68,825	87,094	1,466	184
TSTC	3,039,144	2,549,547	14,179	179	259,299	236,333	1,051	-
SESC	128,307	125,752	418,026	290,226	25,235	11,936	46,305	41,010
Others	12,055,982	10,750,083	5,689,401	5,063,732	1,586,341	1,301,644	926,603	935,168
	<b>₩ 49,480,818</b>	<b>₩ 46,495,179</b>	<b>₩ 15,604,351</b>	<b>₩ 13,911,560</b>	<b>₩ 5,808,793</b>	<b>₩ 4,866,414</b>	<b>₩ 1,900,786</b>	<b>₩ 1,883,354</b>

1. Include the sale of subsidiaries' receivables as of December 31, 2007 and 2006.

(B) Significant transactions among subsidiaries for the years ended December 31, 2007 and 2006, and the related receivables as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Seller	Purchaser	Sales		Receivables	
		2007	2006	2007	2006
SESK	SELS	₩ 3,832,499	₩ 1,973,548	₩ 295,821	₩ 192,821
SII	SEA	3,180,049	2,621,556	106,428	46,979
SEH	SELS	1,800,663	820,901	157,534	95,280
TSTC	STA	1,216,822	978,057	22,088	64,246
SELS	SEUK	1,171,582	538,778	16,292	8,503
SELS	SEF	1,147,339	758,010	13,920	22,697
SSI	SII	1,017,949	584,015	70,869	45,906
SSKMT	STA	988,373	881,494	75,713	84,099
SSEG	SESK	943,860	625,352	81,362	28,664
SET	SESK	917,890	536,355	113,318	23,077
TSED	SCIC	845,589	654,289	63,120	40,047
SET	SEH	822,217	357,502	92,878	25,857
SELS	SEG	815,416	482,308	32,299	8,033
SELS	SEI	784,213	461,140	9,760	1,365
SET	TSED	693,862	413,651	74,450	38,805
Others		23,811,663	17,111,864	2,814,220	1,813,791
		₩ 43,989,986	₩ 29,798,820	₩ 4,040,072	₩ 2,540,170

The intercompany loans resulting from significant transactions among subsidiaries for the year ended December 31, 2007, amount to ₩1,516,374 million (2006: ₩1,170,074 million).

(C) Significant transactions between SEC and equity-method investees for the years ended December 31, 2007 and 2006, and the related receivables and payables as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Equity-method Investees	Sales		Purchases		Receivables		Payables	
	2007	2006	2007	2006	2007	2006	2007	2006
Samsung SDI Co., Ltd.	₩120,793	₩168,755	₩ 860,198	₩1,279,239	₩ 9,783	₩ 19,300	₩ 86,296	₩127,143
Samsung SDS Co., Ltd.	33,563	46,032	726,661	693,679	12,368	13,477	158,481	126,857
Samsung Electro-Mechanics Co., Ltd.	32,109	40,187	1,126,395	1,090,620	2,664	8,532	64,529	86,312
Samsung Corning Precision Glass Co., Ltd.	132,233	5,793	865,935	724,817	12,562	100	47,330	4,254
Samsung Techwin Co., Ltd.	66,099	75,363	448,501	578,741	22,520	24,200	31,413	50,216
Seoul Commtech Co., Ltd.	9,868	7,783	127,668	96,744	5,807	2,760	32,633	36,411
Others	11,699	12,255	240,480	379,001	26,441	25,952	42,035	42,737
	₩406,364	₩356,168	₩4,395,838	₩4,842,841	₩ 92,145	₩ 94,321	₩462,717	₩473,930

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(D) Significant transactions between subsidiaries and equity-method investees for the years ended December 31, 2007 and 2006, and the related receivables as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Seller	Purchaser	Sales		Receivables	
		2007	2006	2007	2006
Samsung SDI Co., Ltd.	SII	₩ 415,381	₩ 413,178	₩ 14,174	₩ 7,455
Samsung SDI Co., Ltd.	SESK	292,685	247,197	16,142	12,201
SJC	Samsung SDI Co., Ltd.	236,834	651,505	20,248	37,685
Samsung Techwin Co., Ltd.	SEO	119,758	47,605	-	-
SJC	Samsung Electro-Mechanics Co., Ltd.	109,669	128,860	11,925	14,334
SJC	Samsung Techwin Co., Ltd.	87,960	95,040	25,980	14,692
Samsung Corning Co., Ltd.	SESK	59,200	51,482	-	2,375
Samsung SDI Co., Ltd.	SDMA	53,971	9,609	1,434	284
Samsung SDI (Malaysia) Sdn. Bhd.	SAPL	46,415	57,720	1,138	9
Samsung SDI Co., Ltd.	TSE	43,166	24,251	806	1,876
Others		456,806	444,294	52,985	44,226
		<b>₩ 1,921,845</b>	<b>₩ 2,170,741</b>	<b>₩ 144,832</b>	<b>₩ 135,137</b>

(E) Significant transactions between SEC and its related parties, which are not subsidiaries or equity-method investees, for the years ended December 31, 2007 and 2006, and the related receivables and payables as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Others	Sales		Purchases		Receivables		Payables	
	2007	2006	2007	2006	2007	2006	2007	2006
Samsung Corporation	₩ 20,293	₩ 31,335	₩1,298,578	₩1,729,644	₩ 14,022	₩ 28,630	₩ 333,796	₩ 499,446
iMarketKorea Inc.	62,371	42,117	291,739	334,574	33,590	13,066	92,690	102,870
Samsung Life Insurance Co., Ltd.	62,796	43,741	18,001	13,392	25,973	20,926	431	565
Cheil Communications Inc.	1,100	1,197	258,634	283,991	16	62	208,817	205,040
Samsung Everland Co., Ltd.	2,417	1,396	232,829	227,633	214,905	213,362	31,059	37,614
Samsung Heavy Industries Co., Ltd.	10,148	17,714	91,722	153,616	3,295	12,832	26,095	14,558
Samsung Fire & Marine Insurance Co., Ltd.	30,315	14,547	168,333	156,753	1,285	707	14,295	2,030
Samsung America Inc.	588	-	45,323	43,089	593	-	130,368	103,834
Samsung Deutschland GmbH	1,732	-	1,217,046	1,103,072	3	-	63,838	123,334
Others	118,937	109,570	454,761	358,003	16,073	9,663	59,719	79,723
	<b>₩ 310,697</b>	<b>₩ 261,617</b>	<b>₩ 4,076,966</b>	<b>₩ 4,403,767</b>	<b>₩ 309,755</b>	<b>₩ 299,248</b>	<b>₩ 961,108</b>	<b>₩ 1,169,014</b>

(F) Significant transactions between subsidiaries and related parties, which are not subsidiaries or equity-method investees, for the years ended December 31, 2007 and 2006, and the related receivables and payables as of December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

Seller	Purchaser	Sales		Receivables	
		2007	2006	2007	2006
Samsung Corporation	SAPL	₩ 474,577	₩ 308,782	₩ 39,676	₩ 14,605
SJC	Samsung Heavy Industries Co., Ltd.	407,551	377,517	23,484	24,018
Samsung America Inc.	SAS	260,289	17,528	212,892	1,070
Samsung Corporation	SJC	250,603	213,642	4,219	5,349
Samsung Deutschland GmbH	SAS	155,310	21,744	120,276	-
SAPL	Samsung Petrochemical Co., Ltd.	113,548	61,783	15,158	11,320
Samsung Electro-Mechanics America, Inc.	SII	88,638	-	6,569	-
Samsung Electro-Mechanics Germany, GmbH	SESK	84,971	52,581	3,583	1,770
Samsung Electro-Mechanics Germany, GmbH	SEH	84,199	28,952	4,298	993
Scommtech Japan Co., Ltd.	SJC	73,360	-	15,496	-
Others		1,144,271	2,029,319	124,644	281,190
		<b>₩ 3,137,317</b>	<b>₩ 3,111,848</b>	<b>₩ 570,295</b>	<b>₩ 340,315</b>

Further, as of December 31, 2007, the balances of beneficiary certificates from Samsung Securities Co., Ltd. amounted to ₩503,934 million (2006: ₩1,156,158 million) (Note 5). Also, the Company has entered into a severance insurance plan with Samsung Life Insurance Co., Ltd., and fire and other insurance policies with Samsung Fire & Marine Insurance Co., Ltd. In addition, Samsung Card Co., Ltd. a domestic subsidiary, purchased defined benefit pension plan from Samsung Life Insurance Co., Ltd. (Note 16).

As of December 31, 2007 and 2006, Samsung Card Co., Ltd., a domestic subsidiary, has general term loans amounting to ₩320,000 million from Samsung Life Insurance Co., Ltd. (Note 14).

As of December 31, 2007, SEC is contingently liable for guarantees of indebtedness, principally for related parties, approximating ₩7,693 million in loans and drawn facilities which have a maximum limit of US\$3,020 million (Note 18).

For the year ended December 31, 2007, SEC recognized expenses for short-term benefits of ₩24,546 million, long-term benefits of ₩24,910 million and severance benefits of ₩7,514 million as key management compensation. Key management consists of registered executive officers who have the authority and responsibility in the planning, directing and controlling of Company operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

### 28. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and expensed for the years ended December 31, 2007 and 2006, consist of the following:

	2007		2006	
Research expenses	₩	2,353,844	₩	2,252,848
Ordinary development expenses		3,720,115		3,461,914
	₩	<b>6,073,959</b>	₩	<b>5,714,762</b>

(In millions of Korean won)

### 29. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2007 and 2006, assets and liabilities denominated in foreign currencies are as follows:

(In millions of Korean won and foreign currencies in thousands)

Account	Foreign Currency	Foreign Companies			Domestic Companies		
		2007		2006	2007		2006
		Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)
Foreign currency deposits	US\$	882,042	₩ 827,532	₩ 441,739	729,657	₩ 684,564	₩ 150,076
	JPY	1,561,432	13,012	26,261	11,187,056	93,225	3,284
	EUR	451,097	623,082	330,193	41,243	56,967	2,401
	Others		1,372,737	1,171,310		338	869
			<b>2,836,363</b>	<b>1,969,503</b>		<b>835,094</b>	<b>156,630</b>
Trade accounts and notes receivable	US\$	1,458,416	1,368,286	1,824,597	537,061	503,871	378,541
	JPY	116,763,649	973,027	770,981	3,257,747	27,148	35,893
	EUR	1,688,533	2,332,303	1,790,668	22,415	30,961	29,565
	Others		4,951,467	3,362,367		2,558	5,022
			<b>9,625,083</b>	<b>7,748,613</b>		<b>564,538</b>	<b>449,021</b>
Other assets	US\$	279,164	261,912	97,542	318,230	298,564	162,721
	JPY	30,122,753	251,022	254,411	2,504,357	20,870	3,763
	EUR	109,064	150,645	67,005	29,866	41,253	30,312
	Others		331,463	370,278		6,676	45,899
			<b>995,042</b>	<b>789,236</b>		<b>367,363</b>	<b>242,695</b>
<b>Total foreign currency assets</b>			<b>₩ 13,456,488</b>	<b>₩ 10,507,352</b>		<b>₩ 1,766,995</b>	<b>₩ 848,346</b>



(In millions of Korean won and foreign currencies in thousands)

Account	Foreign Currency	Foreign Companies			Domestic Companies		
		2007		2006	2007		2006
		Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)
Trade accounts and notes payable	US\$	920,094	₩ 863,232	₩ 410,685	460,172	₩ 431,733	₩ 298,669
	JPY	114,779,592	956,493	923,962	33,096,452	275,803	262,852
	EUR	120,820	166,883	111,063	2,526	3,489	4,918
	Others		2,664,612	1,749,856		468	1,745
			<b>4,651,220</b>	<b>3,195,566</b>		<b>711,493</b>	<b>568,184</b>
Short-term borrowings (including document against acceptance)			1,878,552	1,935,889		4,323,095	3,760,967
Other current liabilities	US\$	665,776	624,631	579,997	1,457,630	1,367,549	1,133,957
	JPY	7,858,906	65,491	55,031	19,764,000	164,699	211,692
	EUR	854,414	1,180,168	761,135	421,022	581,541	520,968
	Others		1,532,585	1,081,403		90,843	80,430
			<b>3,402,875</b>	<b>2,477,566</b>		<b>2,204,632</b>	<b>1,947,047</b>
Long-term other accounts payable	US\$	100,000	93,820	140,765	313,178	293,824	295,383
	Others		102,433	64,511		24,618	41,078
			<b>196,253</b>	<b>205,276</b>		<b>318,442</b>	<b>336,461</b>
Foreign currency notes and bonds (including current portions)	US\$	50,000	46,910	46,480	205,000	192,331	92,960
Long-term debts (including current maturities)	US\$	45,772	42,943	29,144	310,000	290,842	250,992
	JPY	5,824,000	48,533	78,871	-	-	-
	EUR	-	-	17,329	-	-	-
	Others		187,246	103,484		-	-
			<b>278,722</b>	<b>228,828</b>		<b>290,842</b>	<b>250,992</b>
<b>Total foreign currency liabilities</b>			<b>₩10,454,532</b>	<b>₩ 8,089,605</b>		<b>₩ 8,040,835</b>	<b>₩ 6,956,611</b>

Monetary assets and liabilities of overseas subsidiaries after eliminating intercompany transactions are translated at the foreign exchange rate in effect as of the balance sheet date.

Foreign currency translation gains and losses for the year ended December 31, 2007, amounted to ₩128,577 million and ₩122,597 million, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 30. SEGMENT INFORMATION

A summary of consolidated financial data by industry as of December 31, 2007 and 2006, and for the years then ended, are follows:

(In millions of Korean won)

	Consolidated Balance Sheets by Industry			
	Non-financial Business		Financial Business	
	2007	2006	2007	2006
<b>Assets</b>				
Current assets	₩ 35,437,169	₩ 29,619,547	₩ 6,464,785	₩ 5,367,432
Investments	7,497,133	5,846,111	5,727,153	5,241,496
Property, plant and equipment	37,336,483	33,719,089	45,100	65,691
Intangible assets	645,247	572,191	59,429	86,194
Other non-current assets	1,394,431	1,240,492	197,410	391,278
<b>Total assets</b>	<b>₩ 82,310,463</b>	<b>₩ 70,997,430</b>	<b>₩ 12,493,877</b>	<b>₩ 11,152,091</b>
<b>Liabilities</b>				
Current liabilities	₩ 24,976,013	₩ 20,603,624	₩ 4,819,963	₩ 4,917,322
Non-current liabilities	3,492,217	3,323,390	4,115,035	4,414,216
<b>Total liabilities</b>	<b>₩ 28,468,230</b>	<b>₩ 23,927,014</b>	<b>₩ 8,934,998</b>	<b>₩ 9,331,538</b>

(In millions of Korean won)

	Consolidated Balance Sheets by Industry			
	Non-financial Business		Financial Business	
	2007	2006	2007	2006
Sales	₩ 96,090,565	₩ 83,243,925	₩ 2,426,287	₩ 2,604,957
Cost of sales	69,940,425	59,130,794	939,409	924,973
Selling, general and administrative expenses	17,681,817	15,336,123	981,220	1,328,439
Operating profit	8,468,323	8,777,008	505,658	351,545
Non-operating income	4,157,704	3,380,706	183,424	12,520
Non-operating expenses	3,482,316	2,564,878	3,318	1,791
Income before income tax	9,143,711	9,592,836	685,764	362,274
Income tax expense	1,555,717	1,543,583	154,175	90,404
<b>Net income</b>	<b>₩ 7,587,994</b>	<b>₩ 8,049,253</b>	<b>₩ 531,589</b>	<b>₩ 271,870</b>
Controlling interests	7,420,579	7,926,087		
Minority interests	167,415	123,166		
	<b>₩ 7,587,994</b>	<b>₩ 8,049,253</b>		

The above consolidated financial statements of the non-financial business include the financial service subsidiary which is accounted for using the equity method.

Operating data according to business segment as of and for the year ended December 31, 2007:

(In millions of Korean won)

	2007 Summary of Business by Segment							
	Digital Media	Telecommuni-cations	Semi-Conductor	LCD	Device Appliances	Others	Elimination	Consolidated
Gross sales	₩58,534,569	₩42,088,316	₩41,765,150	₩32,500,801	₩12,798,707	₩20,904,080	₩(110,083,806)	₩98,507,817
Intersegment sales	(32,021,284)	(18,321,048)	(19,433,649)	(15,438,278)	(5,944,129)	(12,840,411)	103,998,799	-
Net sales <sup>1</sup>	₩26,513,285	₩23,767,268	₩22,331,501	₩17,062,523	₩ 6,854,578	₩ 8,063,669	₩ (6,085,007)	₩98,507,817
Operating profit <sup>2</sup>	₩ 1,061,601	₩ 2,756,586	₩ 2,347,239	₩ 2,115,629	₩ 159,835	532,396	-	₩ 8,973,286
<b>Total assets</b>	<b>₩20,759,123</b>	<b>₩16,159,900</b>	<b>₩35,051,679</b>	<b>₩17,750,581</b>	<b>₩ 4,751,512</b>	<b>₩24,269,932</b>	<b>₩ (25,367,591)</b>	<b>₩93,375,136</b>

1. Net sales include intersegment sales of SEC and foreign subsidiaries.

2. Operating profit of each segment is inclusive of all consolidation eliminations.

Operating data according to business segment as of and for the year ended December 31, 2006:

(In millions of Korean won)

	2006 Summary of Business by Segment							
	Digital Media	Telecommuni-cations	Semi-Conductor	LCD	Device Appliances	Others	Elimination	Consolidated
Gross sales	₩44,766,941	₩36,365,140	₩42,483,360	₩26,316,368	₩10,277,254	₩17,177,358	₩(91,551,817)	₩85,834,604
Intersegment sales	(23,991,979)	(16,115,381)	(19,655,736)	(12,403,400)	(4,738,417)	(9,495,148)	86,400,061	-
Net sales <sup>1</sup>	₩20,774,962	₩20,249,759	₩22,827,624	₩13,912,968	₩ 5,538,837	₩ 7,682,210	₩ (5,151,756)	₩85,834,604
Operating profit (loss) <sup>2</sup>	₩ 744,178	₩ 1,937,747	₩ 5,129,845	₩ 857,180	₩ (71,213)	₩ 531,288	-	₩ 9,129,025
<b>Total assets</b>	<b>₩14,058,014</b>	<b>₩12,906,452</b>	<b>₩31,083,615</b>	<b>₩17,064,598</b>	<b>₩ 3,789,101</b>	<b>₩20,471,589</b>	<b>₩(18,007,163)</b>	<b>₩81,366,206</b>

1. Net sales include intersegment sales of SEC and foreign subsidiaries.

2. Operating profit of each segment is inclusive of all consolidation eliminations.

The presentation and classification of 2006 was revised for comparability with 2007 presentation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

Operating data of entities classified according to geographic area as of and for the year ended December 31, 2007:

(In millions of Korean won)

	2007 Summary of Business by Geographic Area							
	Korea		Americas	Europe	Asia	China	Elimination	Consolidated
	Domestic	Export						
Gross sales	₩ 18,962,111	₩57,414,865	₩ 31,657,811	₩ 41,703,043	₩ 23,668,887	₩ 35,184,906	₩ (110,083,806)	₩ 98,507,817
Intersegment sales	(4,788,207)	(50,449,491)	(12,089,350)	(14,751,677)	(7,928,861)	(20,076,220)	110,083,806	-
Net sales	₩ 14,173,904	₩ 6,965,374	₩ 19,568,461	₩ 26,951,366	₩ 15,740,026	₩ 15,108,686	-	₩ 98,507,817
Operating profit	₩	6,819,490	₩ 206,549	₩ 641,551	₩ 329,685	₩ 723,686	₩ 252,325	₩ 8,973,286
<b>Total assets</b>	<b>₩</b>	<b>84,014,706</b>	<b>₩10,458,239</b>	<b>₩10,877,916</b>	<b>₩ 5,593,774</b>	<b>₩ 7,798,092</b>	<b>₩(25,367,591)</b>	<b>₩93,375,136</b>

Operating data of entities classified according to geographic area as of and for the year ended December 31, 2006:

(In millions of Korean won)

	2006 Summary of Business by Geographic Area							
	Korea		Americas	Europe	Asia	China	Elimination	Consolidated
	Domestic	Export						
Gross sales	₩17,532,929	₩53,234,429	₩ 27,794,408	₩ 31,385,995	₩ 21,585,644	₩ 25,853,016	₩ (91,551,817)	₩ 85,834,604
Intersegment sales	(4,532,519)	(46,978,990)	(9,809,096)	(9,377,729)	(6,777,997)	(14,075,486)	91,551,817	-
Net sales	₩13,000,410	₩ 6,255,439	₩ 17,985,312	₩ 22,008,266	₩ 14,807,647	₩ 11,777,530	-	₩ 85,834,604
Operating profit	₩	7,541,161	₩ 163,898	₩ 552,440	₩ 217,307	₩ 325,752	₩ 328,467	₩ 9,129,025
<b>Total assets</b>	<b>₩</b>	<b>74,253,472</b>	<b>₩ 7,154,657</b>	<b>₩ 7,751,904</b>	<b>₩ 4,647,950</b>	<b>₩ 5,565,386</b>	<b>₩ (18,007,163)</b>	<b>₩ 81,366,206</b>

The presentation and classification of 2006 was revised for comparability with 2007 presentation.

### 31. TRANSACTION NOT AFFECTING CASH FLOWS

Significant transactions not affecting cash flows for the years ended December 31, 2007 and 2006, are as follows:

(In millions of Korean won)

	2007		2006	
Write-off of accounts receivables and financing receivables	₩	483,841	₩	1,473,054
Gain on valuation of available-for-sale securities		956,298		225,203
Loss on valuation of available-for-sale securities		1,139		11,164
Decrease in gain on valuation of available-for-sale securities due to disposal		14,650		4,543
Decrease in loss on valuation of available-for-sale securities due to disposal		1,387		32,450
Gain on valuation of equity-method investments		109,633		18,574
Loss on valuation of equity-method investments		35,870		20,082
Current maturities of long-term prepaid expenses		168,268		193,860
Current maturities of long-term debts and foreign currency notes and bonds		1,983,225		2,317,933
Transfer of construction-in-progress and machinery in transit to other property, plant and equipment accounts		11,834,995		10,941,017
Current maturities of other long-term liabilities		304,374		332,435
Current maturities of long-term advances received		171,383		165,917
Current maturities of long-term accrued expenses		433,943		1,254

### 32. SUBSEQUENT EVENT

Subsequent to December 31, 2007, Samsung Card Co., Ltd. issued unguaranteed bonds amounting to ₩455,000 million.

### 33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as of and for the year ended December 31, 2007, were approved by SEC's Board of Directors on March 4, 2008.

## INVESTOR INFORMATION

### SHARES

Samsung Electronics shares are traded on the Korea Exchange under code "005930" for common stock and "005935" for preferred stock. As of December 31, 2007, there were 147,299,337 common and 22,833,427 preferred shares issued and outstanding. All shares have a par value of KRW5,000. Samsung global depository receipts are traded on the London Stock Exchange under the "SMSN LI" ticker symbol for common shares and "SMSD" symbol for preferred shares. Preferred GDRs are also traded on the Luxemburg Stock Exchange under the symbol "SAMDR." A total of 24,284,064 GDRs are currently outstanding, representing 12,142,032 common shares.

### STOCK PERFORMANCE

Our fiscal year follows the calendar year, with quarters ending March 31, June 30, September 30, and December 31.

### KOREA EXCHANGE

Share price in KRW

2007	High	Low	Close
Q1	625,000	562,000	563,000
Q2	604,000	532,000	566,000
Q3	687,000	534,000	575,000
Q4	614,000	507,000	556,000

### LONDON STOCK EXCHANGE

GDR price in USD

2007	High	Low	Close
Q1	336.75	292.25	304.25
Q2	320.50	284.50	309.50
Q3	372.00	288.50	313.75
Q4	334.00	272.50	292.75

### DIVIDENDS

In 2007, we declared a total dividend of KRW8,000 for each common share and KRW8,050 for each preferred share, resulting in a total payout of KRW1171.1 billion. We also invested KRW1825.4 billion to repurchase 2,800,000 common shares and 400,000 preferred shares as part of our ongoing efforts to increase shareholder value. The total payout ratio for the year was 40.4%.

### GDR DEPOSITORY AGENT

For information regarding our global depository receipts, please contact Citibank, N.A. DR Shareholder Services in the US at 877-248-4237, or e-mail your inquiry to [citibank@shareholders-online.com](mailto:citibank@shareholders-online.com).

### INDEPENDENT AUDITORS

Samil PricewaterhouseCoopers  
Kukje Center Building, 21st Floor  
191, Hangangno 2-ga, Yongsan-gu  
Seoul 140-702, Korea  
82-2-709-0800

### IMPORTANT INVESTOR NOTE

This report may contain certain forward-looking statements that reflect the current views and expectations of Samsung Electronics with respect to its performance, businesses, and future events. Please understand that these statements are subject to a number of risks, uncertainties, and assumptions, any of which could cause actual results to materially differ from the plans, objectives, expectations, estimates, and intentions expressed in this annual report. In no event will Samsung Electronics nor any of its subsidiaries, affiliates, directors, officers, agents, or employees be liable before any third party, including investors, for any investment or business decision made or action taken based on information and statements contained in this annual report or for any consequential, special, or similar damages.

### ADDITIONAL INFORMATION

The 2007 Samsung Electronics Annual Report and the latest investor information are available online at [www.samsung.com/ir](http://www.samsung.com/ir). You may also contact us at [irteam@samsung.co.kr](mailto:irteam@samsung.co.kr).

For information, please visit [www.samsung.com](http://www.samsung.com).

## GLOBAL NETWORK

### HEADQUARTERS

### GLOBAL HEADQUARTERS

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Seoul 100-742 Korea  
Tel: 82-2-751-7114  
Fax: 82-2-727-7892  
www.samsung.com

### REGIONAL HEADQUARTERS

#### North America

Samsung Electronics  
North America Headquarters  
105 Challenger Road, Ridgefield Park,  
NJ 07660, USA

#### Latin America

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Latin America Headquarters  
Samsung Electronica Da Amazonia  
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12901 - 8 andar - Torre Oeste,  
Brooklin Novo - CEP 04578-000,  
Sao Paulo - SP, Brasil

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Europe Headquarters  
Samsung House, 1000 Hillswood Drive,  
Chertsey, Surrey, KT16 0PS

#### Southeast Asia

Samsung Electronics  
Southeast Asia Headquarters  
3 Church Street #26-02 Samsung Hub,  
Singapore 049483, Singapore

#### China

Samsung Electronics China Headquarters  
23/F China Merchants Tower No.2,  
Dong Huan Nan Lu, Chao Yang District,  
Beijing, China 100022

#### CIS and Baltics

Samsung Electronics Co., Ltd.  
CIS & Baltics Headquarters  
Floor 5, B.Gnezdnikovsky Pereulok 1,  
Stroenie 2, 103009, Moscow, Russia

#### Middle East and Africa

Samsung Electronics  
Middle East & Africa Headquarters  
#1201, Al Salemiyah Tower,  
Beniyas Road, PO BOX 4246,  
Dubai, UAE

#### Southwest Asia

Samsung Electronics Southwest Asia  
Headquarters  
7th & 8th Floor, IFCI Tower,  
61 Nehru Place,  
New Delhi 100-019, India

### PRODUCTION NETWORK

#### KOREA

#### Suwon Complex

416, Maetan 3-dong,  
Yeongtong-gu, Suwon  
Gyeonggi-do  
Tel: 82-31-200-1114  
Fax: 82-31-200-1530

#### Gumi Complex

Gumi 1st Plant  
259, Gongdan-dong, Gumi  
Gyeongsangbuk-do  
Tel: 82-54-460-2114  
Fax: 82-54-460-2111

#### Gumi 2nd Plant

94-1, Imsu-dong, Gumi  
Gyeongsangbuk-do  
Tel: 82-54-479-5114  
Fax: 82-54-479-5058

#### Giheung Complex

San-24, Nongseo-ri  
Giheung-eup, Yongin  
Gyeonggi-do  
Tel: 82-31-209-7114  
Fax: 82-31-209-7049

#### Hwaseong Plant

San-16, Banweol-ri, Taeon-eup  
Hwaseong, Gyeonggi-do  
Tel: 82-31-209-7114  
Fax: 82-31-208-6798

#### Onyang Plant

San-74, Buksu-ri  
Baebang-myeon, Asan  
Chungcheongnam-do  
Tel: 82-41-540-7114  
Fax: 82-41-540-7049

#### Tangjeong Plant

200, Myeongam-ri  
Tangjeong-myeon, Asan  
Chungcheongnam-do  
Tel: 82-41-535-1114  
Fax: 82-41-535-1117

#### Cheonan Plant

510, Seongseong-dong, Cheonan  
Chungcheongnam-do  
Tel: 82-41-529-7114  
Fax: 82-41-529-6049

#### Gwangju Plant

217, Oseon-dong, Gwangsan-gu  
Gwangju  
Tel: 82-62-950-6114  
Fax: 82-62-950-6019

## ASIA PACIFIC

### China

Samsung Electronics Huizhou Company (SEHZ), Huizhou  
Tel: 86-752-389-7777

Samsung Electronics Hainan Fiberoptics (SEHF), Hainan  
Tel: 86-0898-6683-2001

Samsung Electronics Suzhou Computer (SESC), Suzhou  
Tel: 86-512-6253-8988 (6688)

Samsung Electronics Suzhou LCD Co., Ltd. (SESL), Suzhou  
Tel: 86-512-6253-0188

Samsung Electronics Suzhou Semiconductor Co., Ltd. (SESS), Suzhou  
Tel: 86-512-6761-1121

Tianjin Samsung Electronics Company (TSEC), Tianjin  
Tel: 86-22-2532-1234

Tianjin Samsung Electronics Display (TSED), Tianjin  
Tel: 86-22-2396-1234

Tianjin Samsung Telecom Communication (TSTC), Tianjin  
Tel: 86-22-8396-9600

Tianjin Tongguang Samsung Electronics Company (TTSEC), Tianjin  
Tel: 86-22-2396-1234

China Printed Board Assembly (TSED), Zhongshan  
Tel: 86-760-830-4848(219)

Samsung Electronics Shandong Digital Printing Co., Ltd. (SSDP), Weihai  
Tel : 86-631-562-6868

Shenzhen Samsung Kejian Mobile Telecommunication Technology Co., Ltd. (SSKMT), Shenzhen  
Tel: 86-755-2699-0888

Suzhou Samsung Electronics Co., Ltd. (SSEC), Suzhou  
Tel: 86-512-6258-1234

### India

Samsung India Electronics Ltd. (SIEL), Noida  
Tel: 91-11-691-1747

Samsung Telecommunications India Private Ltd. (STI), Haryana  
Tel: 91-124-436-8000

### Indonesia

P.T. Samsung Electronics Indonesia (SEIN), Cikarang  
Tel: 62-21-8983-7114

### Malaysia

Samsung Electronics Display (M) SDN. BHD. (SDMA), Seremban  
Tel: 60-6-678-7914

Samsung Electronics (M) SDN. BHD. (SEMA), Klang  
Tel: 60-3-3176-2050

### Philippines

Samsung Electronics Philippines Manufacturing Corp. (SEPHIL), Laguna Calamba  
Tel: 63-49-545-1144

### Thailand

Thai Samsung Electronics Co., Ltd. (TSE), Bangkok  
Tel: 66-2-695-9000

### Vietnam

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

## EUROPE

### Hungary

Samsung Electronics Hungarian Co., Ltd. (SEH), Budapest  
Tel: 36-1-451-1180

### Slovakia

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