



Samsung Electronics
Annual Report 2005



Contents

01	Financial Highlights
02	Performance Summary
04	Message from the Board
06	Message from the CEO
13	Life Unlimited
23	Unlimited Challenge _ Business Divisions
44	Unlimited Innovation _ R&D, Design, Brand Marketing, Corporate Citizenship
59	Financial Section 2005
138	Board of Directors
140	Investor Information
141	Global Network

Forward-looking Statements This report includes forward-looking statements which can be generally identified by phrases such as Samsung Electronics (SEC) or its management “believes,” “expects,” “anticipates,” “foresees,” “forecasts,” “estimates,” or other words or phrases of similar meaning. Likewise, statements that describe the company’s business strategy, outlook, objectives, plans, intentions, or goals are also forward-looking statements. All such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in this report.

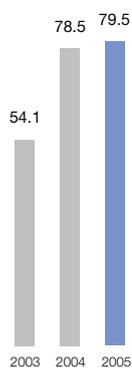
For the reader’s convenience only, Korean won amounts have been converted to U.S. dollars at the rate of KRW 1,013 = USD 1, the exchange rate in effect on December 31, 2005. All financial data in this report are from the consolidated financial statements unless otherwise stated.

Financial Highlights

Samsung Electronics and Consolidated Subsidiaries

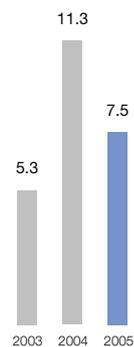
Sales

in billions of USD



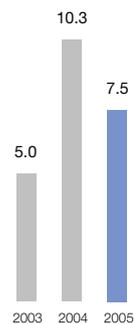
Operating Profit

in billions of USD



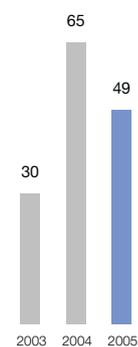
Net Income

in billions of USD



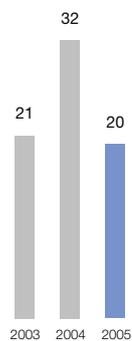
Earning Per Share

in thousands of USD



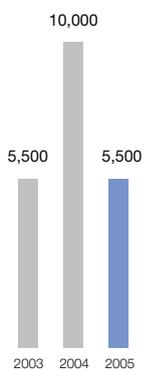
ROE

in %



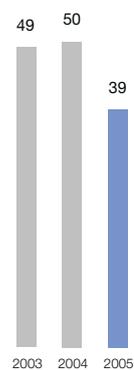
Dividend Per Share

common stock, in KRW



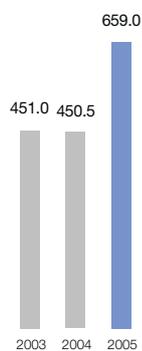
Total Payout Ratio*

in %



Share Price (Closing price)

in thousands of KRW



Data for these graphs are based on each fiscal year business performance and exchange rates. Please refer to the Audit Report for more detailed information.
2005: KRW 1,013 2004: KRW 1,043 2003: KRW 1,197 (Per USD 1)

*Based on non-consolidated data.

Performance Summary

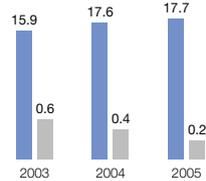
Consolidated Fiscal Highlights by Business

Net sales ■ Operating profit (loss)



Digital Media Business

(in trillions of KRW)



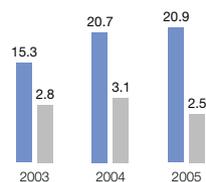
(in millions of KRW)

	2005	2004	2003
Net sales	₩ 17,656,558	₩ 17,686,204	₩ 15,921,963
Operating profit (loss)	247,700	442,057	567,424
Asset	10,848,994	9,101,900	8,877,694



Telecommunication Network Business

(in trillions of KRW)



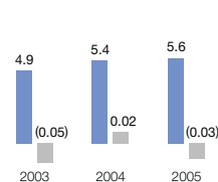
(in millions of KRW)

	2005	2004	2003
Net sales	₩ 20,914,815	₩ 20,729,730	₩ 15,303,152
Operating profit (loss)	2,480,001	3,097,458	2,817,809
Asset	11,965,742	10,927,036	9,825,081



Digital Appliance Business

(in trillions of KRW)



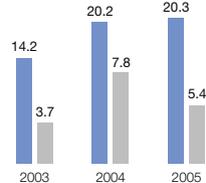
(in millions of KRW)

	2005	2004	2003
Net sales	₩ 5,617,708	₩ 5,390,822	₩ 4,936,535
Operating profit (loss)	(29,102)	21,740	(49,160)
Asset	3,658,525	3,403,424	3,688,652



Semiconductor Business

(in trillions of KRW)



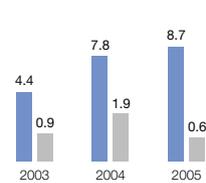
(in millions of KRW)

	2005	2004	2003
Net sales	₩ 20,332,235	₩ 21,715,218	₩ 14,190,227
Operating profit (loss)	5,410,677	7,766,848	3,692,239
Asset	26,326,732	25,623,728	22,247,780



LCD Business

(in trillions of KRW)



(in millions of KRW)

	2005	2004	2003
Net sales	₩ 8,715,225	₩ 9,091,670	₩ 4,366,642
Operating profit (loss)	598,773	1,895,189	889,765
Asset	14,135,584	10,662,823	5,581,410

Description of Business

Fiscal Year in Review

The Digital Media Business is a leading developer and manufacturer of digital TVs, color monitors, DVD recorders, notebook PCs, printers, and portable entertainment devices. Its industry leadership is demonstrated by its no.1 global market share in monitors and televisions and its many award-winning products, such as the world's largest LCD TV, the world's first Blu-ray player, and the world's smallest color laser printer.

- In 2005, the Digital Media Business showed significant growth in the high end of the market, especially in flat panel TV (FPTV).
- We also transitioned our product focus from DVD players to DVD recorders.
- We continued to expand our laptop sales and increased our ratio of high-value-added products, including FPTVs, LCD monitors, DVDs, digital camcorders, laser printers, notebook PCs, and MP3 players.

The Telecommunication Network Business is at the heart of today's digital revolution, providing wireless handsets and telecommunication infrastructure systems worldwide. As the world's largest manufacturer of CDMA handsets and the world's third largest mobile phone manufacturer in 2005, the company has contributed to improving people's everyday lives with a series of innovative products. The Telecommunication Network Business is steadily climbing to the top as the industry's innovative leader.

- Samsung Electronics became the world's third largest manufacturer of mobile phones, with a 12.6% market share in 2005.
- Anticipating upcoming innovations, the Mobile Communication Division is committed to leading the mobile TV market, supporting HSDPA technologies, and continuing to strengthen its global position with ground-breaking mobiles and 3G handsets.
- We are driving both the domestic and overseas markets with the introduction of Mobile WiMAX, and a range of sophisticated networking systems in preparation for a world of ubiquitous computing.

The Digital Appliance Business maintains a significant presence in the home appliance marketplace with side-by-side and built-in refrigerators, air conditioners, air purifiers, microwaves, robot cleaners, drum washing machines, and remote controlled digital home networks. These products offer best of breed and environmentally friendly technologies, stunning design, and outstanding user convenience.

- The global appliance market is now valued at around USD 170 billion and is growing steadily at an annual rate of around 3% in spite of a sharp surge in prices for both oil and raw materials.
- Surmounting these challenges, Samsung Electronics' Digital Appliance Business showed steady growth in 2005.
- Our product innovations, high-end design, and technology have been recognized around the world.

The Semiconductor Business is the world's largest producer of DRAMs, SRAMs, and flash memory and has been the leader in DRAMs for the past 14 years. The division also pioneered System LSI chips and a variety of core components for mobile and digital consumer applications. These include system-on-chip (SOC) products, the world's fastest mobile AP (Application Processor), display driver ICs, CMOS image sensors, and the world's first 52X RW Combo Drive.

- In 2005, Samsung Electronics achieved yet another milestone in the data storage industry by expanding the scope of high density NAND flash memory application to products such as MP3 players.
- We further bolstered our market leadership by being the top supplier of not only memory semiconductors such as DRAM, SRAM and flash memory but also display driver ICs and MCPs.
- Samsung Electronics is strengthening its long-term competitiveness in this area by focusing on nanotechnology and market sensing efforts to introduce new solutions that enable future technology requirements in set products.
- Major achievements include the development of 16Gb NAND flash and 7.2 Megapixel CMOS image sensor.

The LCD Business develops and manufactures LCD panels for TVs and large-scale monitors (greater than 10"), as well as displays for notebook PCs and a variety of mobile devices. With a 20% market share in 2005, it is the largest producer of large-screen LCD panels and has been the leader for the last four years. Its continuous advancements in technology have produced the market's largest LCDs since 2001, with an 82" panel offered in 2005.

- In 2005, our LCD Business continued to maintain its number one position in total sales revenue.
- In January 2006, we started Phase 1 mass production on our 7-2 line and will achieve full capacity during the first half of 2006.
- In late 2006, phase 2 capacity will reach 90,000 glass substrates per month. The combined capacity from Line 7-2 and our first 7th generation line, Line 7-1, will total 180,000 7G mother glasses, which is equivalent to the production of 1,440,000 40" LCD panels or 1,080,000 46" LCD panels per month. This is the most stable 7th generation production capability in the industry.

Setting the highest standard for business management



Samsung Electronics is committed to creating a progressive entrepreneurial environment with the highest standards of corporate governance, transparency, and accountability. Guided by these principles, the Board of Directors (BOD) oversees the performance of management, sets corporate management policies, and makes strategic decisions about how our business should be conducted.

In order to better fulfill the BOD's expanding range of responsibilities, Board authority in specific, targeted areas has been delegated to four subcommittees. This structure also allows directors with experience in a particular field to contribute their expertise in a more effective manner. The Management Committee considers and makes decisions on issues delegated to them by the BOD. The Audit Committee makes certain that the auditing process accurately reflects the company's value.

The Outside Director Recommendation Committee is a committee under the BOD, structured to recruit and appoint outside directors' candidates in a fair and independent manner. The Internal Transaction Committee reports on pending transactions between the company and related parties.

Our shareholder-centric policy starts with the idea that shareholders should share in the profits of the company. In 2005, Samsung Electronics used some 40% of net profits to pay dividends of USD 5.43 per share and repurchase shares worth a total of USD 1.97 billion. Samsung Electronics held "Analyst Day 2005," the first of its kind by an Asian company, in order to enhance the value of our stock. During this event, the presidents of all business divisions presented and shared their long-term visions and strategies with analysts and investors. Because of this historic event, we are succeeding in gaining greater market confidence in the company's sustainable growth.

As a result of our commitment to shareholder value, Samsung Electronics has received awards from prominent financial and IR journals such as The Asset, IR Magazine, Institutional Investor, Finance Asia, and CFO Asia. The company's achievements and commitments, sound financial performance, development of future profit sources, and shareholder-centric policies are recognized by the market. In return, the company was rewarded with a record high share price at the end of 2005 and perhaps a beginning of a new chapter in re-valuation of our share price.

Pursuing a future without limits



Jong-Yong Yun
Vice Chairman and Chief Executive Officer

Dear Customers, Partners, and Shareholders,

In retrospect, 2005 was an eventful year both at home and abroad: Many parts of the world struggled with natural disasters including earthquakes and hurricanes. The global economy was hit with record high oil prices of over USD 60 per barrel, while increased competition created predatory pricing in global markets. In the domestic market, we experienced a sharp surge in raw material prices and the appreciation of the Korean won against major global currencies. Despite these challenging business conditions, and driven by the innovations begun in our “New Management Initiatives” of 1993, Samsung Electronics posted annual average operating profits for the last four years of KRW 8 trillion, reaffirming our superb profitability on a world-class level.

The highlights of our achievements in 2005 include with sales of USD 79.6 billion and operating profits of USD 7.48 billion. The operating profit margin of our semiconductor business reached an industry high level of 27% due to the strong sales of high value-added products like our high-density NAND flash memories. In handsets, we shipped over 100 million units thanks to global hits like our blue-black phones, the D500 and D600. In LCDs, the successful ramp-up of our Line 7-1, the S-LCD joint venture line with Sony, enabled the company to enhance its top position in the LCD panel market and to lead the growth of digital TVs.

From world-class company to premier global company

Knowing that the road to becoming a premier global company starts with exceptional human resources, innovative technologies, and high brand value, Samsung Electronics is focusing on these core areas. First, the company aggressively searches for and recruits talented people to strengthen our competitiveness for future technologies. As of the end of 2005, more than 12,000 employees have a master's degree or a doctorate and over 25% of the workforce is involved in R&D efforts.

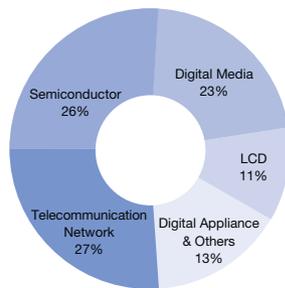
As a result of the company's commitment to recruiting and retaining talented people, it was able to showcase our technology leadership by first to develop 50-nanometer 16Gb NAND flash memory and Mobile WiMAX, next generation wireless communication technology. During the Busan APEC Summit in November 2005, we reinforced our leadership in the global IT industry by successfully demonstrating WiBro technology. Samsung Electronics is also investing heavily in our brand equity through overseas marketing campaigns for our premium products. As a result of such efforts, Samsung is positioned 20th (USD 15 billion in value) in the Interbrand and BusinessWeek annual ranking of The 100 Top Global Brands, and placed 7th among global IT companies, reaffirming our status as one of the world's most valuable brands.

Four strategies for leadership

The global economy for 2006 presents a great deal of risk and opportunity for Samsung Electronics. High oil prices and a weak dollar will continue to put pressure on the company's performance. In addition, the collapse of the four barriers; prices, technologies, regions and added values will continue in the global market, resulting in even fiercer competition. On the other hand, the commercial launch of broad services such as DMB and WiBro, and global sporting events such as the World Cup and Olympic Winter Games, provide great business opportunities. In 2006, with risks, opportunities, hopes and uncertainties coexisting in the marketplace, Samsung Electronics will focus on implementing four strategies to lay down the foundation for becoming a premier global company.

- First, the company will focus on strengthening our current growth engines and cultivating future ones. Samsung Electronics will maintain our market competitiveness in memories, displays, mobile handsets, and digital TV through the timely launch of innovative products that surpass the competition in cost, quality, and design. In businesses such as printers, system LSI, next generation storage, and air control systems, the company will continue to deliver innovative technologies and products to further strengthen our market competitiveness. In addition, the company will channel more resources into the development and commercialization of promising future technologies to ensure continuous growth.

Diversified Business Portfolio



2005 Net sales by business segment, consolidated basis
(Finance segment excluded)

8 Growth Engines

Displays
DTV
Memories
Mobile Communications
Printers
System LSI
Mass Storage
Air Control Systems

-
- Second, the company will build our creative leadership based on core technologies and marketing. It is believed that in the increasingly competitive 21st century, only one or two companies who can lead and create markets in each industry will be assured of survival. Therefore, Samsung Electronics will focus on leading and creating markets with the best products and technologies in order to become a premier global company. To realize this goal, the company will first develop leading technologies that will set industry standards, and then commercialize products that will fulfill consumers' unmet needs. In addition, Samsung Electronics will make quick, quality responses to market trends to ensure our market leadership and further the premium brand position that will make Samsung Electronics Brand in the global market.

- Third, the company will continue to optimize our management processes. Last year, Samsung Electronics conducted a company-wide campaign to enhance corporate fundamentals by streamlining management processes and systems. This year, more emphasis will be put on breaking down inefficiencies resulting from discrepancies in forecasts among development, manufacturing, and marketing activities. The company will also focus on a manufacturing plan that minimizes fluctuations in production. Samsung Electronics will support our suppliers and buyers by maximizing the efficiency of SCM (Supply Chain Management) system and processes. And in order to secure the most competitive cost structure, the company will focus on standardizing components and software, along with strengthening the strategic procurement of those standardized parts.
- Lastly, the company will continue our commitment to shareholder-centric policies. The employees of Samsung Electronics know that the biggest catalyst behind the success of Samsung Electronics is the trust and support of our shareholders. In 2006, our employees will continue to focus on generating profits, because that is the most direct way to enhance shareholder and company value.

Uncharted territory: leading the way to the future

Some people call the success of Samsung Electronics a miracle. However, our employees are focused on what can and should be done, rather than on the success of the past. When we were an industry follower playing a catch-up game, the challenges of what to do and how to do it were clearly defined. We were able to succeed with our will and passion alone. Our challenges now, however, are different from those of the past. To become a premier global company, we have to go into uncharted territory and define for ourselves what we need to do and how we need to do it.

In 2006, the employees of Samsung Electronics will continue to pursue a future without limits by facing and overcoming challenges of all kinds. We will continue to be willing and passionate in our work, believing our future is not to be predicted, but to be created. Going forward, I would like to ask for your continued support and advice as we move toward becoming the leading company in the digital convergence era.



Jong-Yong Yun

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

Life Unlimited

Samsung Electronics marries design inspiration with advanced scientific research to produce elegant, popular, and highly desirable products that life the limits of our lives.



SGH-P900 DMB Mobile Phone

Europe's first T-DMB (Terrestrial Digital Media Broadcasting) phone delivers mobile TV and radio, a 2 Megapixel camera, and an MP3 player—just in time for this year's World Cup.

A woman with blonde hair in a ponytail, wearing a grey jacket and black pants, sits on a grey bench at a train station. She is smiling and looking at a small mobile phone in her hand. A large orange handbag is slung over her shoulder. In the background, a train is blurred as it passes, and a man in a dark jacket is standing nearby. The station has a modern, dark metal structure with a glass roof. Buildings with red accents are visible in the distance.

**Entertainment and
communications unlimited**

It used to be impossible to grab a quiet moment amidst the hectic life of the city. But now you can relax and keep up with your latest soap opera in the palm of your hand. With our T-DMB phone, you can even switch to play your favorite song or snap a picture of that old school friend you're meeting.



Lifelike experience unlimited

His dad was going to take him to the aquarium, but at the last minute had to go on a business trip. But don't worry, the dolphins will just come to him when Daddy gets back. And with the lifelike quality of our LCD TV, he'll probably think those playful creatures are about to get him wet.



R7 series LCD TV

High Definition viewing and 5-speaker surround sound in a stylish premium design. Our DNIe™ (Digital Natural Image engine) technology delivers lifelike 1366x768 resolution and 4000:1 Dynamic Contrast. Our innovative S-PVA (Super Patterned Vertical Alignment) LCD provides an amazing 178° wide viewing angle.

A man with short grey hair, wearing a light pink dress shirt and a dark tie with small white dots, is leaning over a glass-topped desk. He is focused on a silver Samsung laptop, with his right hand on the keyboard. The desk is reflective and holds a stack of papers and a pen. The background consists of large glass windows with sheer curtains, letting in bright, natural light. The overall scene conveys a professional and modern office environment.

Worldwide business unlimited

NT-X60 Notebook PC

Designed to meet the demands of professional notebook PC users, Samsung's X60 features accelerated 3D graphics, enhanced wireless connectivity and high performance multi tasking functionality.

You're in a limo in New York, but you need to bring your Wall Street analyst into the conversation. You call him on our Mobile WiMAX phone which also puts you on the Internet. He just opens our X60 notebook PC and starts talking to you while still crunching numbers at lightning speed.



SPH-M8000 Mobile WiMAX Phone

The first Mobile WiMAX phone with a slide-out QWERTY keyboard and Windows Mobile OS. It combines phone and office into one wireless device supporting a high-speed data service that provides seamless mobility for business people on the go.



Video excitement unlimited

It was hard for this rollerblader to have much fun while she also was busy recording it. All that video equipment would really slow her down. Now our Sports Camcorder puts the lens on her helmet and the rest of the tiny camera in her pocket to move her ahead of the pack.





Life unlimited...

the world everyone dreams of...
the world more elegant and satisfying...
the world Samsung Electronics
makes real.

SC-X210L Sports Camcorder

This ultra-compact camcorder lets you capture the action even when you're in it. Clip on the external lens for hands-free operation. 10x optical/100x digital zoom lens and electronic image stabilization keep everything in sharp focus.



Unlimited Challenge

Raising the bar for quality and performance in digital media, communications, digital appliances, semiconductors, and LCD displays.

Samsung Electronics is constantly questioning what is accepted as the ultimate in capability and reliability. We answer these challenges in five business divisions, dedicated to pushing out today's limits.



DIGITAL MEDIA BUSINESS

In digital media products,
technology is not the essence.
Technology is the enabler.
The essence is what people want—

SPD-50P7HD PDP TV

and also what people don't know they want—yet.

These are the unprecedented experiences our cutting-edge products can deliver—because we continue to develop technology beyond accepted limits.

Unlimited Enjoyment

Our Digital Media Business continues to invest heavily in the future as the global competition in electronics intensifies. Being one of the few electronics companies with deep experience in both A/V and IT, we posted strong performance for 2005. Our focus remains on breakthrough premium products, and this has strengthened our top position in the global market share for CTVs, monitors, and DVD Combo players. Our business also stayed strong in computers, where we are constantly raising the bar with stylish, ultra-light laptops, the world's smallest personal color laser printers, and camcorders—while our big screen TVs continue to transform the very nature of the Digital Convergence Revolution.

High-End Growth In 2005, the Digital Media Business showed significant growth in the high end of the market, especially in Flat

Panel TVs (FPTV). Our performance was particularly significant at the premium end of the North American and European markets, where we surpassed the average growth rate for the industry. We also transitioned our product focus from DVD players to DVDRs. In recorded media, we continued to play a lead role in developing the next generation high definition standards, such as Blu-ray. We proactively participated in the standardization of home network technology, acting as the main driver in launching HANA (High-definition Audio-video Network Alliance) and taking part in the standardization of DLNA (Digital Living Network Alliance). We continued to introduce new product concepts, such as memory camcorders. We acquired an MP3 player business from a subsidiary and more than doubled its sales. Ranked NO. 2 in the mono laser printer and

Financial Highlight
(consolidated)

Net sales



Operating Profits



Sens M70 Notebook PC
World's first laptop with a 19" screen—and it's even detachable. A perfect desktop replacement, with AVS Now multimedia, Bluetooth, and the powerful performance of the Intel 915 Express Platform.



SPP-2040 Photo Printer
Produces vivid colors and sharp images without streaking or fading, using advanced dye transfer technology that turns digital images into 4"x6" prints in 60 seconds. Prints from PC, Macintosh, and PictBridge-enabled cameras.

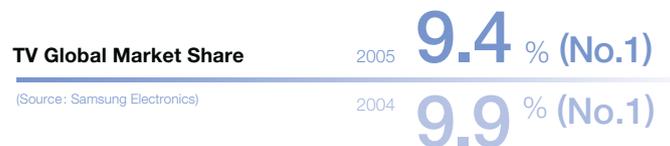
mono laser multi-functional product segments, Samsung will expand our footprint in the printer industry with the development of high-speed and color laser products. We introduced the first application of DMB (Digital Multimedia Broadcasting) for mobile television reception, and based on our success in Korea, we will aggressively take DMB to the global marketplace. We continued to expand our laptop sales and increased our ratio of high value-added products, including FPTVs, LCD monitors, DVDs, digital camcorders, laser printers, notebook PCs, and MP3 players. Operationally, we moved into our new Digital Research Center last October which will foster synergy among related businesses. In particular, the center is equipped with the necessary infrastructure to centralize the development process prior to production from R&D to final testing in one place.

Stream of New Products In 2006, more emphasis will be placed in growing the FPTV business in the Digital Media Business, principally in large-size displays. We will continue to lead in the development of the next generation of products for the recorded media industry, which will include the world's first commercial launch of the Blu-ray player. We plan to capture the market for mobile convergence products by releasing a continuous stream of MP3 players, mobile TVs and camcorders that converge ever more functions without making these multi-faceted devices more difficult to use. While targeting the high-end in the LCD monitor, notebook PC and laser printer markets by providing products with unique design and functionality, we will continue to develop exciting and new products like the UMPC (Ultra Mobile PC).



Didenko Sergey
Software Engineer

“My best ideas? They come from boundless contemplation, positive criticism and endless discussion.”





Unlimited Mobility

The world is converging onto a digital platform that unites telecommunications, video, photography, music, movies, and television. A wireless world—at rest and in motion—is available in the palm of your hand. We are driving this convergence. We are at its center, reaching far beyond conceivable limits.



SGH-D820 Mobile Phone



SGH-P900 Mobile Phone

Our Telecommunication Network Business once again had an impressive year in 2005 with sales of KRW 20.91 trillion and operating profit of KRW 2.48 trillion. Telecommunication Network supplies mobile phones and telecommunications infrastructure systems worldwide. It is the world's largest provider of CDMA handsets and the world's third largest mobile phone manufacturer. The series of innovative products the company produces has contributed to improving people's everyday lives—everything from the world's first commercially available CDMA technology and the world's first dual-LCD folder phone to, most recently, the world's first 8-megapixel camera phone. In playing a major role in helping shape the mobile multimedia world, the division has built significant market share in mobile handset production, steadily rising to the top tier of the industry.

Leading Mobile Multimedia In 2005 the global mobile market grew 19%, fueled by replacement demand from people seeking

multimedia functionality—camera, camcorder, and VOD phones—as well as demand for low-end mobile phones in fast-growing emerging markets. With a strong position in multimedia functionality and a broad product line-up, we posted record sales of 102.9 million units, a 19% increase over the previous year, perfectly tracking the overall growth rate of the worldwide market. Our Mobile Communication Division is the world's third largest manufacturer of mobile phones, with a 12.6% market share in 2005. We trace these phenomenal results to the introduction of new products with cutting-edge technology, our innovative designs, and our continued strategic focus on the high-end mobile consumers.

Last year, we set new standards in three major product trends. In 3G, we're leading the way with handsets that support W-CDMA, a technology that transmits data 50 times faster than traditional GSM networks. Our SGH-Z500 W-CDMA handset offers a leading-edge megapixel camera with 2 Mbps broadband

Financial Highlight
(consolidated)

Net sales



Operating Profits



“Our vision is for the mobile phone to become the hub of every person’s digital universe.”

Mobile Phones Sold



Yoo-Rim Lee
PR Specialist

performance for instant video and audio, plus no-wait text and voice capabilities. In multimedia, we introduced the SCH-B250, the fourth in our family of satellite DMB phones. It lets users take calls, download and play high-quality MP3 music, send text messages, and catch the latest TV programs. In camera phones, our SCH-V770 offers the world's first pro-quality 7-megapixel camera which supports manual functions and wide-angle and teleconversion lenses.

Upcoming Innovation in Telecommunications Technology

Our business is committed to continuously moving forward. Anticipating upcoming innovations, we're leading the market with products that support HSDPA technologies. We will continue to lead the mobile TV market, driving its development by supporting every mobile broadcast technology—S-DMB, T-DMB, DVB-H, CDMA, and UMTS Media FLO. We're also leading the commer-

cialization of WiBro, which is essentially a Mobile WiMAX standard, in both domestic and overseas markets. WiBro offers portable wireless broadband Internet access with a maximum downlink data speed of 20 Mbps. We're also continuing with our investments in and standardization of 4G technology. The individual networks of the various wireless services—GSM/GPRS, CDMA/W-CDMA, WiBro/Mobile WiMAX—will be converged into this 4G Next Generation Mobile Service. It will deliver data speeds of 100Mbps mobile and 1Gbps nomadic, which will enable an all-IP based ubiquitous network. As part of this effort, we annually host the global "Samsung 4G Forum."

In addition, the Telecommunication R&D Center has introduced the revolutionary FTTH (Fiber-To-The-Home) Solution and launched a variety of new mobile handsets. The Center is also involved in the telecommunication standardization of WiBro and 4G.

"Innovation comes from adapting new technologies ahead of your competitors."



World's First Product

SGH-i300 Mobile Phone

The world's first music smartphone offers an incredible 3GB of hard disk drive storage. It's also the first phone with "Plug & Play Files-to-Go", allowing PC users to easily transfer files in any format.



Soonbong Chun
Financial Associate

DIGITAL APPLIANCE BUSINESS

Digital technology is changing the home of today as it is used to develop products that are exceedingly effortless, industrious and environment-friendly. At Samsung, we center our design, our engineering and our development on the limitless possibilities that digital technology can generate. This results in the kind of products we are known for—products that re-define what appliances can do.

Unlimited Convenience





The Digital Appliance Business stands by its motto “Imagine Innovative Living.” We’re creating a new standard for appliance products as we continue to release products that deliver ever more convenience, eco-friendliness, well-being, intelligent living and a higher quality lifestyle to our users.

Expanding the Line The global appliance market is now valued around USD 170 billion, continuing to grow steadily about 3% per year in spite of sharp surges in oil and raw materials prices. Overcoming these challenges, Samsung Electronics’ Digital Appliance Business showed steady growth in 2005, thanks to our innovative technologies and designs. In the last two years, we added a full line of cooking appliances, completing our range of kitchen products that will support strong future growth. Our product

innovations, high-end designs, and superior technologies have been recognized around the world. Our Quatro Cooling Refrigerator was given the “Best of Innovations” award at the International CE Show 2006, while other products received the iF Design Award, iF Communication Award, the Red Dot Award, and the DFA Award. Our refrigerators achieved the “Highest Consumer Satisfaction” rating by J.D. Power and Associates.

In 2005, we focused on innovative technology across a wide range of R&D projects. We introduced the world’s first and only Quatro Cooling Refrigerator with side-by-side convenience—an upgrade of models which led the market in 33 countries. We improved our surround-cooling air conditioner with a built-in air purifying system and revolutionized our drum washing machine by



2005 **0.03** trillion of KRW

“Environmental friendliness is our primary concern—save energy and water, reduce pollutants, eliminate toxic materials.”

Hye-Soon Yang
Environment-friendly Technology Researcher

adding Silver Nano anti-bacterial sterilization. By quickly establishing ourselves in electronic ovens and dishwashers, we're providing total kitchen solutions.

Wide-Ranging Innovation In 2006, we're intensifying our efforts to build awareness in the U.S. and Europe, the world's largest appliance markets. The U.S. represents 20% of the world market and Samsung is introducing our premium line-up of drum washing machines and side-by-side refrigerators to cater a migrating demand for high-end products. In Europe, where our side-by-side refrigerator has been the best seller for the last four years, we expanded our kitchen solutions line-up with the launch of our speed oven and twin convection oven.

In the emerging markets, our strategy lies in building awareness

for our brand with a stronger product line-up and sales infrastructure. Globally, we will make further advancements to our leading positions in microwave ovens and vacuum cleaners.

Samsung stands by its commitments to growth via R&D. In the Digital Appliance Business, the emphasis is on developing innovative, high value-added products and driving down costs. In turn, these efforts ensure sustainable profitability moving forward. We will also continue to expand our presence in the BRIC countries and the U.S., subsequently relying upon a more global sales and manufacturing operations to fuel and add momentum to our growth. Samsung is targeting sales of USD 10 billion by 2010, which will position us as a top-tier global player.

Financial Highlight
(consolidated)

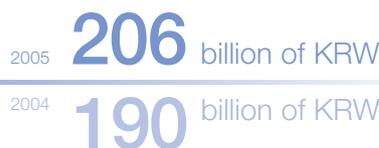
Net sales



Operating Profits



R&D Investment



HS-B427BB Smart Oven

Smart Oven's revolutionary technology uses the optimum mix of fan oven cooking with microwaves to deliver perfect cooking in extra-quick time. Simply scan the unique "Smart Code" found on food packaging, and the Smart Oven controls the rest-perfectly.



HP-A151VC Air Conditioner

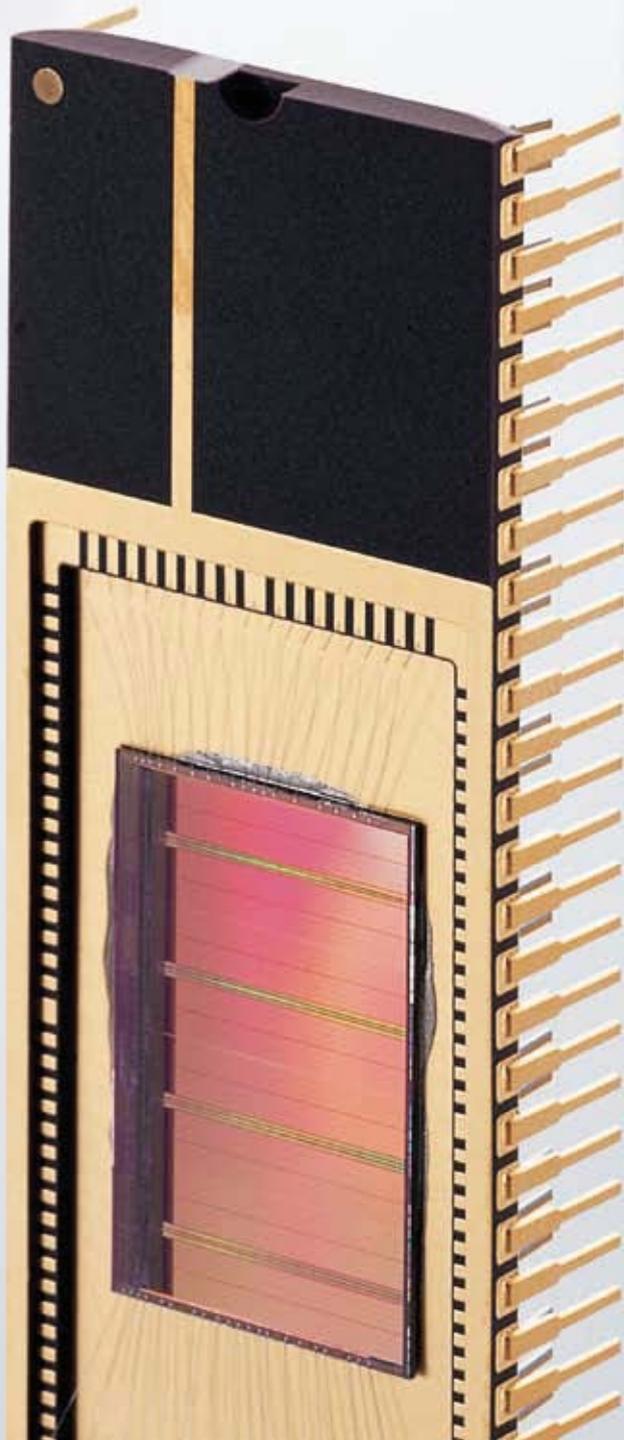
This premium air conditioner provides surround cooling, with 5-Way airflow to cover the room more evenly. The Silver Nano technology coats the key components of its interior filtration system with Silver Nano ions to create a super-clean, antibacterial and antifungal environment for you in your home. Our silver solution will make your life clean and cool.

The image features four semiconductor chips of different sizes and orientations scattered on a white, reflective surface. The chips are primarily black with gold-colored leads and a central square or rectangular area containing a purple or pinkish component. The largest chip is in the foreground, showing its intricate lead structure and central die. The other three chips are smaller and positioned further back, creating a sense of depth. The lighting is soft, casting gentle shadows on the surface.

SEMICONDUCTOR BUSINESS

Unlimited Capability

Semiconductors are literally at the heart of all we do. We understand the key dynamics of the technology inside. We challenge the limits of current capabilities to design products that are the first and best of breed. This is the essence of our established success and it continues to drive us as we work to develop innovative semiconductor solutions that anticipate and meet new needs.



Samsung Electronics' Semiconductor Business surpassed its competitors in market share and profitability by focusing strategically on being first to market with innovative, value-added products. Our ability to respond to the rapidly evolving IT market has come from multiple factors: technology leadership achieved through aggressive R&D regardless of industry cyclicality; timely investments in advanced facilities; keen market insight; intuitive and timely decision-making; proactive market creation; synergies generated between our memory and system LSI semiconductor technologies; and our broad line-up of core components, from semiconductors to disk storage. Samsung Electronics stays ahead by creating solutions to realize innovative products with exciting new features than can make them big hits in the marketplace. These elements have propelled the division toward future business opportunities. Introduction of digital technology is changing the semiconductor environment. The application paradigm is shifting from PCs to mobile devices and digital consumer products. Just

like DRAM, NAND flash memory is expected to fuel further growth in the IT industry. We will continue to add to our market leading positions in DRAMs, SRAMs, flash memories, display driver ICs, and multi-chip packages. We will pioneer innovative developments in set applications such as SSD-mounted notebooks, as well as introduce new technologies such as phase-change random access memory (PRAM). In the coming year and beyond, our business will increase its focus on marketing premium products. As a global industry leader, we are further concentrating our resources on building core competencies on the mobile and digital consumer fronts.

Memory Samsung Electronics, the market leader in numerous memory product areas, updated our record of decade-long market leadership once again. In 2005, we marked the top market share in DRAM for a fourteenth straight year with over 30% market share. We continued steadfast to unlock the potential of our NAND flash memory products, exploring applications beyond USB drives, MP3

Financial Highlight

(consolidated)

Net sales



Operating Profits

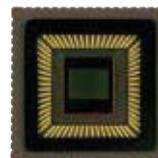


World's First Products



DDR2 SDRAM

We announced the industry's first 70-nanometer DDR2 memory chip featuring a proprietary three-dimensional "recessed channel array transistor" design. Samsung continues its lead in DRAMs, introducing generation after generation of advanced DRAM technology.



CMOS Image Sensor

The industry's first 7.2-Megapixel CMOS image sensor with the smallest 2.25µm pixel size. Higher resolution CIS chips reflect the industry-wide focus on CIS technology as a promising new imaging technology as well as a feasible replacement for charge-coupled device (CCD), especially in mobile applications such as camera phones, digital still cameras, and digital camcorders.

players and digital still cameras to introduce a flash-based solid state disk and the hybrid hard drive. We also brought our market leading DRAM technologies—XDR and GDDR3 used for advanced graphic data processing—into games. This puts life-like, high-definition, three-dimensional video images on popular game consoles.

System LSI Our System LSI business performed remarkably well last year, with a steady rise in display driver IC (DDI) and CMOS image sensor (CIS) sales; the development of the world’s first 7.2 Megapixel CIS for camera phones and digital still cameras; and the successful operation of our first 300mm fabrication line for nano-scale production. The System LSI business will increase its focus on premium products, especially DDIs, CISs, mobile application processors, chip card ICs, and media player ICs.

Storage Samsung Electronics has been stepping up its hard disk drive business continuously in both volume and technology; achieving 10% market share in '05 and introducing leading technologies for the mobile environment.

Samsung Electronics is strengthening its long term competitiveness in this area by focusing on nanotechnology as a core technology for the future and a key differentiator in the marketplace. We are also introducing MCP, SiP, SOC, New Memory, and Micro HDD technologies. Creating differentiated, high value products is our strategy for greater profitability.

As a global industry leader, we are concentrating our resources on producing industry first technologies and building up our core competencies in marketing, production, and our business portfolio. And we continue to improve our cost competitiveness through aggressive investment in facilities and in the research and development of innovative technologies and products. There is limitless potential for growth in mobile and digital applications. Samsung’s first-in-the-world technologies and strategic market launches are the source of our profitability and competitiveness, stemming from our mission to “Create the Future.”

“Samsung stays ahead by creating a host of the world’s first and best semiconductor solutions that are ever increasing the benefits we derive from devices.”



Capital Expenditure Investment

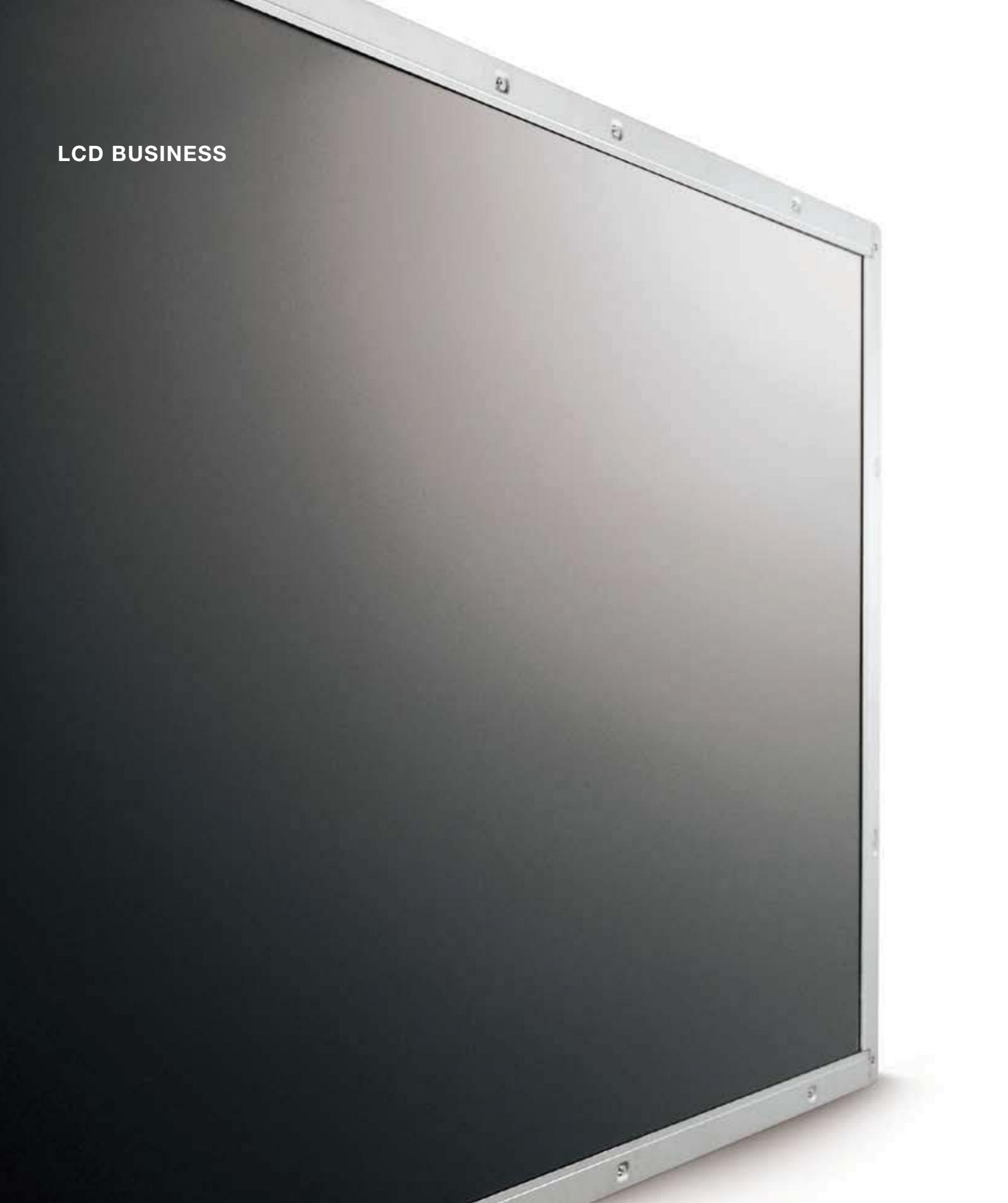
2005

6.33 trillion of KRW

2004

5.50 trillion of KRW

LCD BUSINESS





40" LCD Panel for HDTV

Unlimited View

This is the ultimate medium of the high-definition experience. And while the market drives LCD screens ever-larger, we never forget the thousands of smaller applications, from cameras to mobile phones to kiosks of every dimension. These products are just as important and far more pervasive. We're also focused on the limitless possibilities of next-generation displays.

This year, our LCD Business continued to maintain its number one position in total sales. In October, the LCD Business exceeded monthly sales of USD 1 billion, and in November, total sales for the year reached USD 10 billion, the first time these milestones were reached in the industry. The LCD Business has had the largest market share in large-screen LCDs for the last four years in a row. And according to DisplaySearch and Gartner market forecasts, we will continue in this position in 2006.

In January 2005, we started Phase 1 mass production of our second 7th-generation line (L7-2) and will achieve full capacity during the first half of 2006. In late 2006, Phase 2 volume will reach its full capacity of 90,000 glass substrates per month. Combining L7-2 with our first 7th-generation line, L7-1, a total

of 180,000 7th generation mother glasses (1870×2200mm) will produce 1,440,000 40" LCD panels or 1,080,000 46" LCD panels per month when reaching full capacity. This is the most stable 7th generation production capability that any company can provide.

Our strategy for market standardization of 40" and 46" panels is well set. We have a 9-month full production head start on our competitors. We've been the only competitive producer in the over 40" LCD panel market answering the needs of this fast-growing business.

Beyond 7th-Generation As we look to the future, we are formulating plans to develop 8th-and 9th-generation production lines. Our sales goal is USD 20 billion by 2010. To do this, we need to successfully complete the first phase of our Tangeong Crystal

Financial Highlight
(consolidated)

Net sales



Operating Profits



Large Panel Shipments



40" LCD Panel for HDTV

We defied the conventional wisdom that LCDs couldn't be as big as plasma displays, with the world's first 82" Full HD module. Samsung's line includes this popular 40" HD model and extends down to 15". With the growth of digital broadcasting, we will maintain the largest share of the world TFT-LCD market.



2" LCD Panel for mobile phones

Today, mobile phones deliver expanded features like high-resolution cameras, MP3 players, and other multimedia functions. So the display has become the most critical component. Samsung TFT-LCDs, like this 2" single display for mobile devices, enhance these capabilities with the most brilliant vivid images.

Valley plant, targeted to take us through the production line 10. We also need to achieve the number one position in all four market segments: mobile LCDs, laptop LCDs, monitor LCDs, and TV LCDs by 2008.

In small and mid-sized LCDs, we collaborate with companies to meet their needs, from product development through to production and sales. We will also expand our product line beyond mobile handsets, designing displays for use in applications such as PDAs, car navigation systems, and game consoles.

Progress in OLEDs In our large OLED business, we introduced the world's largest 40" OLED in 2005. We are also focusing on the amorphous silicon future display technology which we are currently using in our LCD manufacturing. And we will continue our R&D in

future displays including OLED, with the goal of being the number one company for these next-generation products.

In the PID (Public Information Display) market, we expect these large devices to replace outdoor advertisements and bulletin boards on the street and in airports, banks, stock exchanges, exhibition halls, and other public places. Demand for these products is strong in North America and Europe where 1,000 Samsung 40" LCD PIDs are installed in DeGaulle International Airport in Paris. We are developing the world's largest 82" PID and surpassing our competitors with a product line containing 32", 40", 57", and 82" models. These will be part of Tangeong's 7th-generation line.



"We integrate features, design, and ease of use to make our products work better. We all share this vision."

Jae-Han Jun
LCD Marketer

Unlimited Innovation

**Pursuing innovation in four key areas:
R&D, Design, Brand Marketing, and
Corporate Citizenship.**

**Beyond the specific areas we pursue in each
of our business divisions, Samsung Electronics
looks at pursuing innovation without limits
across four broad areas of our overall activity.**

R&D

Pursuing Perfection

Developers expanding the limits of our products' capabilities are the key to our leadership.

At Samsung Electronics, we believe people and technology are our core resources. Our success is built on using creative and innovative technology to create new lifestyles and new markets. This is why we have thrived while others have faltered. We know that continuous innovation is the only way to establish and sustain our competitive edge. Therefore, R&D plays a vital role in our company's success.



John Ryu
Senior Engineer

With the world's first ultra-mobile PC, Samsung Electronics sets a new standard in digital convergence: Tablet PC with 7" touch screen, PDA, VoIP phone, and AVS multimedia for movies, photos, and music at the touch of a button.



The future of home entertainment is here with the world's first consumer Blu-ray disc player. The high-definition format was developed by a group of top companies including Samsung Electronics.



Samsung Electronics is leading the way with the world's first WiBro (Mobile WiMAX) handsets delivering a host of new applications including broadcasting, home networking, video telephony, VOD, and navigation.



Worldwide R&D Network

Our strong commitment to R&D is fundamental to our leadership role in establishing global technology standards and to our ability to shape the industry in the years to come. It is therefore no surprise that nearly one in four of our approximately 128,000 employees—32,000 people—are directly involved in creating and developing tomorrow's products at 16 R&D Centers on nearly every continent. These centers make up an inspired, efficient network that drives our efforts to develop leading technologies in digital media, telecommunications, digital appliances, and semi-conductors. Our researchers in these centers are dedicated to the quest for the finest products at the farthest reaches of the digital frontier. In 2005, we invested over KRW 5.5 trillion in R&D, 6.82% of our revenue, and that investment is expected to rise in the coming year. This hard work resulted in over 1,600 U.S. patents in 2005 alone. We also garnered an impressive list of global awards and breakthrough products like a DMB phone that receives broadcast TV from satellites on a mobile handset.

R&D is vital to our success—continuous innovation is the only way to establish and sustain our competitive edge. Our commitment to this effort is huge. It is what makes our brand a marketplace icon.



The world's first single-sheet, 40-inch OLED (Organic Light-Emitting Diode) establishes Samsung Electronics' leadership in next-generation ultra-slim, ultra sharp flat panel TVs. It was made possible by replacing costly polysilicon approaches with standard amorphous silicon (a-Si) techniques.



The world's highest density NAND flash has an impressive 16Gb of mobile storage capacity. Samsung Electronics achieved this with the industry's first production use of 50-nanometer technology.

Talent is the Key to the Future

With quality as our top priority, we will make every attempt to lead in the development of next-generation technologies, as well as bolster our patent portfolio, wherever possible, around fundamental technologies. We make major investments in talent, because our superior technological capabilities are the direct result of our people's continuous efforts. We look for creative, intelligent, hardworking people from around the world, who are inspired by the unique challenges of our industry. At the same time, we take care to nurture our existing talent. There are now over 2,700 Ph.D.'s in our talent pool, a number we expect to increase significantly in the coming years. We pay particular attention to the environments our people work in and to the processes through which they interact. It is very important for people to be able to exchange ideas with each other easily—across disciplines and geographies around the world.

Our R&D investments include the large percentage of our people involved in new product development, plus the growing proportion of our revenues we put behind their activities.

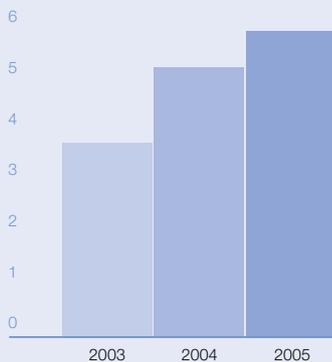
R&D Expenditures

6.82%

of consolidated sales

2005	5.50 (6.82%)
2004	4.90 (5.98%)
2003	3.58 (5.52%)

in trillions of KRW



R&D Innovation

Patent Management

Achieve Top 3 by 2007

US patents filed in 2005:

- 1 IBM 2,941
- 2 Canon 1,828
- 3 HP 1,797
- 4 Matsushita Electric 1,688
- 5 **Samsung Electronics 1,641**
- 6 Micron 1,561
- 7 Intel 1,549

(Source: USPTO 2005)

Recent R&D Accomplishments

2005

WiBro system and devices
 50nm 16Gb (MLC) NAND flash memory
 World's biggest TFT drive AMOLED
 Interactive TV middleware

2004

60nm 8Gb (MLC) NAND flash memory
 World's first satellite DMB phone
 5-color MediaLink DLP TV

2003

Dry-type Color Printer
 70nm 4Gb (SLC) NAND flash memory
 Super high capacity Ni nano materials

Creating All Tomorrow's Winners

Designers have to be integrators,
combining how a product looks with how it's used.

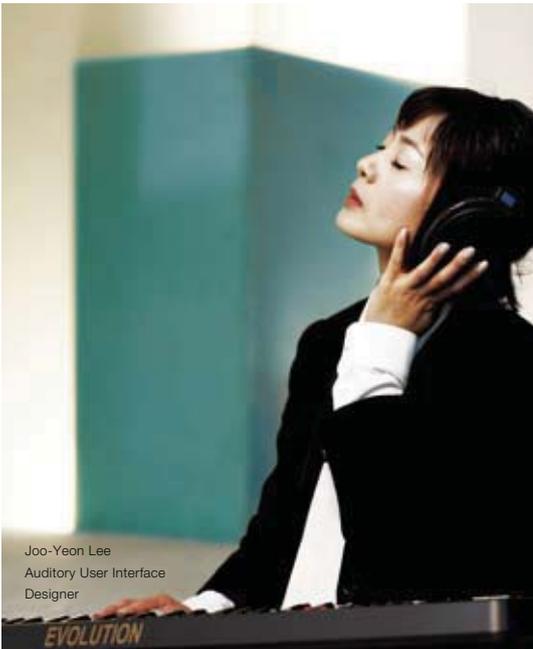
Samsung Electronics' cutting-edge designs have won over two hundred prestigious international awards since 1996—IDEA, iF, G Mark, red dot, and Design for Asia Awards, in addition to hundreds of top domestic honors. It's not surprising Samsung has built a solid reputation as the brand to watch for must-have new products that appeal to style conscious consumers all over the world. We are consistently at the leading edge of groundbreaking innovations, challenging the established ideas of what is possible. Last year alone, we garnered 62 awards for design, including 3 from IDEA in the U.S., 19 from iF and 16 from red dot in Germany, and 20 G Mark citations in Japan.



Alasdair McPhail
Product Designer

“60% of consumers say they identify a brand of mobile phone with its own sounds rather than the physical design. The sound design I create for our products is one of the keys to success in the marketplace.”

“We use our global network of designers to get multiple perspectives on the same problem-these cultural filters help us to see things we may not have noticed from a single viewpoint.”



International Design Teams

Our total design commitment is expressed in our design-driven development, which has resulted in a consistent stream of new products that clearly differentiate us from our competitors. Because design is important to us, our designers are too. We appreciate their active imaginations and do everything we can to encourage their unlimited creativity. Although our main Corporate Design Center is in Seoul, Korea, our virtuoso design teams in London, Los Angeles, San Francisco, Shanghai, Tokyo, and Milan are equally key. These talented multinational teams are important contributors to the total design solutions of some of our most advanced products, satisfying both the aesthetic and functional needs of today’s marketplace. This international network of design centers is strategically important in developing products for both local and global markets. Being local, each design center is well positioned to understand and analyze local cultures, living patterns, lifestyles, and trends, letting the best ideas from around the world cross-pollinate and inspire tomorrow’s “next big thing.”



“Samsung Electronics really understands design, which is rare for a big company. They give us lots of resources and put us together with designers from other fields, all over the world. It’s a great environment to work in.”

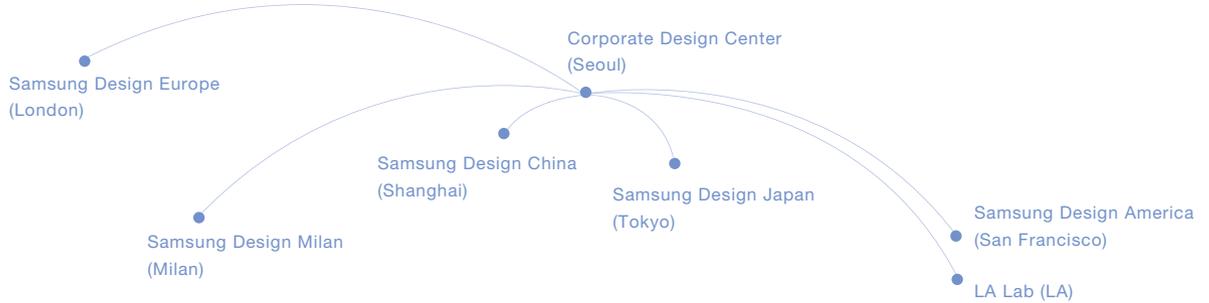
Seung-Ho Lee
Product Designer

Integrating the User Experience

Our commitment and focus is on showing the world unlimited human ingenuity. As part of this commitment, we have created the position of chief design officer, giving our designers a direct link to top management, one more way to make sure our design innovations stay ahead of the competition. To create the product that people want, we depend heavily on research to help us achieve excellence in form, feel, and function. Our User Centered Design Lab in Seoul is a home-like space where we can test, observe, and record the user experience from every perspective. The Lab develops breakthrough physical, graphic, and auditory user interfaces, which creates new opportunities to differentiate ourselves as digital convergence accelerates around the world.

Samsung Electronics' exceptional global design network

Each center probes lifestyle trends, developing designs and prototypes based on local needs.



Talented designers at seven design centers around world, collaborating on cutting-edge products, winning the industry's most prestigious awards.



LCD TV (LT46G1)
– 2005 iF
– 2005 red dot

Mobile Phone (SGH-E800)
– 2005 iF
– 2005 red dot

Digital Camcorder (Miniket VP-M102)
– 2005 IDEA Bronze
– 2005 red dot

Smart Oven (BCE1197)
– 2005 G Mark
– 2005 iF communication
– 2005 red dot

MP3 Player (YP-F1)
– 2005 G Mark

Notebook PC (Q30)
– 2005 G Mark
– 2005 iF
– 2005 red dot

2005 red dot Product Mobile Phone (SGH-E800), Office Serv SOHO (SIT200EM), 46" LCD TV (LT-46G1N), LCD Monitor (SyncMaster 720T), Notebook PC (NT-Q30), Notebook PC (NT-X50), DVD Player (DVD-P355), HD DVD Player (HD-941), DVD Recorder (DVD-R121), Miniket (VP-M102), MP3 Player (YP-T7), Bar-code MWO (Smart Oven), Vacuum Cleaner (SC7800), Air Conditioner (AS-09HPA), SBS Refrigerator (UPS 05)

2005 iF Product Mobile Phone (SGH-E800/SGH-E820), Mobile Phone (SPH-V4400), Mobile Phone (SCH-A790), Mobile Phone (SGH-E610), 46" LCD TV (LT46G1), 32" LCD TV (LT32A3), Hyper DVD Player (DVD-HD941), Laser Printer (ML-1740), Notebook PC (Q30), Notebook PC (M40), Vacuum Cleaner (SC 7830), MP3 Player (YP-T6)

2005 G Mark Mobile Phone (SCH-A790), Mobile Phone (SCH-V740), Mobile Phone (SGH-D720), Mobile Phone (SGH-P850), Mobile Phone (SCH-S310), Mobile Phone (SCH-B200), Mobile Phone (SGH-E880), Digital Camera (VM-MS15), Miniket Photo (VM-M2200), Blu-ray DVD Recorder (BD-1000), DVD Recorder (DVD-R121), Notebook PC (SENS Q-30), Laser Printer (ML-1610), Color Laser Printer (CLP-510), LCD Monitor (SyncMaster 770P), MP3 Player (YP-F1), MP3 Player (YP-T8), Microwave Oven (GE-1180GB), Smart Oven (BCE1197), SBS Refrigerator (EPEL)

2005 IDEA Notebook PC (M40), Miniket (VP-M102)

Innovating the Brand

Seeking new opportunities to engage people emotionally in the midst of their lives.

Since the early 1990's, we have been executing a comprehensive brand strategy based on quality, with a premium focus. We invest around USD 3 billion a year in brand marketing activities, and it is money well spent. In Interbrand's annual rankings of the world's top 100 brands published by BusinessWeek, we broke into the top 20 in 2005. Most impressively, we posted the biggest gain in value of any Global 100 brand for the last five years, with a 186% surge to USD 14.9 billion by the end of 2004. Heading into the future, we will continue to stand for bringing technology, design, and emotion into people's lives.



Ye-Ji Kim
Marketer

In June 2005, Samsung Electronics became the new Official Club Sponsor of the Chelsea Football Club, a rising star internationally, with almost 20 million fans worldwide.



Samsung's global marketing activities range far and wide, often with high impact exposure, like this outdoor display in New York's Times Square, at the world center of business.



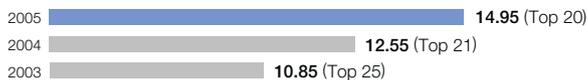
Samsung sponsored Chelsea FC which won the Championship Trophy for the 2005/2006 English Premier League.



Players from around the world gathered in Singapore for the opening ceremony of the World Cyber Games 2005, sponsored by Samsung Electronics.

Brand Value

in billions of USD



(Source: BusinessWeek / Interbrand)



WORLDWIDE PARTNER

Global Marketing Exposure

The company sponsors Samsung Running Festivals in cities like Prague, Moscow, Budapest, Sofia and Beijing, including the Samsung Dubai Marathon, which draws thousands of runners. Since 1997, we have supported the Samsung Super League, the world's oldest and most prestigious equestrian competition. And since 1995, we have been the title sponsor of the Samsung World Championship, known as the "fifth major" on the LPGA tour. Overall marketing activities also include major outdoor advertisements in New York, London, and Tokyo, as well as outdoor models on gigantic cellular phone displays at DeGaulle International Airport in Paris. We also participate in major international exhibitions, including ICES in the U.S. and CeBIT and IFA in Europe. In addition, we put on our own Samsung Global Road Show, to highlight our most advanced products and key strategies for continued growth and innovation for both customers and media players from around the world.



A warm moment at the Torino 2006 Olympic Torch Relay as the Olympic flame passed by the samsung OR@S for which we were a proud Presenting Partner.

Olympic Games and Chelsea FC Sponsorships

Sports have proven to be a very effective vehicle for building Samsung's brand image. The premier example is our role as The Olympic Partner (TOP) in the wireless communications equipment category. During the Torino 2006 Olympic Winter Games, we provided WOW (Wireless Olympic Works) services, putting games information and event results onto mobile phones used for Olympic Games Operations. We also set up the Olympic Rendezvous at Samsung (OR@S) as the central point of our on-site programs for athletes and fans. Over 400,000 people used the facility and experienced our most advanced mobile equipment. We were also a Presenting Partner for the 2006 Torino Olympic Torch Relay in 61 cities throughout Italy. 10,001 torchbearers, including 1,900 Samsung torchbearers from 42 countries, covered over 11,000 km during the event. And we will continue as The Olympic Partner for the Beijing 2008 Olympic Games. In June 2005 Samsung Electronics became the new Official Club Sponsor of the Chelsea Football Club, one of the rising stars of football on the world stage, with a UK fan base of 2.9 million and almost 20 million fans worldwide. Sponsorship activities will run in the UK, Europe, Asia, and the Americas.

Imagining a Better World

From protecting our environment, to helping those in need, to preserving our cultures.

We believe we have a responsibility to help improve our society. This has led us to make three resolute commitments: to make the most eco-friendly products in the most eco-friendly ways possible; to support the less fortunate in the community; and to help celebrate and preserve our heritage and culture.



Samsung is honored to support the International Paralympic Committee, including exclusive Competition Bibs sponsorship for the Torino 2006 Paralympic Winter Games.



Teaming with Jon Bon Jovi, the official musician of Samsung's Four Seasons of Hope, we made significant donations to four Philadelphia charities for children and families.



The company announced eleven winners of the third annual USD 500,000 "Samsung DigitAll Hope" award. A further USD 30,000 was donated to the Margaret Drive Special School in Singapore.



Samsung Electronics held a charity run to support the National Palace Museum in Taiwan. About 30,000 participants raised USD 0.5 million for a cultural fund.

A Better Life for All

We believe at Samsung Electronics that we have an important role to play to help make the world a better place to live. The scope of our domestic charity and volunteer programs is noteworthy. Around two-thirds of all our employees offer their time and talents to worthy causes either as individuals or through more than 600 service teams. And now we are taking that same passion local communities around the world. In the United States, we established "Four Seasons of Hope" in 2002 to raise national awareness and funds, closely partnering with professional athletes, celebrities and the media, and channel partners Best Buy, Circuit City, CompUSA, and Sears. Specifically, we've raised over 6 million dollars for charities supported by Arnold Palmer, Boomer Esiason, Joe Torre, Jon Bon Jovi, Magic Johnson, and Wayne Gretzky. Samsung's "Hope for Education" program was launched in 2004 to benefit American elementary, middle, and high school students, awarding over a million dollars worth of Samsung technology to 101 schools across the country. The Samsung DigitAll Hope program began in 2003 to fund local groups and programs dedicated to helping youth in Australia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam bridge the digital divide. During the Torino 2006 Olympic Winter Games, Worldwide Olympic Partner Samsung teamed up with the international humanitarian organization "Right To Play" to put on auctions to raise money for sports programs for children in underprivileged areas around the world. In addition, Samsung is one of two exclusive Worldwide Partners to the International Paralympic Movement and sponsored the Torino 2006 Paralympic Winter Games, broadening our contribution to the Olympic Movement and providing hope for every Paralympic athlete.



Samsung Japan founded the Samsung Silk Road Cultural Heritage Preservation Fellowship to support the education and work of more than 100 researchers over the next five years.



In Dubai, Samsung Electronics donated digital products to the Children's Hospital computer room and the Al Nur Foundation, a social organization.



Samsung and Microsoft jointly announced the winners of the annual "Hope for Education" essay contest, awarding prizes worth USD 2.2 million to 101 American elementary, middle, and high schools.

Cultural Outreach

Samsung Electronics is also firmly committed to cultural support. The National Palace Museum (NPM) in Taiwan is known for having one of the best collections of ancient Chinese art and artifacts in the world. We became the first high-tech company to donate money to the NPM's 80th birthday projects with a gift of USD 300,000. Samsung Electronics is also working in partnership with UNESCO to preserve the intangible cultural heritage of many regions. These are the practices, expressions, knowledge, and skills that are part of a culture's heritage, such as Cambodia's shadow theatre which was almost wiped out by the Khmer Rouge 30 years ago.

Green Management

Managing for environmental friendliness and sustainability continues to be central to all Samsung Electronics operations. With our Green Management efforts, we're making Environment, Safety, and Health (ESH)-related issues key considerations. As a manufacturer, we have a special responsibility to make our products as eco-friendly as possible, from design to end-of-life product practices. We carry on a variety of programs for minimizing environmental impact with respect to product life cycle. Eco-design evaluation has been incorporated into the corporate product development process in order to assess and improve the environmental aspects of our products. We are restricting in all our products the use of hazardous substances, including those in the EU RoHS Directive, through the green procurement activities of our "Eco-Partner program." We also ensure that our products are returned and recycled at end-of-life in an environmentally-friendly manner in accordance with applicable laws. This is accomplished by means of our voluntary takeback programs throughout the world.

Financial Section 2005

60	Business Overview
62	Corporate Overview
65	Audit Committee's Audit Report
66	Report of Independent Auditors
68	Non-consolidated Balance Sheets
70	Non-consolidated Statements of Income
71	Non-consolidated Statements of Appropriations of Retained Earnings
72	Non-consolidated Statements of Cash Flows
74	Consolidated Balance Sheets
76	Consolidated Statements of Income
78	Consolidated Statements of Changes in Shareholders' Equity
82	Consolidated Statements of Cash Flows
84	Notes of Consolidated Financial Statements
134	Non-consolidated Five-year Financial Summary
136	Consolidated Five-year Financial Summary

Business Overview

From January 1, 2005 to December 31, 2005

In 2005, the world economy suffered due to the surge in the price of oil and the cost of raw materials. Also, the slowdown of US and Chinese economic growth added downward pressure on the world economy. Domestically, despite positive elements shown in the fourth quarter such as income growth, improvement in the employment rate and the good performance of the local stock market, the sharp appreciation of the Korean Won against the US dollar had a negative affect on exports.

Amid this challenging business environment domestic and overseas, Samsung Electronics posted a solid performance in 2005: The company generated sales of 80.6 trillion won and net income of 7.6 trillion won in 2005. Furthermore, the company posted record-high quarterly sales of 15 trillion won in the fourth quarter ended December 31.

As for the financial structure, Samsung Electronics posted a debt/asset ratio of 27%, equity/asset ratio of 78%, and ROE of 21% for the year 2005. Furthermore, Samsung Electronics' brand continued to be one of the world's fastest growing brands with its brand value increasing from \$12.6 billion in 2004 to \$15 billion in 2005. Considering the fact that the company's brand value was \$5.2 billion in 2000, Samsung Electronics has shown an exceptional improvement in its brand value.

All this splendid performance is largely attributed to our shareholders' support and trust, as well as to the employees' commitment and efforts.

In fiscal 2005, our company's semiconductor, LCD, and handset businesses - Samsung Electronics' key business units - further strengthened their market-dominant positions based on the cutting-edge technologies.

The Semiconductor Business posted an operating margin of 30% thanks to the improved profitability of the DRAM and NAND Flash businesses. As for the LCD Business, it strengthened its dominant position in the LCD panel market through the operation of the 7G line. The Telecommunication Business posted a record-high shipment of 100 million units by introducing high performing products such as multi-media phones and by expanding production lines of the 3G phones. Also, our Digital Media/Appliance businesses posted the world's highest sales figure in the TV market including LCD

TV, PDP TV, and CRT TV. This reaffirms Samsung Electronics' industry leadership in the TV market and also enhances its position as a world premier company.

In 2006, the global economy may settle into a period of slower growth due to high oil prices, a weak US dollar, and the possible economic slowdown of the U.S and Chinese economies. Domestically, we cautiously expect local demand to pick up in 2006. However, uncertainties over oil prices, fluctuations in the exchange rate, and the possible risk of a hard landing of the Chinese economy may make competition among the companies more intense.

Semiconductor Business Leads the Industry with Its Core Technologies.

In 2005, there was an oversupply of DRAM products due to manufacturers' capacity increase while production of high density NAND Flash accelerated thanks to the soaring demand for NAND products from MP3 player manufacturers.

Our memory business outpaced the industry market growth by reinforcing its competitiveness through the introduction of differentiated premium products such as high density NAND flash, High-Speed DRAM, and MCP products.

The System LSI business maintained its No.1 position in Display-Driver IC (DDI) and also established the foundations for future growth by introducing to the market products such as CMOS image sensor, mobile CPU, chip card IC, and media player SoC., sources of future profits.

In 2006, we expect the markets for MP3 players and digital cameras to expand, providing solid growth momentum for NAND flash products. This will help our Semiconductor business post a strong year in 2006. Samsung Electronics will maintain its strong profit structure in 2006 by strengthening its market leadership in NAND flash, a major product of the company. The System LSI division also plans to boost its competitiveness by making technological advancements in high-definition and high-speed I/F.

LCD Business Paves the Way for Next-Generation Display Market.

Our LCD business has maintained its uncontested No.1 position in terms of LCD panel shipments and sales since

2002. Furthermore, for the first time in the industry, sales of LCD panels of 10" or larger size accumulated over 100 million units in 2005. The company's focus on delivering innovative breakthroughs to the global market resulted in the development of the world's first 82" TFT-LCD panel and 40" AM-OLED panel for TVs.

In 2006, the LCD-TV market is expected to grow to 36 million units, compared with 20 million units in 2005. In response to the rapidly growing market, our company will focus on the commercialization of large size LCD-TV panels (40"~46"), through production at our 7-1G and 7-2G lines.

Telecommunication Network Business Leads the Market with Premium Brand and Differentiated Products.

The rapidly growing mobile handset market began to slow down in 2005 due to a drop in demand for handset replacements in advanced markets such as North America and Western Europe. However, Samsung Electronics posted annual sales of mobile handsets of over 100 million units in 2005 for the first time largely thanks to various 3G mobile handsets featuring W-CDMA and CDMA EV-DO as well as its multimedia phones such as mega-pixel camera phone, MP3 player phone, and DMB phone. Samsung Electronics' sales in handsets jumped 100 times in the past decade: In fiscal 1996, the company sold 1.07 million units. This increase in sales is quite noteworthy, especially considering the fact that we mainly focus on the high-end market.

In 2006, the company will solidify its leadership in the high-end market through continuously releasing innovative products and diversifying models of mega pixel camera phone, slim phone, and W-CDMA phone.

Digital Media Business Creates the Digital Culture.

In 2005, our Digital Media Business continued its solid growth despite challenging business environment in the domestic and overseas market. We aggressively expanded our sales in overseas markets based on cost and product competitiveness.

Growth in the slim CRT TV, PDP TV, and LCD TV markets helped us offset the negative effects stemming from the company's decision to suspend production of analog products such as non-flat CRT TV. More notably, Samsung

Electronics had the highest market share in the global TV market during the third quarter in terms of sales and number of sets sold. Samsung Electronics plans to strengthen competitiveness in the digital product market, and to fortify its global leadership by improving product structure, gaining consensus on product excellence in markets of advanced countries, and expanding the list of countries where Samsung Electronics is the No.1 in market share.

The 2006 market presents a mixed picture: the market for Flat Panel TV (FPTV) such as LCD TV and PDP TV is expected to grow rapidly while competition is expected to become more fierce with competitors focusing on digital products. In response, Samsung Electronics plans to develop highest quality products and conduct aggressive marketing to secure its position as the industry leader.

The Digital Appliance Business Reshapes Consumer Lifestyle.

The Digital Appliance Business is leading the market by introducing products with differentiated design and innovative technology, meeting consumers' needs. Most notably, it is performing very well in the premium market. Especially, our side-by-side refrigerator had #1 market share both in Korea and in 31 markets globally. Also, sales for our drum washing machine with the world's first silver nano technology surged by 76% from the previous year in Europe and Asian markets.

JD Power ranked Samsung Electronics' refrigerators first in its consumer satisfaction index and KMCA ranked Samsung washing machines first in its consumer satisfaction index for six years in a row, and Samsung refrigerators first for three years in a row.

The Digital Appliance Business plans to enhance its competitiveness in 2006 through expanding the list of its high-value-added products featuring state-of-the-art technology and innovative design, placing emphasis on home solution business, and cultivating overseas markets aggressively.

Corporate Overview

1. Principal Operation

In order to meet the demands and challenges of the digital era and to lead the global electronics market, Samsung Electronics will strengthen its already strong core components business such as memory chips in Semiconductor Business, TFT-LCD monitor and LCD TV panel in LCD Business, mobile phone and network system in Telecommunication Network Business. And more in Digital Media Network Business which oversees AV and PCs and Digital Appliances Network dealing with washing machines, refrigerators and air conditioners. By organizing the Company's core business into 5 divisions, the Company was able to strengthen the product-oriented global management system, and with the dawn of the digital convergence era, the company is focusing on creating synergies between the 5 Business Divisions.

And Corporate Technology Operation Division has been organized newly in 2004 to improve the effect of Digital Convergence and R&D synergy. At the same time, the Company is concentrating on preparing for the future by running the Customer Satisfaction Management Center, Domestic Sales Division and Corporate Executive Staff to establish a corporate-wide horizontal link.

The Company owns and operates consumer electronics manufacturing facilities in various sites around Korea. At one of the main sites in Suwon, the Company produces digital information systems such as CTV, DTV, DVDP, monitor and CD-ROM. At the Gumi site, the Company manufactures mobiles handsets, communication systems and printers as well as other OA equipments. At the Giheung, Hwaseong and Onyang sites, the Company manufactures Memory and System LSI products. At the Cheonan and Tangjung site, the Company manufactures LCDs.

2. Manufacturing Sites (korea)

Manufacturing Site	Major Business or Products	Location
Suwon Complex	Electronic Goods & Computer	416, Maetan-dong, Yeongtong-gu, Suwon-shi, Gyeonggi-do
Gumi 1st Plant	Telecommunication Equipment	259, Gongdan-dong, Gumi-shi, Gyeongsangbuk-do
Gumi 2nd Plant	Telecommunication Equipment	94-1, Yimsu-dong, Gumi-shi, Gyeongsangbuk-do
Giheung Plant	Semiconductor	San-24, Nongseo-dong, Giheung-gu, Yongin-shi, Gyeonggi-do
Onyang Plant	Semiconductor (Assembly, Test)	723, Buksu-ri, Baebang-myon, Asan-shi, Chungcheongnam-do
Cheonan Plant	LCD	510, Seongseong-dong, Cheonan-shi, Chungcheongnam-do
Tangjung Plant	LCD	200, Myungam-li, Tangjung-myun, Asan-shi, Chungcheongnam-do
Hwaseong Plant	Semiconductor	San-16, Banwol-dong, Hwaseong-shi, Gyeonggi-do

3. Employees (non-consolidated)

(As of 2005 end)

Title	Staff	Manufacturing	Others	Total	Remarks
Male	8,008	2,969	38,577	49,554	
Female	2,143	23,482	5,415	31,040	
Total	10,151	26,451	43,992	80,594	

4. Shares (class of shares issued) (non-consolidated)

(share, in thousands of KRW)

Class	Outstanding shares	Composition	Remarks
Ordinary shares	147,299,337	86.6%	Cancelled shares *Ordinary 8.31 M shares *Preferred 1.06 M shares
Preferred shares	22,833,427	13.4%	
Total	170,132,764	100.0%	

- Issued shares before Share Cancellation in 2004: Total 179,502,764 Shares (Ordinary 155,609,337 / Preferred 23,893,427)

5. Productions by division (non-consolidated)

(in millions of KRW)

Division	2005	2004	2003
Digital Media	₩ 3,058,887	₩ 4,453,980	₩ 5,073,742
Telecommunication Network	13,875,766	13,625,548	9,550,908
Semiconductor	11,145,439	9,169,552	7,264,774
LCD	7,914,128	7,451,733	4,666,203
Digital Appliance	165,399	2,501,812	2,221,653
Others	460,486	237,750	176,084
Total	₩ 36,620,105	₩ 37,440,375	₩ 28,953,364

6. Sales by division (non-consolidated)

(in millions of KRW)

Division		2005	2004	2003
Digital Media	Domestic	₩ 2,725,103	₩ 2,736,183	₩ 2,698,934
	Export	3,759,554	5,291,373	5,019,770
	Sub-total	₩ 6,484,657	₩ 8,027,556	₩ 7,718,704
Telecommunication Network	Domestic	₩ 2,864,774	₩ 3,326,019	₩ 3,550,778
	Export	15,953,484	15,609,856	10,650,955
	Sub-total	₩ 18,818,258	₩ 18,935,875	₩ 14,201,733
Semiconductor	Domestic	₩ 1,118,808	₩ 1,185,886	₩ 883,491
	Export	17,216,000	17,038,867	11,828,210
	Sub-total	₩ 18,334,808	₩ 18,224,753	₩ 12,711,701
LCD	Domestic	₩ 1,098,200	₩ 768,084	₩ 391,307
	Export	8,611,973	7,920,592	4,801,065
	Sub-total	₩ 9,710,173	₩ 8,688,676	₩ 5,192,372
Digital Appliance	Domestic	₩ 1,782,897	₩ 1,556,421	₩ 1,508,160
	Export	1,600,495	1,702,436	1,897,110
	Sub-total	₩ 3,383,392	₩ 3,258,857	₩ 3,405,270
Others	Domestic	₩ 705,126	₩ 464,170	₩ 315,958
	Export	21,256	32,472	36,278
	Sub-total	₩ 726,382	₩ 496,642	₩ 352,236
Total	Domestic	₩ 10,294,908	₩ 10,036,763	₩ 9,348,628
	Export	47,162,762	47,595,596	34,233,388
	Sub-total	₩ 57,457,670	₩ 57,632,359	₩ 43,582,016

7. Major CAPEX and Source of fund (non-consolidated)

(in billions of KRW)

Title	Investment Amount	Starting Construction	Completion	Source of Fund
Memory No.14 line	₩ 1,340.7	'04	-	internal Cash
Memory No.13 line	700.7	'03	-	''
Memory No.12 line	240.8	'02	-	''
Memory No.11 line	72.2	'00	-	''
Memory No.10 line	217.1	'99	-	''
LSI S line	842.5	'04	-	''
LCD No.7-2 line	2,158.7	'04	-	''
etc.	4,463.5	-	-	''

Audit Committee's Audit Report

The Audit Committee of Samsung Electronics Co., Ltd. reports the results of financial audit from January 1, 2005 to December 31, 2005 for the 37th fiscal year.

1. Method of Auditing

The committee reviewed the accounting records and other related documents, and conducted thorough review of financial statements. The committee has made necessary collation, due diligence, and observance when appropriate. The committee received and reviewed reports from the Chief Financial Officer concerning operations and adequacy of accounting procedures and systems put in place to ensure fair and reliable presentation of accounting information and disclosures.

The committee attended Board of Directors, management committee and other important meetings, and when deemed necessary received reports on the operations from directors. The committee has reviewed reports on important business issues and conducted thorough reviews on them.

2. Balance Sheet and Income Statements

Balance Sheets and Income Statements show the Company's financial status including assets, liabilities, profits and losses in accordance with the generally accepted accounting standards, applicable laws and regulations.

3. Appropriations of Retained Earnings

Appropriations of Retained Earnings reflect the financial statements of the Company in accordance with the generally accepted accounting standards, applicable laws and regulations.

4. Business Report

Business Report reflects current financial status of the Company in accordance with generally accepted accounting standards, applicable laws and regulations.

January 31st, 2006

Samsung Electronics Co., Ltd.

THE AUDIT COMMITTEE

Sung-Lark Rim
(Chairman)



Jae-Sung Hwang



Kap-Hyun Lee



Report of Independent Auditors

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

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, 2005 and 2004, 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 26% of the consolidated total assets as of December 31, 2005 and 2004, respectively, and total revenues representing 16% and 20% of the consolidated total revenues for the years then ended. 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, 2005 and 2004, 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 19 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., which were previously transferred to the Creditors in connection with the petition for court receivership of SMI by December 31, 2000. In the event that the sales proceeds fall short of ₩2,450 billion, SEC and the Affiliates have agreed to compensate the Creditors for the shortfall by other means, including the participation in any equity offering or subordinated debentures issued by the Creditors. Any excess proceeds over ₩2,450 billion are to be distributed to SEC and the Affiliates. In the event of delays, interest on the agreed sales proceed amount of ₩2,450 billion has been agreed to be paid to the Creditors by SEC and the Affiliates. As of the balance sheet date, these transferred shares of Samsung Life Insurance Co., Ltd. have not yet been sold. As a result, on December 9, 2005, the Creditors filed a civil lawsuit against Mr. Lee Kun-Hee, the chairman of SEC, SEC and 27 other Samsung Group Companies, for losses arising from breach of this agreement.

The Creditors are claiming for the agreed sales proceeds of ₩2,450 billion and damages for delays amounting to ₩2,287.9 billion, both with interest of 6% per annum from January 1, 2001 until the date SEC was served with court papers and 20% per annum thereafter until settlement. Interest on the damages for delays has been calculated on a monthly basis from January 1, 2001. In addition, the Creditors are claiming further damages for delays (calculated at 19% per annum on ₩2,450 billion) from December 1, 2005 until settlement.

As of the balance sheet date, the outcome of this litigation 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 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
February 27, 2006

This report is effective as of February 27, 2006, 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.

Samil PricewaterhouseCoopers is the Korean member firm of PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Non-consolidated Balance Sheets

Years Ended December 31, 2005 and 2004

	in millions of Korean won		in thousands of U.S. dollars	
	2005	2004	2005	2004
ASSETS				
Current assets				
Cash and cash equivalents	₩ 1,053,552	₩ 957,819	\$ 1,040,032	\$ 945,527
Short-term financial instruments	3,897,931	4,186,706	3,847,908	4,132,977
Short-term available-for-sale securities	1,917,122	2,289,365	1,892,519	2,259,985
Trade accounts and notes receivable, net of allowance for doubtful accounts	1,496,939	1,331,587	1,477,729	1,314,499
Other accounts and notes receivable, net of allowance for doubtful accounts	842,828	937,658	832,011	925,625
Inventories, net to valuation losses	2,909,447	3,154,318	2,872,110	3,113,838
Short-term deferred income tax assets	907,680	-	896,032	-
Prepaid expenses and other current assets	1,197,812	1,101,038	1,182,440	1,086,908
Total current assets	14,223,311	13,958,491	14,040,781	13,779,359
Lease payment receivables under capital lease	269,179	312,034	265,725	308,030
Property, plant and equipment, including revalued portion, net of accumulated depreciation	24,650,194	19,727,807	24,333,854	19,474,637
Long-term available-for-sale securities	977,409	463,197	964,866	457,253
Equity-method investments	8,891,880	8,353,211	8,777,769	8,246,013
Intangible assets, net of accumulated amortization	465,801	399,376	459,823	394,251
Long-term deposits and other assets	1,060,996	602,427	1,047,379	594,695
Total assets	₩ 50,538,770	₩ 43,816,543	\$ 49,890,197	\$ 43,254,238

	in millions of Korean won		in thousands of U.S. dollars	
	2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade accounts and notes payable	₩ 1,867,185	₩ 1,823,316	\$ 1,843,223	\$ 1,799,917
Other accounts and notes payable	2,917,659	2,595,557	2,880,216	2,562,248
Accrued expenses	2,506,501	2,359,751	2,474,335	2,329,468
Income taxes payable	789,925	1,378,429	779,788	1,360,739
Other current liabilities	264,005	563,850	260,617	556,614
Total current liabilities	8,345,275	8,720,903	8,238,179	8,608,986
Foreign currency notes and bonds				
	95,557	98,545	94,331	97,280
Long-term advances received	505,950	-	499,457	-
Long-term accrued expenses	133,748	-	132,031	-
Deferred income tax liabilities	865,761	19,983	854,650	19,727
Accrued severance benefits	498,488	397,084	492,091	391,988
Other long-term liabilities	437,381	139,619	431,768	137,828
Total liabilities	₩ 10,882,160	₩ 9,376,134	\$ 10,742,507	\$ 9,255,809
Commitments and contingencies				
Shareholders' equity				
Capital stock				
Common stock	778,047	778,047	768,062	768,062
Preferred stock	119,467	119,467	117,934	117,934
Capital surplus				
Paid-in capital in excess of par value	4,403,893	4,403,893	4,347,377	4,347,377
Other capital surplus	1,961,422	1,927,773	1,936,251	1,903,034
Retained earnings	37,365,892	30,575,041	36,886,369	30,182,666
(Net income of ₩7,640,213 million in 2005 and ₩10,786,742 million in 2004)				
Capital adjustments				
Treasury stock	(5,970,778)	(4,159,639)	(5,894,154)	(4,106,258)
Others	998,667	795,827	985,851	785,614
Total shareholders' equity	39,656,610	34,440,409	39,147,690	33,998,429
Total liabilities & shareholders' equity	₩ 50,538,770	₩ 43,816,543	\$ 49,890,197	\$ 43,254,238

Non-consolidated Statements of Income

Years Ended December 31, 2005 and 2004

	in millions of Korean won		in thousands of U.S. dollars	
	2005	2004	2005	2004
Sales	₩ 57,457,670	₩ 57,632,359	\$ 56,720,306	\$ 56,892,753
Cost of sales	40,158,150	37,279,686	39,642,794	36,801,269
Gross profit	17,299,520	20,352,673	17,077,512	20,091,484
Selling, general and administrative expenses	9,239,745	8,335,796	9,121,169	8,228,822
Operating profit	8,059,775	12,016,877	7,956,343	11,862,662
Non-operating income				
Interest and dividend income	229,654	295,428	226,707	291,637
Commission income	366,519	205,287	361,815	202,653
Foreign exchange gains	399,624	402,774	394,496	397,605
Gain on foreign currency translation	90,187	138,528	89,030	136,750
Gain on valuation of investments using the equity method of accounting	1,131,014	576,923	1,116,500	569,519
Others	454,361	517,801	448,529	511,156
Total non-operating income	2,671,359	2,136,741	2,637,077	2,109,320
Non-operating expenses				
Interest expense	42,214	65,970	41,672	65,123
Foreign exchange losses	348,804	364,867	344,328	360,185
Loss on foreign currency translation	31,244	41,903	30,843	41,365
Loss on valuation of investments using the equity method of accounting	972,173	-	959,697	-
Others	466,227	556,352	460,244	549,212
Total non-operating expenses	1,860,662	1,029,092	1,836,784	1,015,885
Ordinary profit	8,870,472	13,124,526	8,756,636	12,956,097
Extraordinary income	-	-	-	-
Extraordinary loss	-	-	-	-
Net income before income taxes	8,870,472	13,124,526	8,756,636	12,956,097
Income tax expense	1,230,259	2,337,784	1,214,471	2,307,783
Net income	₩ 7,640,213	₩ 10,786,742	\$ 7,542,165	\$ 10,648,314
Basic earnings per share (in Korean won and U.S. dollars)	₩ 49,970	₩ 67,899	\$ 49	\$ 67
Diluted earnings per share (in Korean won and U.S. dollar)	₩ 49,128	₩ 66,864	\$ 48	\$ 66

Non-consolidated Statements of Appropriations of Retained Earnings

Years Ended December 31, 2005 and 2004

	in millions of Korean won		in thousands of U.S. dollars	
	2005	2004	2005	2004
Retained earnings before appropriations				
Unappropriated retained earnings carried over from the prior year	₩ 30	₩ 31	\$ 30	\$ 31
Interim dividends (Dividend rate: 10% in 2005 and 100% in 2004)	(76,652)	(791,139)	(75,668)	(780,986)
Retirement of treasury stock	-	(3,025,128)	-	(2,986,306)
Net income	7,640,213	10,786,742	7,542,165	10,648,314
Total retained earnings before appropriations	7,563,591	6,970,506	7,466,527	6,881,053
Appropriations				
Legal reserve	-	3,000	-	2,962
Reserve for business rationalization	1,000,000	1,000,000	987,167	987,167
Reserve for research and human resource development	4,000,000	4,000,000	3,948,667	3,948,667
Cash dividends (Common stock: 100% in 2005 and in 2004) (Preferred stock: 101% in 2005 and in 2004)	757,403	772,711	747,683	762,795
Reserve for loss on disposal of treasury stock	650,000	550,000	641,658	542,942
Reserve for capital expenditure	1,156,158	644,765	1,141,322	636,490
Total appropriations	7,563,561	6,970,476	7,466,497	6,881,023
Unappropriated retained earnings carried over to the subsequent year	₩ 30	₩ 30	\$ 30	\$ 30

Non-consolidated Statements of Cash Flows

Years Ended December 31, 2005 and 2004

	in millions of Korean won		in thousands of U.S. dollars	
	2005	2004	2005	2004
Cash flows from operating activities				
Net income	₩ 7,640,213	₩ 10,786,742	\$ 7,542,165	\$ 10,648,314
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,060,475	4,526,115	4,995,533	4,468,031
Provision for severance benefits	385,706	365,041	380,756	360,356
Loss on foreign currency translation	31,244	41,903	30,843	41,365
Gain on foreign currency translation	(90,187)	(138,528)	(89,030)	(136,750)
Gain on valuation of investments using the equity method of accounting	(1,131,014)	(576,923)	(1,116,500)	(569,519)
Loss on valuation on investments using the equity method of accounting	972,173	-	959,697	-
Deferred income taxes	(198,751)	380,425	(196,200)	375,543
Others	436,992	332,829	431,385	328,557
Total items not involving cash flows	13,106,851	15,717,604	12,938,649	15,515,897
Changes in operating assets and liabilities:				
Increase in trade accounts and notes receivable	(372,311)	(83,295)	(367,533)	(82,226)
Decrease (Increase) in other accounts and notes receivable	93,912	(228,436)	92,707	(225,504)
Decrease (Increase) in inventories	24,910	(854,560)	24,590	(843,593)
Increase (Decrease) in trade accounts and notes payable	49,381	(33,669)	48,747	(33,237)
Increase (Decrease) in other accounts and notes payable	191,393	(72,759)	188,937	(71,825)
Increase in accrued expenses	183,115	279,889	180,765	276,297
Increase in long-term advance received	505,950	-	499,457	-
Increase in long-term accrued expenses	133,748	-	132,031	-
Increase (Decrease) in income taxes payable	(600,859)	475,180	(593,148)	469,082
Payment of severance benefits	(134,308)	(190,359)	(132,584)	(187,916)
Others	(391,381)	(205,250)	(386,358)	(202,617)
Net cash provided by operating activities	12,790,401	14,804,345	12,626,260	14,614,358

	in millions of Korean won		in thousands of U.S. dollars	
	2005	2004	2005	2004
Cash flows from investing activities				
Disposal of short-term financial instruments	₩ 288,775	₩ 60,130	\$ 285,069	\$ 59,358
Proceeds from disposal of short-term available-for-sale securities	3,574,058	2,518,498	3,528,192	2,486,178
Acquisition of short-term available-for-sale securities	(3,172,410)	(2,292,871)	(3,131,698)	(2,263,446)
Proceeds from disposal of property, plant and equipment	174,321	520,865	172,084	514,181
Acquisition of property, plant and equipment	(10,080,695)	(7,869,985)	(9,951,328)	(7,768,988)
Proceeds from long-term available-for-sale securities	21,574	102,667	21,297	101,349
Proceeds from disposal of investments	396,510	300,840	391,422	296,979
Acquisition of long-term available-for-sale securities	(30,074)	(23,083)	(29,688)	(22,787)
Acquisition of equity-method investments	(866,665)	(1,980,439)	(855,543)	(1,955,024)
Others	(250,658)	(128,280)	(247,442)	(126,633)
Net cash used in investing activities	(9,945,264)	(8,791,658)	(9,817,635)	(8,678,833)
Cash flows from financing activities				
Repayment of current portion of long-term debt	-	(1,001,207)	-	(988,358)
Payment of dividends	(849,363)	(1,596,281)	(838,463)	(1,575,796)
Acquisition of treasury stock	(2,149,370)	(3,841,485)	(2,121,786)	(3,792,187)
Exercise of stock options	249,329	115,924	246,129	114,436
Others	-	(28)	-	(27)
Net cash used in financing activities	(2,749,404)	(6,323,077)	(2,714,120)	(6,241,932)
Net decrease in cash and cash equivalents	95,733	(310,390)	94,505	(306,407)
Beginning of the year	957,819	1,268,209	945,527	1,251,934
End of the year	₩ 1,053,552	₩ 957,819	\$ 1,040,032	\$ 945,527

Consolidated Balance Sheets

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2005 and 2004

	in millions of Korean won (note 3)		in thousands of U.S. dollars (note 3)	
	2005	2004	2005	2004
Assets				
Current assets				
Cash and cash equivalents	₩ 4,082,817	₩ 3,129,614	\$ 4,030,422	\$ 3,089,451
Short-term financial instruments (note 4)	4,061,388	4,978,491	4,009,268	4,914,601
Short-term available-for-sale securities (note 5)	1,930,802	2,476,620	1,906,024	2,444,837
Short-term held-to-maturity securities (note 5)	1,076	83,039	1,062	81,973
Trade accounts and notes receivable, net (note 6)	7,397,353	6,774,392	7,302,422	6,687,455
Other accounts and notes receivable, net (note 6)	1,102,620	1,143,424	1,088,470	1,128,750
Inventories (note 7)	5,864,889	5,803,646	5,789,624	5,729,167
Short-term financing receivables, net (note 8)	5,663,347	5,184,598	5,590,668	5,118,063
Short-term deferred income tax assets (note 26)	1,159,245	-	1,144,368	-
Prepaid expenses and other current assets	2,135,615	2,417,401	2,108,208	2,386,378
Total current assets	33,399,152	31,991,225	32,970,536	31,580,675
Property, plant and equipment, including revalued portion, net (note 11)	29,276,161	23,962,396	28,900,455	23,654,883
Long-term available-for-sale securities (note 9)	2,232,601	1,281,793	2,203,950	1,265,344
Long-term held-to-maturity securities (note 9)	221,838	967,319	218,991	954,905
Equity-method investments (note 10)	2,923,314	3,057,769	2,885,799	3,018,528
Deferred income tax assets (note 26)	522,689	676,813	515,981	668,127
Intangible assets, net (note 12)	632,856	544,522	624,734	537,534
Long-term financing receivables, net (note 8)	3,753,470	5,461,429	3,705,301	5,391,342
Long-term deposits and other assets, net (note 13)	1,499,717	1,061,359	1,480,471	1,047,738
Total assets	₩ 74,461,798	₩ 69,004,625	\$ 73,506,218	\$ 68,119,076

	in millions of Korean won (note 3)		in thousands of U.S. dollars (note 3)	
	2005	2004	2005	2004
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts and notes payable	₩ 4,206,962	₩ 4,189,110	\$ 4,152,973	\$ 4,135,350
Short-term borrowings (note 14)	7,807,865	7,101,220	7,707,665	7,010,089
Current maturities of long-term debts (notes 14 and 15)	3,786,791	4,957,052	3,738,194	4,893,437
Other accounts and notes payable	3,336,651	3,433,149	3,293,831	3,389,091
Accrued expenses	4,191,577	3,940,213	4,137,786	3,889,648
Income taxes payable	896,862	1,550,192	885,352	1,530,298
Other current liabilities	681,882	936,647	673,135	924,627
Total current liabilities	24,908,590	26,107,583	24,588,936	25,772,540
Long-term liabilities				
Long-term debts, net of current maturities (note 15)	4,691,501	5,445,429	4,631,294	5,375,547
Foreign currency notes and bonds (note 16)	146,207	150,736	144,331	148,802
Long-term accrued expenses (note 18)	134,974	-	133,242	-
Long-term advances received (note 19)	507,310	-	500,800	-
Accrued severance benefits, net (note 17)	576,922	455,981	569,518	450,129
Deferred income tax liabilities (note 26)	905,683	36,067	894,060	35,604
Other long-term liabilities	983,200	408,548	970,582	403,305
Total liabilities	32,854,387	32,604,344	32,432,763	32,185,927
Shareholders' equity				
Commitments and contingencies (note 19)				
Shareholders' equity				
Capital stock (note 20)				
Common stock	778,047	778,047	768,062	768,062
Preferred stock	119,467	119,467	117,934	117,934
Capital surplus	6,338,460	6,239,586	6,257,117	6,159,512
Retained earnings (note 21)	37,369,265	30,576,954	36,889,699	30,184,555
Capital adjustments				
Treasury stock (note 23)	(5,970,778)	(4,159,639)	(5,894,154)	(4,106,258)
Others (note 24)	1,073,065	889,151	1,059,294	877,740
Minority interests	1,899,885	1,956,715	1,875,503	1,931,604
Total shareholders' equity	41,607,411	36,400,281	41,073,455	35,933,149
	₩ 74,461,798	₩ 69,004,625	\$ 73,506,218	\$ 68,119,076

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

Consolidated Statements of Income

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2005 and 2004

	in millions of Korean won (note 3)		in thousands of U.S. dollars (note 3)	
	2005	2004	2005	2004
Sales (note 28)	₩ 80,629,510	₩ 81,963,009	\$ 79,594,778	\$ 80,911,164
Cost of sales (note 28)	55,251,655	52,952,682	54,542,601	52,273,131
Gross profit	25,377,855	29,010,327	25,052,177	28,638,033
Selling, general and administrative expenses	17,802,357	17,249,581	17,573,896	17,028,214
Operating profit	7,575,498	11,760,746	7,478,281	11,609,819
Non-operating income				
Interest and dividend income	320,709	382,049	316,593	377,146
Foreign exchange gains	1,190,611	1,146,088	1,175,332	1,131,380
Gain on foreign currency translation (note 30)	144,465	202,172	142,611	199,577
Gain on valuation of equity method investments (note 10)	491,405	495,620	485,099	489,260
Others	872,666	662,878	861,467	654,371
	3,019,856	2,888,807	2,981,102	2,851,734
Non-operating expenses				
Interest expense	218,233	170,107	215,432	167,924
Foreign exchange losses	1,124,380	1,060,191	1,109,951	1,046,585
Loss on foreign currency translation (note 30)	117,571	80,723	116,062	79,687
Loss on valuation of equity method investments (note 10)	149,656	-	147,735	-
Impairment losses on investments	172,145	134,757	169,936	133,028
Others	688,056	827,617	679,227	816,996
	2,470,041	2,273,395	2,438,343	2,244,220

	in millions of Korean won (note 3)		in thousands of U.S. dollars (note 3)	
	2005	2004	2005	2004
Income before income tax and minority interests	8,125,313	12,376,158	8,021,040	12,217,333
Income tax (note 26)	1,218,246	2,207,285	1,202,612	2,178,959
Income before minority interests	6,907,067	10,168,873	6,818,428	10,038,374
Minority interests in losses of consolidated subsidiaries, net	733,025	620,662	723,618	612,697
Net income	₩ 7,640,092	₩ 10,789,535	\$ 7,542,046	\$ 10,651,071
Basic earnings per share (note 27) (in Korean won and U.S. dollars)	₩ 49,969	₩ 67,916	\$ 49	\$ 67
Diluted earnings per share (note 27) (in Korean won and U.S. dollar)	₩ 49,128	₩ 66,881	\$ 48	\$ 66

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

Consolidated Statements of Changes in Shareholders' Equity

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2005 and 2004

	in millions of Korean won (note 3)					
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Shareholders' equity, January 1, 2005	₩ 897,514	₩ 6,239,586	₩ 30,576,954	₩ (3,270,488)	₩ 1,956,715	₩ 36,400,281
Net income	-	-	7,640,092	-	-	7,640,092
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(6,936)	-	-	-	(6,936)
Cumulative effects of changes of consolidated subsidiaries	-	70,297	-	(70,297)	-	-
Cash dividends	-	-	(849,363)	-	-	(849,363)
Disposal of treasury stock	-	32,572	-	338,232	-	370,804
Retirement of treasury stock	-	-	-	-	-	-
Acquisition of treasury stock	-	-	-	(2,149,371)	-	(2,149,371)
Gain on valuation of available-for-sale securities	-	-	-	445,088	-	445,088
Gain on valuation of investments using the equity method of accounting	-	-	-	121,062	-	121,062
Loss on valuation of investments using the equity method of accounting	-	-	-	(63,969)	-	(63,969)
Stock option compensation	-	1,077	-	(75,468)	-	(74,391)
Minority interests in losses of consolidated subsidiaries	-	-	-	-	(733,025)	(733,025)
Others	-	1,864	1,582	(172,502)	676,195	507,139
Shareholders' equity, December 31, 2005	₩ 897,514	₩ 6,338,460	₩ 37,369,265	₩ (4,897,713)	₩ 1,899,885	₩ 41,607,411

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

in thousands of U.S. dollars (note 3)

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Shareholders' equity, January 1, 2005	\$ 885,996	\$ 6,159,512	\$ 30,184,555	\$ (3,228,518)	\$ 1,931,604	\$ 35,933,149
Net income	-	-	7,542,046	-	-	7,542,046
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(6,847)	-	-	-	(6,847)
Cumulative effects of changes of consolidated subsidiaries	-	69,395	-	(69,395)	-	-
Cash dividends	-	-	(838,463)	-	-	(838,463)
Disposal of treasury stock	-	32,154	-	333,891	-	366,045
Retirement of treasury stock	-	-	-	-	-	-
Acquisition of treasury stock	-	-	-	(2,121,788)	-	(2,121,788)
Gain on valuation of available-for-sale securities	-	-	-	439,376	-	439,376
Gain on valuation of investments using the equity method of accounting	-	-	-	119,508	-	119,508
Loss on valuation of investments using the equity method of accounting	-	-	-	(63,148)	-	(63,148)
Stock option compensation	-	1,063	-	(74,500)	-	(73,437)
Minority interests in losses of consolidated subsidiaries	-	-	-	-	(723,618)	(723,618)
Others	-	1,840	1,561	(170,286)	667,517	500,632
Shareholders' equity, December 31, 2005	\$ 885,996	\$ 6,257,117	\$ 36,889,699	\$ (4,834,860)	\$ 1,875,503	\$ 41,073,455

Consolidated Statements of Changes in Shareholders' Equity

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2005 and 2004

	in millions of Korean won (note 3)					
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Shareholders' equity, January 1, 2004	₩ 895,241	₩ 6,242,269	₩ 24,415,681	₩ (2,062,601)	₩ 669,122	₩ 30,159,712
Net income	-	-	10,789,535	-	-	10,789,535
Conversion of convertible bonds	2,273	46,995	-	-	-	49,268
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(155,412)	-	-	-	(155,412)
Cumulative effects of changes of consolidated subsidiaries	-	-	-	(65)	630,004	629,939
Cash dividends	-	-	(1,596,282)	-	-	(1,596,282)
Disposal of treasury stock	-	45,535	-	114,551	-	160,086
Retirement of treasury stock	-	-	(3,025,129)	3,025,129	-	-
Acquisition of treasury stock	-	-	-	(3,841,485)	-	(3,841,485)
Loss on valuation of available-for-sale securities	-	-	-	(22,675)	-	(22,675)
Gain on valuation of investments using the equity method of accounting	-	-	-	(119,779)	-	(119,779)
Stock option compensation	-	20,318	-	(12,024)	-	8,294
Minority interests in losses of consolidated subsidiaries	-	-	-	-	(620,662)	(620,662)
Others	-	39,881	(6,851)	(351,539)	1,278,251	959,742
Shareholders' equity, December 31, 2004	₩ 897,514	₩ 6,239,586	₩ 30,576,954	₩ (3,270,488)	₩ 1,956,715	₩ 36,400,281

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

in thousands of U.S. dollars (note 3)

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Shareholders' equity, January 1, 2004	\$ 883,752	\$ 6,162,161	\$ 24,102,350	\$ (2,036,131)	\$ 660,535	\$ 29,772,667
Net income	-	-	10,651,071	-	-	10,651,071
Conversion of convertible bonds	2,244	46,392	-	-	-	48,636
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(153,418)	-	-	-	(153,418)
Cumulative effects of changes of consolidated subsidiaries	-	-	-	(64)	621,919	621,855
Cash dividends	-	-	(1,575,797)	-	-	(1,575,797)
Disposal of treasury stock	-	44,951	-	113,081	-	158,032
Retirement of treasury stock	-	-	(2,986,307)	2,986,307	-	-
Acquisition of treasury stock	-	-	-	(3,792,187)	-	(3,792,187)
Loss on valuation of available-for-sale securities	-	-	-	(22,384)	-	(22,384)
Gain on valuation of investments using the equity method of accounting	-	-	-	(118,242)	-	(118,242)
Stock option compensation	-	20,057	-	(11,869)	-	8,188
Minority interests in losses of consolidated subsidiaries	-	-	-	-	(612,697)	(612,697)
Others	-	39,369	(6,762)	(347,029)	1,261,847	947,425
Shareholders' equity, December 31, 2004	\$ 885,996	\$ 6,159,512	\$ 30,184,555	\$ (3,228,518)	\$ 1,931,604	\$ 35,933,149

Consolidated Statements of Cash Flows

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2005 and 2004

	in millions of Korean won (note 3)		in thousands of U.S. dollars (note 3)	
	2005	2004	2005	2004
Cash flows from operating activities				
Net income	₩ 7,640,092	₩ 10,789,535	\$ 7,542,045	\$ 10,651,071
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	6,020,371	5,184,898	5,943,111	5,118,359
Provision for severance benefits	457,387	444,206	451,517	438,505
Loss on transfer of trade accounts and notes receivable	205,501	119,343	202,864	117,811
Bad debt expenses	2,008,662	2,637,187	1,982,885	2,603,344
Compensation cost for stock options	59,439	71,693	58,676	70,773
Loss on foreign currency translation	117,571	80,723	116,062	79,687
Gain on foreign currency translation	(144,465)	(202,172)	(142,611)	(199,577)
Minority interest in earnings of consolidated subsidiaries, net	(733,025)	(620,662)	(723,618)	(612,697)
Loss on valuation of investments using the equity method of accounting	149,656	-	147,735	-
Gain on valuation on investments using the equity method of accounting	(491,405)	(495,620)	(485,099)	(489,260)
Impairment losses on investments	172,145	134,757	169,936	133,028
Deferred income taxes	(354,826)	(30,885)	(350,272)	(30,489)
Others	527,228	419,335	520,462	413,954
	15,634,331	18,532,338	15,433,693	18,294,509
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivables	(1,966,662)	(673,376)	(1,941,423)	(664,734)
Increase in inventories	(637,044)	(1,311,935)	(628,869)	(1,295,099)
Increase in trade accounts and notes payable	696,002	61,005	687,070	60,222
Increase in accrued expenses	824,899	226,930	814,313	224,018
Increase (decrease) in income taxes payable	(655,197)	597,232	(646,789)	589,568
Payment of severance benefits	(179,363)	(250,184)	(177,061)	(246,973)
Decrease (increase) in financing receivables	(783,639)	224,037	(773,582)	221,162
Increase in long-term advance received	507,310	-	500,800	-
Increase in long-term accrued expenses	134,974	-	133,242	-
Others	(247,045)	(974,116)	(243,876)	(961,616)
Net cash provided by operating activities	13,328,566	16,431,931	13,157,518	16,221,057

	in millions of Korean won (note 3)		in thousands of U.S. dollars (note 3)	
	2005	2004	2005	2004
Cash flows from investing activities				
Net increase in short-term financial instruments	912,019	-	900,315	-
Proceeds from sale of short-term available-for-sale securities	3,734,545	4,307,147	3,686,619	4,251,873
Acquisition of short-term available-for-sale securities	(3,148,892)	(4,672,698)	(3,108,482)	(4,612,732)
Net increase in other accounts and notes receivable	(53,147)	193,524	(52,465)	191,040
Proceeds from disposal of property, plant and equipment	244,961	574,625	241,817	567,251
Acquisition of property, plant and equipment	(11,540,225)	(10,497,204)	(11,392,127)	(10,362,492)
Proceeds from sale of long-term available-for-sale securities	69,750	922,257	68,855	910,422
Proceeds from sale of long-term held-to-maturity securities	662,071	584,437	653,575	576,937
Proceeds from sale of equity-method investments	279,041	240,004	275,460	236,924
Acquisition of long-term available-for-sale securities	(60,564)	(206,774)	(59,787)	(204,120)
Acquisition of long-term held-to-maturity securities	(134,822)	(143,744)	(133,092)	(141,899)
Acquisition of equity-method investments	(46,362)	(161,047)	(45,767)	(158,980)
Others	36,043	989,056	35,580	976,361
Net cash used in investing activities	(9,045,582)	(7,870,417)	(8,929,499)	(7,769,415)
Cash flows from financing activities				
Net proceeds from (repayment of) short-term borrowings	815,328	(193,672)	804,865	(191,187)
Proceeds from long-term debts	3,350,653	3,224,434	3,307,654	3,183,054
Repayment of long-term debts	(76,378)	(2,123,112)	(75,398)	(2,095,866)
Repayment of current maturities of long-term debts	(5,231,209)	(6,622,079)	(5,164,076)	(6,537,097)
Payment of dividends	(849,364)	(1,596,282)	(838,464)	(1,575,797)
Acquisition of treasury stock	(2,149,370)	(3,841,484)	(2,121,787)	(3,792,186)
Others	873,856	1,513,280	862,642	1,493,862
Net cash used in financing activities	(3,266,484)	(9,638,915)	(3,224,564)	(9,515,217)
Effect of exchange rate changes on cash and cash equivalents	(69,574)	125,577	(68,681)	123,965
Net increase (decrease) in cash and cash equivalents from changes in consolidated subsidiaries	6,277	(44,262)	6,196	(43,694)
Net increase (decrease) in cash and cash equivalents	953,203	(996,086)	940,970	(983,304)
Cash and cash equivalents				
Beginning of the year	3,129,614	4,125,700	3,089,452	4,072,755
End of the year	₩ 4,082,817	₩ 3,129,614	\$ 4,030,422	\$ 3,089,451

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

Notes of Consolidated Financial Statements

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2005 and 2004

Note 1: The Company

Samsung Electronics Co., Ltd. ("SEC") was incorporated under the laws of the Republic of Korea to manufacture and sell semiconductors, telecommunication products, home 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, 2005, the major shareholders of SEC's shares of stock, including preferred stock, and their respective shareholdings, are as follows:

Name of Shareholder	Number of Shares	Percentage of Ownership(%)
Citibank N.A.	18,767,519	11.03
Samsung Life Insurance Co., Ltd.	10,690,660	6.28
Samsung Corporation	5,917,362	3.48
Lee Kun-Hee and others	5,161,602	3.03
National Pension Corporation	4,838,367	2.84
NTC-GOV SPORE	3,145,475	1.85
Samsung Fire & Marine Insurance Co., Ltd.	1,856,370	1.09

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, in accordance with the consolidation accounting standards of the Republic of Korea.

The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2005.

(in millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Korea	Samsung Gwangju Electronics Co., Ltd.	Home appliances manufacturing	₩ 581,543	94.25	Korea
	Samsung Card Co., Ltd.	Consumer financing	1,462,090	46.85	Korea
	STECO Co., Ltd.	Semiconductor equipment manufacturing	58,135	51.00	Korea
	SEMES Co., Ltd. (formerly known as DNS Korea Co., Ltd.)	Semiconductor equipment manufacturing	50,028	63.12	Korea
	Samsung Electronics Service Co., Ltd.	Service center for electronic goods	56,942	83.33	Korea
	Living Plaza	Sales	134,704	100.00	Korea
	Blueteck Co., Ltd.	Manufacturing	129,976	100.00	Korea
	Samsung Electronics Logitech Co., Ltd.	Distribution	23,234	100.00	Korea
	Secron Co., Ltd.	Semiconductor equipment manufacturing	24,941	50.63	Korea
	S-LCD Corporation	Manufacturing	1,860,849	50.00	Korea
	Samsung Electronics Hainan Fiberoptics Korea Co., Ltd (SEHF-K)	Optical cable manufacturing	12,258	100.00	Korea
America	Samsung Electronics Canada, Inc. (SECA)	Sale of electronic goods	52,076	100.00	Canada
	Samsung Electronics America, Inc. (SEA)	Sale of electronic goods	551,627	100.00	U.S.A
	Samsung Electronics Latinoamerica (ZONE LIBRE) S.A.(SELA)	Sale of electronic goods	50,521	100.00	Panama
	Samsung Electronics Mexico S.A.de C.V. (SEM)	Sale of electronic goods	59,208	100.00	Mexico
	Samsung Electronics Argentina S.A. (SEASA)	Sale of electronic goods	5,950	100.00	Argentina
	Samsung Receivables Corporation (SRC)	Financing	542,126	100.00	U.S.A
	Samsung Semiconductor Inc. (SSI)	Semiconductor sales	94,875	100.00	U.S.A
	Samsung Information Systems America Inc. (SISA)	Information system research and development	18,396	100.00	U.S.A
	Samsung Telecommunications America, L.P. (STA)	Telephone Sales and research and development	166,405	100.00	U.S.A
	Samsung International, Inc. (SII)	CTV and Monitor manufacturing	141,884	100.00	U.S.A
	Samsung Austin Semiconductor L.P. (SAS)	Semiconductor manufacturing	466,233	100.00	U.S.A
	Samsung Mexicana S.A. de C.V. (SAMEX)	CTV and Monitor manufacturing	20,479	100.00	Mexico
	Samsung Electronics Latinoamerica Miami, Inc. (SEMI)	Sale of electronic goods and Telephone	10,156	100.00	U.S.A
	Samsung Electronica Columbia S.A. (SAMCOL)	Sale of electronic goods	10,397	100.00	Columbia
	Samsung Electronica Da Amazonia LTDA. (SEDA)	Telephone manufacturing	102,841	100.00	Brazil

(in millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Europe / Africa	Samsung Electronics Iberia, S.A. (SESA)	VCR, TVCR manufacturing and sales	₩ 87,473	100.00	Spain
	Samsung Electronics Nordic AB (SENA)	Sale of electronic goods	21,057	100.00	Sweden
	Samsung Electronics Hungarian RT. Co., Ltd. (SEH)	CTV manufacturing and sales	170,015	100.00	Hungary
	Samsung Electronica Portuguesa S.A. (SEP)	Sale of electronic goods	18,302	100.00	Portugal
	Samsung Electronics France S.A. (SEF)	Sale of electronic goods	65,945	100.00	France
	Samsung Electronics (UK), Ltd. (SEUK) (formerly known as Samsung Europe Plc.)	Sale of electronic goods	234,196	100.00	U.K.
	Samsung Electronics Holding GmbH (SEHG)	Holding Company (Financing)	148,098	100.00	Germany
	Samsung Electronics Italia S.P.A (SEI)	Sale of electronic goods	60,856	100.00	Italy
	Samsung Electronics South Africa (Pty) Ltd. (SSA)	Sale of electronic goods	21,586	100.00	South Africa
	Samsung Electronics Benelux B.V. (SEBN)	Distribution and sale of electronic goods	32,368	100.00	Netherlands
	Samsung Electronics Poland, SP.ZO.O (SEPOL)	Sale of electronic goods and telephone	28,548	100.00	Poland
	Samsung Semiconductor Europe Limited (SSEL)	Semiconductor sales	45,034	100.00	U.K.
	Samsung Electronics Gmbh (SEG)	Sale of electronic goods	54,270	100.00	Germany
	Samsung Semiconductor Europe Gmbh (SSEG)	Semiconductor sales	10,947	100.00	Germany
	Samsung Electronics Overseas B.V. (SEO)	Sale of electronic goods	915	100.00	Netherlands
	Samsung Electronics Europe Logistics B.V. (SELS)	Logistics	29,836	100.00	Netherlands
	Samsung Electronics Slovakia s.r.o (SESK)	Monitor manufacturing	95,264	100.00	Slovakia
	LLC Samsung Electronics, Russia (SER)	Marketing	6,055	100.00	Russia

(in millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Asia	Samsung Yokohama Research Institute (SYRI)	Research center	₩ 53,257	100.00	Japan
	Samsung Electronics Australia Pty, Ltd. (SEAU)	Sale of electronic goods	62,795	100.00	Australia
	P.T. Samsung Electronics Indonesia (SEIN)	CTV, VCR manufacturing and sales	123,575	99.99	Indonesia
	Samsung Asia Pte Ltd. (SAPL)	Sale of electronic goods	252,743	70.00	Singapore
	Samsung Electronics Display (M) SDN.OMD. (HSD) (SDMA)	Monitor manufacturing and sales	140,730	100.00	Malaysia
	Samsung Electronics (Malaysia) SDN.BHD. (SEMA)	Home appliances manufacturing and sales	89,030	100.00	Malaysia
	Samsung Vina Electronics Co., Ltd. (SAVINA)	CTV manufacturing and sales	16,014	80.00	Vietnam
	Samsung Gulf Electronics Co., Ltd. (SGE)	Sale of electronic good	18,070	100.00	Arab Emirates
	Samsung India Electronics Ltd. (SIEL)	CTV manufacturing and sales of electronic goods	57,466	100.00	India
	Thai-Samsung Electronics Co., Ltd. (TSE)	CTV and washing machine manufacturing and sales	134,759	91.83	Thailand
	Samsung Electronics Philippines Corporation (SEPCO)	Sale of electronic goods	10,867	100.00	Philippines
	Samsung Electronics Philippine Manufacturing Corporation (SEPHIL)	ODD Manufacturing	33,772	100.00	Philippines
	Samsung Japan Co., Ltd. (SJC)	Sales	220,627	50.96	Japan
	P.T. Samsung Telecommunication Indonesia (STIN)	Installation of telecom system	5,400	99.00	Indonesia
	Samsung Malaysia Electronics SDN BHD (SME)	Marketing	3,762	100.00	Malaysia
	Samsung India Software Operations Pvt. Ltd. (SISO)	Research and development	7,679	100.00	India

(in millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
China	Samsung Electronics Hong Kong Co., Ltd. (SEHK)	Sale of electronic goods	₩ 62,525	100.00	Hong Kong
	Samsung Electronics Taiwan Co., Ltd. (SET)	Semiconductor sales and sale of electronic goods	45,323	99.99	Taiwan
	Samsung Electronics Huizhou Co., Ltd. (SEHZ)	A/V manufacturing	54,550	99.56	China
	Shandong-Samsung Telecommunication Co., Ltd. (SST)	Telecom System (PABX) manufacturing and sales	48,381	100.00	China
	Samsung Electronics Suzhou Semiconductor Co., Ltd. (SESS)	Semiconductor manufacturing	189,723	100.00	China
	Souzhou Samsung Electronics Co., Ltd. (SSEC)	Home appliances manufacturing and sales	105,497	88.28	China
	Samsung (China) Investment Co., Ltd. (SCIC)	Holding company and sales	54,492	100.00	China
	Tianjin Samsung Electronics Co., Ltd. (TSEC)	VCR manufacturing and sales	140,178	91.07	China
	Tianjin Samsung Electronics Display Co., Ltd. (TSED)	Monitor manufacturing	81,031	79.95	China
	Tianjin Tongguang Samsung Electronics Co., Ltd. (TTSEC)	CTV manufacturing	137,058	96.02	China
	Tianjin Samsung Telecom Technology Co., Ltd. (TSTC)	HHP manufacturing	139,118	90.00	China
	Samsung Electronics Suzhou LCD Co., Ltd. (SESL)	LCD manufacturing	138,064	100.00	China
	Samsung Electronics Suzhou Computer Co., Ltd. (SESC)	Computer manufacturing	52,155	100.00	China
	Shenzhen Samsung Kejian Mobile Telecommunication Technology Co., Ltd. (SSKMT)	HHP manufacturing	45,218	60.00	China
	Shanghai Samsung Semiconductor Co., Ltd. (SSS)	Semiconductor sales	4,396	100.00	China
	Samsung Electronics Hainan Fiberoptics Co., Ltd. (SEHF)	Optical cable manufacturing	22,241	100.00	China

The financial information of Samsung Europe Plc. (SEPLC), Samsung Electronics (UK) Ltd. (SEUK), Samsung Telecoms (UK) Ltd. (STUK), which was reported separately in 2004, are integrated into the financial information of Samsung Electronics (UK) Ltd. (SEUK) in 2005.

Subsidiaries excluded from the consolidated financial statements as of December 31, 2005, are as follows:

(in millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Korea	International Cyber Marketing Co., Ltd	Internet game service	₩ 3,271	45.00	Korea
America	SEMES America Inc. (formerly known as KDNS America Inc.)	Service	477	100.00	U.S.A
	Samsung Electronics Chile Ltda.	Marketing and Service	968	99.99	Chile
	Samsung Semiconductor International Inc.	Holding company	5	100.00	Mexico
	Samsung Semiconductor Mexico, S.A.DE C.V.	Semiconductor sales	111	100.00	Mexico
Europe	Samsung Russia Service Center, Ltd.	Service	6,016	100.00	Russia
	Samsung-Crosna Joint Stock Company	Telecom (Exchanges)	255	67.00	Russia
	Samsung Electronics Austria GmbH	Marketing	1,697	100.00	Austria
	Samsung Electronics Ukraine	Marketing	632	99.99	Ukraine
	Samsung Telecommunications Benelux	Installation and service of telecom systems	128	100.00	Netherlands
	Samsung Electronics Manufacturing (UK) Ltd.	Electronic goods manufacturing	67,273	100.00	U.K.
Asia	Samsung Telecommunications India	Telephone manufacturing	4,836	100.00	India
China	Beijing Samsung Telecommunication R&D Center.	Research	5,387	100.00	China
	Samsung Electronics China R&D Center	Research	1,957	100.00	China
	Samsung Semiconductor China R&D., Ltd.	Research and development	2,065	100.00	China
	Hangzhou Samsung Eastcom Network Technology Co., Ltd.	Manufacturing and sales	6,078	70.00	China
	Samsung Electronics Beijing Service Co., Ltd.	Service	3,744	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 either because their total assets at the end of the prior fiscal year end were less than ₩7,000 million, or were in the process of liquidation.

Changes in Subsidiaries Consolidated

(a) Details of subsidiaries newly included in the consolidated financial statements for the year ended December 31, 2005, are as follows:

Location	Name of Subsidiaries	Remark
Korea	Samsung Electronics Hainan Fiberoptics Korea. Co., Ltd. (SEHF-K)	Increase in assets
Asia	Samsung Malaysia Electronics SDN BHD (SME)	Increase in assets
Asia	Samsung India Software Operations Pvt. Ltd. (SISO)	Newly established

(b) The subsidiary excluded from the consolidated financial statements for the year ended December 31, 2005, is:

Area	Name of subsidiaries	Remark
Korea	Novita Co., Ltd.	Sold in 2005

Note 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, 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. SKFAS No.15 through No.17 became applicable to the company in January 1, 2005. The Company adopted these statements in its financial statements as of and for the year ended December 31, 2005.

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

All significant inter-company transactions and balances have been eliminated in consolidation. The Company records differences between the investment account and corresponding capital account of subsidiaries as a goodwill or a 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 interest in consolidated subsidiaries is presented as a component of shareholders' equity in the consolidated balance sheet.

Cash and Cash Equivalents, and Short-Term Financial Instruments

Cash and cash equivalents include cash on hand and in bank accounts, with original maturities of three months or less. Investments which are readily convertible into cash within four to 12 months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

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 that those securities that mature or are certain to be disposed of within one year 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

In the consolidated financial statements of the Company, investments in business entities in which the Company has a control or the ability to exercise a 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

resulting from inter company transactions of inventories and property, plant and equipment are fully eliminated.

Differences between the investment account and corresponding capital account 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 after the Company has significant influence in its investees 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 expenses are translated at average rates for the year. 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.

In accordance with SKFAS No.15, *Equity Method*, the Company changed its policy in accounting for the earnings from equity-method investments from the net basis to gross basis. This change had no effect on the net income or shareholders' equity. The financial statements as of December 31, 2004, and for the year ended December 31, 2004, have not been restated to reflect such change.

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.

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

Estimated useful lives

Buildings and auxiliary facilities	15, 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

Lease Transactions

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 fair value.

Accrued interest is recognized over the lease period using the effective interest rate method.

Machinery and equipment acquired under capital lease agreements are recorded at cost as property, plant and equipment and depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as obligations under capital leases, net of accrued interest. Accrued interest is amortized over the lease period using the effective interest rate method.

Machinery and equipment acquired under operating lease agreements are not included in property, plant and equipment. Rather, the related lease rentals are charged to expense when incurred.

Discounts and Premiums on Debentures

The difference between the face amount and the proceeds upon the issuance of a debenture is treated as either a discount or premium of 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 amount 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.

Stock and Debenture Issuance Costs

Stock issuance costs are charged directly to paid-in capital in excess of par value. Debenture issuance costs are recorded as a reduction of the proceeds from the issuance of the debenture.

Government Grants

Government grants received for the development of certain technologies are recorded as accrued income, and offset against relevant development costs as they are incurred.

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 the 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.

A portion of the accrued severance benefits of domestic companies is funded through a group severance insurance plan with Samsung Life Insurance Co., Ltd. and Samsung Fire & Marine Insurance Co., Ltd., and the amounts funded under this insurance plan are presented as a deduction to the accrued severance benefits liability. Subsequent accruals are to be funded at the discretion of the companies.

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 in income for the year.

Foreign currency convertible debentures are translated at the exchange rate that will be used at the time of conversion as prescribed in the terms of such debentures.

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 for the 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 carry-forwards.

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 credit 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.

In accordance with SKFAS No.16, Deferred Income Tax, which became effective January 1, 2005, the Company classified deferred income tax assets and liabilities into current portion and non-current portion based on net amount. The balance sheet as of December 31, 2004, has not been restated to reflect such change.

Long-Term Receivables and Payables

Long-term receivables and payables that have no stated interest rate or whose interest rate is different from the market rate are recorded at their present values. The difference between the nominal value and present value of the long-term receivables and payables is 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, with a corresponding increase in a separate component of shareholders' equity as 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 period. Diluted earnings per share is calculated by using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of convertible bonds.

Product Warranties

The Company accrues the estimated cost of warranty including future repairs and other services at the time of sale.

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 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, if material, is deducted from the book value and recognized as an asset impairment loss in the current year.

Note 3: United States dollar Amounts

SEC and its Korean subsidiaries operate 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 ₩1,013 to US\$1, the exchange rate in effect on December 31, 2005. 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 2004 U.S. dollar amounts, which were previously expressed at ₩1,043 to US\$1, the rate in effect on December 31, 2004, have been restated to reflect the exchange rate in effect on December 31, 2005.

Note 4: Cash Subject to Withdrawal Restrictions

Cash in banks subject to withdrawal restrictions as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)		2005	2004
Short-term financial instruments	Government-sponsored research and development projects	₩ 33,525	₩ 25,066
	Other activities	15,732	37,563
		49,257	62,629
Long-term financial instruments	Government-sponsored research and development projects	8,826	3,019
	Special deposit	133	247
	Other activities	-	2,000
		8,959	5,266
	₩ 58,216	₩ 67,895	

Note 5: Short-Term Available-For-Sale Securities and Short-Term Held-To-Maturity Securities

Short-term available-for-sale securities as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005	2004 ¹
Financial institution bonds ²	₩ 585,225	₩ 592,485
Fair-value investments ³	166,199	181,511
Beneficiary certificates ⁴	1,114,543	1,463,199
ABS senior securities	-	510
ABS subordinated securities	13,680	186,745
Others	51,155	52,170
	₩ 1,930,802	₩ 2,476,620

¹ Class II beneficiary certificates accounted for as short-term available-for-sale securities as of December 31, 2004, have been reclassified as short-term financing receivables (note 8).

² Interest income amounting to ₩3,551 million (2004: ₩2,787 million) and calculated based on documentation sent by the financial institutions is included in financial institution bonds.

³ The Company holds 3,190,000 shares of SK Corp. which represents a percentage of ownership of 2.45%.

⁴ Beneficiary certificates as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005	2004
Call loan	₩ 26,170	₩ 6,776
Time deposit	-	40,667
Certificate of deposit	179,851	298,996
Bonds	913,842	1,100,638

As of December 31, 2005, unrealized holding losses on short-term available-for-sale securities amounting to ₩19,961 million (2004: ₩6,099 million) are recorded in a separate component of shareholders' equity as other capital adjustments. As of December 31, 2005, deferred income tax charged directly to shareholders' equity amounts to ₩7,571 million.

Short-term held-to-maturity securities as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005	2004
Government and public bonds	₩ 178	₩ 152
Financial institution bonds	-	29,593
Subordinated securities	898	53,294
	₩ 1,076	₩ 83,039

Note 6: Accounts and Notes Receivable

Accounts and notes receivable, and their allowance for doubtful accounts as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)	2005	2004
Trade accounts and notes receivable	₩ 7,451,467	₩ 6,812,457
Less: Allowance for doubtful accounts	(54,114)	(38,065)
	₩ 7,397,353	₩ 6,774,392
Other accounts and notes receivable	₩ 1,118,869	₩ 1,171,451
Less: Allowance for doubtful accounts	(16,222)	(28,027)
Discounts on present value	(27)	-
	₩ 1,102,620	₩ 1,143,424

The outstanding balance of trade accounts and notes receivable sold to financial institutions as of December 31, 2005 and 2004, are as follows (note 19):

(in millions of Korean won)	2005		2004	
Asset-backed securities with limited recourse	₩	1,280,432	₩	816,252
Trade accounts receivable with recourse		548,035		417,847
Trade accounts receivable without recourse		1,170,480		1,289,622
	₩	2,998,947	₩	2,523,721

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 others	₩ 89,204	₩ 16,952	₩ 65,952	2003.7~ 2011.12	4.8 ~ 8.0
Long-term payables	₩ 619,797	₩ 87,641	₩ 532,156	2000.12~ 2014.8	3.8 ~ 8.0

Note 7: Inventories

Inventories, net of valuation losses, as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005		2004	
Finished goods and merchandise	₩	1,984,512	₩	1,790,802
Semi-finished goods and work-in-process		1,272,997		1,642,951
Raw materials and supplies		1,764,964		1,546,595
Materials in-transit		842,416		823,298
	₩	5,864,889	₩	5,803,646

Inventories are insured against fire and other casualty losses up to ₩7,476,123 million as of December 31, 2005 (2004: ₩7,240,973 million).

As of December 31, 2005, losses on valuation of inventories, where net realizable value is below cost, amounted to ₩142,738 million (2004: ₩90,106 million).

Note 8: Financing Receivables

Financing receivables of consumer financing subsidiary, Samsung Card, as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)	2005	2004
Short-term financing receivables		
Credit card assets	₩ 4,362,375	₩ 3,371,748
Lease assets	98,131	112,765
Installment finance	827,507	706,614
General loans	1,104,146	1,593,125
Others	-	1,854
	6,392,159	5,786,106
Less: Allowance for doubtful accounts	(728,812)	(601,508)
	5,663,347	5,184,598
Long-term financing receivables		
Credit card assets	2,312,520	3,643,732
Lease assets	687,505	486,634
Installment finance	757,109	734,894
General loans	1,049,144	1,308,150
Others	5,908	1,791
	4,812,186	6,175,201
Less : Accumulated depreciation	(158,725)	(95,131)
Allowance for doubtful accounts	(899,991)	(618,641)
	3,753,470	5,461,429
	₩ 9,416,817	₩ 10,646,027

Samsung Card Co., Ltd. has trusted the current credit card assets inclusively and the trustee have issued class I and class II beneficiary certificates. Class II beneficiary certificates accounted for as available-for-sale securities as of December 31, 2004, have been reclassified as credit card assets.

As a result, the Company has restated the prior year financial statements to reclassify both short-term available-for-sale securities amounting to ₩308,357 million and long-term available-for-sale securities amounting to ₩758,560 million into short-term financing receivables and long-term financing receivables, respectively (notes 5 and 9).

The outstanding balance of financing receivables sold to financial institutions as of December 31, 2005 and 2004, are as follows (note 19):

(in millions of Korean won)	2005	2004
Asset-backed securities with limited recourse	₩ 4,017,978	₩ 5,369,189
Financing receivables with recourse	17,395	57,257
	₩ 4,035,373	₩ 5,426,446

Samsung Card Co., Ltd. has agreements with various financial institutions to sell certain eligible financing receivables, subject to recourse. Remittances of the sold accounts receivables are collected by the consumer financing subsidiaries and transferred to the buyers of the receivables on predetermined due dates. These transferred financing receivables amounting to ₩17,395 million (2004: ₩57,257 million) have been accounted for as sales of receivables and accordingly have not been recognized on the accompanying consolidated balance sheets as of December 31, 2005.

In addition, Samsung Card Co., Ltd. has entered into agreements ("Receivables Sale Agreements") with several financial institutions, whereby they will sell certain eligible financing receivables in accordance with the Act on Asset Backed Securitization of the Republic of Korea (the "ABS Act"). Pursuant to the Receivables Sale Agreements, Samsung Card Co., Ltd. formed Special Purpose Entities ("SPEs") for the sole purpose of buying receivables generated by the consumer financing subsidiary. Under the Receivables Sale Agreements, Samsung Card Co., Ltd., irrevocably and with limited recourse, transfer certain eligible financing receivables to the SPEs. Under the accounting principles generally accepted in the Republic of Korea, these SPEs are not required to be included in the consolidated financial statements.

These transactions are accounted for as a sale of receivables and as a result, the related receivables in an aggregate amount of ₩4,017,978 million (2004: ₩5,369,189 million) have been excluded from the accompanying consolidated balance sheets as of December 31, 2005.

Note 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, 2005 and 2004, consist of the following:

(in millions of Korean won)		2005	2004 ¹
	Detail	Recorded book Value	Recorded book Value
Fair-value investments	(1)	₩ 1,581,740	₩ 794,716
Cost-method investments	(2)	645,150	457,800
Government and public bonds and others	(3)	5,543	28,914
Funds		168	363
		₩ 2,232,601	₩ 1,281,793

¹ Class II beneficiary certificates accounted for as long-term available-for-sale securities as of December 31, 2004, have been reclassified as long-term financing receivables (note 8).

1) Fair-value investments

Fair-value investments as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won, except for the number of shares owned and percentage of ownership)	2005					2004
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value	Recorded Book Value	Recorded Book Value
Samsung Heavy Industries Co., Ltd.	40,675,641	17.61	₩ 258,299	₩ 721,993	₩ 721,993	₩ 262,765
Samsung Fine Chemicals Co., Ltd.	2,969,730	11.51	61,375	98,744	98,744	52,861
The Shilla Hotel & Resorts	2,529,580	6.35	18,604	32,758	32,758	15,860
Cheil Communications Inc.	259,949	5.65	25,737	57,319	57,319	39,122
Samsung Fire & Marine Insurance Co., Ltd.	2,298,377	4.70	90,443	294,192	294,192	187,318
Samsung Securities Co., Ltd.	3,143,194	4.70	57,347	195,192	195,192	78,894
S1 Corporation Inc.	725,060	1.91	16,207	31,758	31,758	26,465
Samsung Engineering Co., Ltd.	704,104	1.76	9,018	20,067	20,067	5,253
Cheil Industries Inc.	2,449,713	4.90	18,339	68,837	68,837	39,073
Korea Information Service Inc.	107,603	2.26	797	2,109	2,109	2,120
Hanmi Capital	235,676	1.59	415	1,933	1,933	1,155
Saehan Media	973,738	2.33	1,840	2,118	2,118	1,197
SANYO	10,000,000	0.53	40,761	27,517	27,517	35,827
Tomen device Corp.	832,000	12.23	972	18,888	18,888	16,134
Dacom Corporation	-	-	-	-	-	1,816
Hanaro Telecom, Inc.	-	-	-	-	-	14,289
Hynix Semiconductor Inc.	-	-	-	-	-	7,950
Others	-	-	5,760	8,315	8,315	6,617
			₩ 605,914	₩ 1,581,740	₩ 1,581,740	₩ 794,716

As of December 31, 2005, unrealized holding gains on fair-value investments amount to ₩556,586 million (2004: ₩97,125 million), except for deferred income tax charged directly to shareholders' equity and minority interests amounting to ₩432,490 million (2004: ₩60,769 million), which were recorded in a separate component of

shareholders' equity as other capital adjustments. The Company determined that the decline in the fair value of certain investments would not be recoverable, and recorded an impairment loss of ₩13,316 million under non-operating expenses for the year ended December 31, 2005.

2) Cost-method investments

Cost-method investments as of December 31, 2005 and 2004 consist of the following:

(in millions of Korean won, except for the number of shares owned and percentage of ownership)	2005					2004
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value	Recorded Book Value
Samsung Petrochemical Co., Ltd.	514,172	12.96	₩ 8,040	₩ 35,538	₩ 8,040	₩ 8,040
Samsung General Chemicals Co., Ltd.	1,914,251	3.91	19,143	29,415	13,865	13,865
Kihyup Technology Banking Corporation	1,000,000	17.24	5,000	6,157	5,000	5,000
Pusan Newport Co., Ltd.	1,135,307	1.59	5,676	5,039	5,676	5,676
Renault Samsung Motors	17,512,000	19.90	87,560	115,794	87,560	87,560
Samsung Venture Investment Corporation	980,000	16.33	4,900	5,890	4,900	4,900
Samsung Life Insurance	131,588	0.66	92,112	51,909	92,112	92,112
Bluebird Soft Inc.	140,000	17.00	10,199	2,841	2,441	2,441
iMarketKorea Inc.	380,000	14.10	1,900	4,945	1,900	1,900
SkyLife Broadcasting	600,000	0.71	3,344	252	3,344	3,344
Yong Pyong Resort Co. Ltd.	400	1.05	2,000	1,021	2,000	2,000
TU Media Corp.	3,015,195	6.90	15,076	7,313	15,076	9,100
International Cyber Marketing, Inc. ¹	450,000	45.00	1,166	1,472	1,166	1,166
Samsung Everland Co., Ltd. ¹	641,123	25.64	64,112	424,937	270,313	-
Allat Corporation ¹	300,000	30.00	1,500	2,312	1,892	-
Samsung Electronics Manufacturing (UK) Ltd. ¹	56,730,000	100.00	99,094	67,273	35,764	50,641
Symbian Ltd.	10,359,926	4.50	31,839	5,836	31,839	31,839
Beijing T3G Technology Co., Ltd.	-	16.26	7,732	2,118	7,732	6,327
MasterCard International Inc.	363,630	0.89	5,467	3,884	5,467	13,320
Bad bank Harmony	7,805,500	2.85	78,055	21,906	11,439	78,055
Others			89,040	48,729	37,624	40,514
			₩ 632,955	₩ 844,581	₩ 645,150	₩ 457,800

¹ As of December 31, 2005, these investments in affiliated companies were not valued using the equity method, due to the immateriality of their asset values or the Company's inability to exercise a 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 ₩68,272 million for the year ended December 31, 2005 (2004: ₩13,651 million).

As of December 31, 2005, the Company's investments in Pusan Newport Co., Ltd. were pledged as collateral in connection with the investee's debt.

3) Government and public bonds and others

As of December 31, 2005, the difference between acquisition cost and fair value of government and public bonds and others amounting to a loss of ₩284 million (2004: gain of ₩227 million), except for deferred income tax charged directly to other shareholders' equity amounting to a gain of ₩114

million (2004: loss of ₩204 million), was recorded in a separate component of shareholders' equity as other capital adjustments. In relation to government and public bonds and others, an impairment loss of ₩11,838 million was recorded as non-operating expense for the year ended December 31, 2004.

(2) Long-Term Held-To-Maturity Securities

Long-term held-to-maturity securities as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005		2004	
	Face Value	Recorded Book Value	Face Value	Recorded Book Value
Government and public bonds	₩ 520	₩ 520	₩ 706	₩ 706
ABS subordinated securities	₩ 1,071,097	₩ 221,318	₩ 1,351,227	₩ 966,613
	₩ 1,071,617	₩ 221,838	₩ 1,351,933	₩ 967,319

As of December 31, 2005, the subsidiaries determined that the decline in the value of certain ABS subordinated securities would not be recoverable, and charged the related impairment losses of ₩90,557 million (2004: ₩109,267 million), to current operations as non-operating expenses for the year ended December 31, 2005.

The maturities of long-term held-to-maturity securities as of December 31, 2005, consist of the following:

(in millions of Korean won)	Recorded book value		
	Government and public bonds	ABS subordinated securities	Total
Maturity			
From one year to five years	₩ 459	₩ 221,318	₩ 221,777
More than five years to ten years	₩ 61	-	₩ 61
	₩ 520	₩ 221,318	₩ 221,838

Note 10: Equity-Method Investments

Equity-method investments as of December 31, 2005 consist of the following:

(in millions of Korean won, except for the number of shares owned and percentage of ownership)	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	₩ 899,597	₩ 890,801
Samsung Electro-Mechanics Co., Ltd.	17,693,084	22.80	359,237	382,109	371,176
Samsung Techwin Co., Ltd.	19,604,254	25.46	211,726	181,260	179,133
Seoul Commtech Co., Ltd.	3,933,320	35.76	9,172	41,417	40,129
Samsung Economic Research Institute	3,576,000	29.80	17,880	18,220	17,610
Samsung SDS Co., Ltd.	11,977,770	21.27	12,753	102,200	79,187
Samsung Networks Inc.	23,955,550	23.07	5,214	35,642	34,146
Samsung Corning Co., Ltd.	3,665,708	45.29	94,263	253,913	253,342
Samsung Lions Co., Ltd.	55,000	27.50	275	-	-
MEMC Electronic Materials Korea, Inc.	3,440,000	20.00	17,200	37,649	37,648
Samsung Corning Precision Glass Co., Ltd.	1,021,654	41.85	116,140	643,611	629,366
Samsung Thales Co., Ltd.	13,500,000	50.00	135,000	104,858	104,520
Bokwang FUND I	75	50.00	7,500	7,477	7,469
Bokwang FUND V	500	83.33	5,000	5,672	5,672
Bokwang FUND X	900	81.82	9,000	8,022	8,042
SVIC FUND II	69	99.00	6,930	8,992	8,992
SVIC FUND III	64	99.00	6,435	5,532	5,532
SVIC FUND IV	985	65.67	98,500	95,294	95,294
SVIC FUND V	297	99.00	29,700	11,948	11,948
SVIC FUND VI	265	99.00	26,532	25,899	25,899
SVIC FUND VII	149	99.00	14,850	14,883	14,883
Samsung SDI (Malaysia) SDN BHD	38,595,040	25.00	18,527	27,986	27,791
Skyworld Corporation	530,000	25.00	1,719	1,224	1,224
Samsung Electro-Mechanics Thailand Co., Ltd.	1,060,625	25.00	3,478	10,632	10,572
Syrian-Korean Telecommunication Equipment Manufacturing Establishment Co., Ltd.	-	49.00	2,061	3,769	3,448
Shanghai Bell Samsung Mobile Communications Co., Ltd	-	49.00	7,742	8,074	7,186
TSST Japan Co., Ltd	294	49.00	150,451	7,593	52,304
			₩ 1,791,007	₩ 2,943,473	₩ 2,923,314

Equity-method investments as of December 31, 2004 consisted of the following:

(in millions of Korean won, except for the number of shares owned and percentage of ownership)	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	₩ 848,076	₩ 824,283
Samsung Electro-Mechanics Co., Ltd.	17,693,084	22.80	359,237	374,844	374,715
Samsung Techwin Co., Ltd.	19,604,254	25.46	211,726	165,411	163,325
Seoul Commtech Co., Ltd.	3,933,320	35.76	8,392	35,361	34,771
Samsung Economic Research Institute	3,576,000	29.80	17,880	18,220	18,200
Samsung SDS Co., Ltd.	11,977,770	21.27	12,753	70,754	47,284
Samsung Networks Inc.	23,955,550	23.07	5,214	28,970	27,364
Samsung Corning Co., Ltd.	3,665,708	45.29	94,263	357,278	351,022
Samsung Lions Co., Ltd.	55,000	27.50	275	-	-
MEMC Electronic Materials Korea, Inc.	3,440,000	20.00	17,200	40,468	40,458
Samsung Corning Precision Glass Co., Ltd.	1,021,654	41.85	116,140	451,076	448,849
Samsung Thales Co., Ltd.	13,500,000	50.00	135,000	91,226	87,483
Samsung Everland	641,123	25.64	64,112	249,690	270,313
Allat Corporation	300,000	30.00	1,500	1,939	1,785
Bokwang FUND I	750	50.00	7,500	7,625	7,614
Bokwang FUND V	500	83.33	5,000	5,182	5,182
Bokwang FUND X	900	81.82	9,000	6,662	6,662
SVIC FUND I	179	99.44	17,900	4,030	4,249
SVIC FUND II	297	99.00	29,700	29,411	29,411
SVIC FUND III	198	99.00	19,800	23,557	23,557
SVIC FUND IV	985	65.67	98,500	81,325	81,325
SVIC FUND V	297	99.00	29,700	12,109	12,109
Samsung SDI (Malaysia) SDN BHD	38,595,040	25.00	19,408	58,244	57,387
Skyworld Corporation	530,000	25.00	1,801	1,225	1,225
Samsung Electro-Mechanics Thailand Co., Ltd.	106,062,500	25.00	3,643	13,679	13,654
Syrian-Korean Telecommunication Equipment Manufacturing Establishment Co., Ltd.	-	49.00	2,061	3,852	3,852
Shanghai Bell Samsung Mobile Communications Co., Ltd	-	49.00	7,742	9,433	13,799
TSST Japan Co., Ltd	294	49.00	150,451	49,061	107,891
			₩ 1,869,620	₩ 3,038,708	₩ 3,057,769

Changes in goodwill (negative goodwill) for the years ended December 31, 2005 and 2004, are as follows:

	2005				2004			
	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
Samsung SDI Co., Ltd.	₩ 1,154	-	₩ 1,154	-	₩ 8,081	-	₩ 6,927	₩ 1,154
Samsung Electro-Mechanics Co., Ltd.	3,798	-	3,798	-	9,778	-	5,980	3,798
Samsung Techwin Co., Ltd.	-	-	-	-	12,845	-	12,845	-
Seoul Commtech Co., Ltd.	113	(764)	50	(701)	544	-	431	113
Samsung SDS Co., Ltd.	238	-	238	-	1,669	-	1,431	238
Samsung Networks Inc.	(239)	-	(239)	-	(1,670)	-	(1,431)	(239)
Samsung Corning Co., Ltd.	-	-	-	-	1,003	-	1,003	-
Samsung Corning Precision Glass Co., Ltd.	7,720	-	7,720	-	16,983	-	9,263	7,720
Samsung Everland Co., Ltd.	-	-	-	-	(5,017)	-	(5,017)	-
Allat Corporation	(153)	-	(153)	-	(289)	-	(136)	(153)
TSST Japan Co., Ltd.	58,831	-	14,119	44,712	-	70,597	11,766	58,831
Others	20	-	29	(9)	41	(13)	8	20
	₩ 71,482	₩ (764)	₩ 26,716	₩ 44,002	₩ 43,968	₩ 70,584	₩ 43,070	₩ 71,482

Information relating to the elimination of unrealized gains and losses as of December 31, 2005 and 2004, follows:

	2005			2004		
	Inventories	Property, Plant and Equipment and Intangible Assets	Total	Inventories	Property, Plant and Equipment and Intangible Assets	Total
Samsung SDI Co., Ltd.	₩ 15,547	₩ 605	₩ 16,152	₩ 128	₩ (113)	₩ 15
Samsung Electro-Mechanics Co., Ltd.	(925)	693	(232)	883	157	1,040
Samsung Techwin Co., Ltd.	(102)	62	(40)	(588)	(11)	(599)
Seoul Commtech Co., Ltd.	6	111	117	(39)	(155)	(194)
Samsung SDS Co., Ltd.	2,786	(2,163)	623	(2,294)	(6,137)	(8,431)
Samsung Networks	(11)	(117)	(128)	5	(256)	(251)
Samsung Corning Co, Ltd.	5,684	1	5,685	(222)	11	(211)
Samsung Corning Precision Glass Co., Ltd.	(6,858)	2,559	(4,299)	(787)	2,470	1,683
Samsung Thales Co., Ltd.	813	2,591	3,404	(445)	30,520	30,075
Shanghai Bell Samsung Mobile Communications Co.,Ltd.	2,363	75	2,438	1,316	(321)	995
Others	634	5	639	430	18	448
	₩ 19,937	₩ 4,422	₩ 24,359	₩ (1,613)	₩ 26,183	₩ 24,570

Amounts on the table are recognized gains and losses from the elimination of unrealized gains and losses for the years ended December 31, 2005 and 2004.

The following table reconciles the difference between the book values recorded for the equity-method investments at the beginning and at the end of the years ended December 31, 2005 and 2004:

(in millions of Korean won)	2005				2004			
	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.	₩ 824,283	₩ 63,753	₩ 2,765	₩ 890,801	₩ 787,313	₩ 161,607	₩ (124,637)	₩ 824,283
Samsung Electro-Mechanics Co., Ltd.	374,715	(18,681)	15,142	371,176	391,311	24,130	(40,726)	374,715
Samsung Techwin Co., Ltd.	163,325	21,969	(6,161)	179,133	170,212	(5,906)	(981)	163,325
Samsung SDS Co., Ltd.	47,284	31,843	60	79,187	43,294	12,609	(8,619)	47,284
Samsung Corning Co, Ltd.	351,022	(57,999)	(39,681)	253,342	338,460	46,431	(33,869)	351,022
MEMC Electronic Materials Korea, Inc.	40,458	6,790	(9,600)	37,648	39,935	5,707	(5,184)	40,458
Samsung Corning Precision Glass Co., Ltd.	448,849	315,161	(134,644)	629,366	276,867	236,175	(64,193)	448,849
Samsung Thales Co., Ltd.	87,483	17,037	-	104,520	60,018	27,237	228	87,483
Samsung Everland Co., Ltd.	270,313	-	(270,313)	-	326,872	11,899	(68,458)	270,313
Samsung SDI (Malaysia) SDN BHD	57,387	5,742	(35,338)	27,791	100,098	13,600	(56,311)	57,387
TSST Japan Co., Ltd.	107,891	(59,937)	4,350	52,304	-	(41,776)	149,667	107,891
Others	284,759	16,071	(2,784)	298,046	276,306	3,907	4,546	284,759
	₩ 3,057,769	₩ 341,749	₩ (476,204)	₩ 2,923,314	₩ 2,810,686	₩ 495,620	₩ (248,537)	₩ 3,057,769

Financial information of investee companies as of December 31, 2005 and 2004, follows:

(in millions of Korean won)	2005				2004			
	Assets	Liabilities	Sales	Net income (Loss)	Assets	Liabilities	Sales	Net income (Loss)
Samsung SDI Co., Ltd.	₩ 5,729,771	₩ 1,157,894	₩ 5,718,899	₩ 240,074	₩ 5,664,486	₩ 1,354,444	₩ 6,121,777	₩ 741,749
Samsung Electro-Mechanics Co., Ltd.	2,774,120	1,098,202	2,231,204	(67,291)	2,612,592	968,552	2,687,444	91,148
Samsung Techwin Co., Ltd.	1,624,359	912,420	2,391,351	86,444	1,737,985	1,088,296	1,980,552	25,826
Samsung SDS Co., Ltd.	953,142	472,665	1,875,222	147,796	776,106	443,464	1,768,630	79,991
Samsung Corning Co, Ltd.	700,016	139,356	615,051	(144,706)	982,430	193,530	850,375	107,323
MEMC Electronic Materials Korea, Inc.	220,465	32,218	204,984	33,908	235,006	32,667	216,169	28,462
Samsung Corning Precision Glass Co., Ltd.	1,997,442	459,687	1,702,944	780,015	1,634,358	556,618	1,254,511	599,021
Samsung Thales Co., Ltd.	348,684	138,967	452,665	27,265	385,628	203,176	409,299	(5,164)
Samsung Everland Co., Ltd.	-	-	-	-	3,292,149	1,602,935	1,164,937	82,289
Samsung SDI (Malaysia) SDN BHD	202,169	74,008	408,531	39,541	387,373	87,819	643,200	83,092
TSST Japan Co., Ltd.	358,492	342,997	1,466,305	(92,964)	524,424	424,300	1,259,872	(62,201)
Others	998,364	342,055	1,173,974	49,659	958,557	346,694	1,227,513	46,867

Market value information of investee companies that are listed in the Korean Stock Exchange, as of December 31, 2005 and 2004, follows:

	2005		2004	
	Market Value	Recorded book value	Market Value	Recorded book value
Samsung SDI Co., Ltd.	₩ 1,081,441	₩ 897,461	₩ 1,048,951	₩ 824,324
Samsung Electro- Mechanics Co., Ltd.	680,299	373,051	460,020	368,342
Samsung Techwin Co., Ltd.	353,857	179,044	157,618	163,546

Equity gain or loss on securities as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)	2005				2004			
	January 1, 2005	Valuation Amount	Included in Earnings	December 31, 2005	January 1, 2004	Valuation Amount	Included in Earnings	December 31, 2005
Valuation gains on investment securities using equity method	₩ 197,320	₩ (73,936)	-	₩ 123,384	₩ 234,180	₩ (36,860)	-	₩ 197,320
Valuation losses on investment securities using equity method	(124,701)	60,732	-	(63,969)	(41,782)	(82,919)	-	(124,701)
	₩ 72,619	₩ (13,204)	-	₩ 59,415	₩ 192,398	₩ (119,779)	-	₩ 72,619

Note 11: Property, Plant and Equipment

Property, plant and equipment as of December 31, 2005 and 2004, and its movements for the years then ended, consist of the following:

(in millions of Korean won)	2005					
	Land	Buildings and structures	Machinery and equipment	Construction -in-progress / Machinery-in-transit	Others	Total
Balance at January 1, 2005	₩ 2,273,296	₩ 4,851,477	₩ 12,188,848	₩ 3,692,511	₩ 956,264	₩ 23,962,396
Acquisition	10,066	87,386	600,586	10,547,037	295,150	11,540,225
Transfer	517,979	1,058,292	8,293,915	(10,135,959)	265,773	-
Disposal	(15,138)	(35,780)	(121,264)	-	(20,203)	(192,385)
Depreciation	-	(346,148)	(5,088,871)	-	(430,733)	(5,865,752)
Others ¹	(17,429)	(44,791)	(22,234)	(70,391)	(13,478)	(168,323)
Balance at December 31, 2005	₩ 2,768,774	₩ 5,570,436	₩ 15,850,980	₩ 4,033,198	₩ 1,052,773	₩ 29,276,161

(in millions of Korean won)	2004					
	Land	Buildings and structures	Machinery and equipment	Construction -in-progress / Machinery-in-transit	Others	Total
Balance at January 1, 2004	₩ 2,169,558	₩ 4,292,297	₩ 10,569,971	₩ 1,556,616	₩ 881,890	₩ 19,470,332
Acquisition	1,618	74,287	689,671	9,429,653	301,975	10,497,204
Transfer	209,629	1,037,375	5,610,612	(7,077,987)	220,371	-
Disposal	(68,743)	(188,471)	(172,483)	-	(34,891)	(464,588)
Depreciation	-	(271,273)	(4,390,702)	-	(406,113)	(5,068,088)
Others ¹	(38,766)	(92,738)	(118,221)	(215,771)	(6,968)	(472,464)
Balance at December 31, 2004	₩ 2,273,296	₩ 4,851,477	₩ 12,188,848	₩ 3,692,511	₩ 956,264	₩ 23,962,396

¹ Others include amounts from changes in consolidation category, merger and changes in foreign currency exchanges rates.

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 ₩1,212,641 million, net of revaluation tax, credits to deferred foreign currency translation losses and others, were credited to capital surplus, a component of shareholders' equity.

In addition, on October 1, 2000, Samsung Gwangju Electronics Co., Ltd. revalued a substantial portion of its property, plant and equipment by ₩63,326 million. The revaluation increment of ₩ 62,145 million, net of revaluation tax of ₩1,181 million, was credited to capital surplus.

As of December 31, 2005, certain portion of domestic and overseas subsidiaries' property, plant and equipment, up to a maximum of ₩19,645 million, and ₩5,620 million (equivalent to US\$ 5,547 thousand), respectively, is pledged as collaterals for various loans from financial institutions.

As of December 31, 2005, property, plant, equipment are insured against fire and other casualty losses, and business interruption losses of up to ₩55,261,920 million and ₩21,298,026 million, respectively.

As of December 31, 2005, the value of land owned by SEC and its Korean subsidiaries based on the posted price issued by the Korean tax authority amounted to ₩2,743,672 million (2004: ₩2,051,313 million).

As of December 31, 2005, Samsung Card Co., Ltd., an SEC subsidiary, has recorded ₩432,958 million (2004: ₩297,538 million) of operating lease assets and prepaid finance lease assets acquired through the lease financing business (*notes 8 and 19*).

Note 12: Intangible Assets

The changes in intangible assets for the years ended December 31, 2005 and 2004, are as follows:

(in millions of Korean won)	2005				
	Goodwill	Negative Goodwill	Intellectual property rights	Others	Total
Balance at January 1, 2005	₩ 10,799	₩ (1,221)	₩ 220,086	₩ 314,858	₩ 544,522
Acquisition ¹	4,518	-	73,702	166,050	244,270
Disposal	(1,063)	-	(810)	(1,430)	(3,303)
Amortization	(4,623)	622	(52,168)	(97,828)	(153,997)
Others ²	208	-	(56)	1,212	1,364
Balance at December 31, 2005	₩ 9,839	₩ (599)	₩ 240,754	₩ 382,862	₩ 632,856

(in millions of Korean won)	2004				
	Goodwill	Negative Goodwill	Intellectual property rights	Others	Total
Balance at January 1, 2004	₩ 7,969	₩ (1,842)	₩ 213,920	₩ 245,281	₩ 465,328
Acquisition ¹	1,821	-	53,748	145,823	201,392
Disposal	-	-	(352)	(3,149)	(3,501)
Amortization	(3,941)	621	(47,516)	(65,353)	(116,189)
Others ²	4,950	-	286	(7,744)	(2,508)
Balance at December 31, 2004	₩ 10,799	₩ (1,221)	₩ 220,086	₩ 314,858	₩ 544,522

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

² Others include amounts from changes in consolidation category, merger and changes in foreign currency exchange rates.

The amortization expense of intangible assets for the years ended December 31, 2005 and 2004, is distributed into the following accounts:

(in millions of Korean won)

Account	2005	2004
Production costs	₩ 19,910	₩ 17,379
Selling and administrative expenses	74,352	53,630
Research and development expenses	59,735	45,180
	₩ 153,997	₩ 116,189

Note 13: Long-Term Deposits and Other Assets

Long-term deposits and other assets as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)

Accounts	2005	2004
Long-term financial instruments	₩ 9,311	₩ 5,759
Long-term trade receivables, net	15,165	3,226
Long-term loans receivable, net	185,201	132,236
Long-term guarantee deposits	780,467	694,213
Long-term prepaid expenses	494,421	166,020
Others	15,152	59,905
	₩ 1,499,717	₩ 1,061,359

Note 14: Short-Term Borrowings

Short-term borrowings as of December 31, 2005 and 2004 consist of the following:

(in millions of Korean won)	Annual interest rates (%) as of December 31, 2005	2005	2004
General term loans from commercial banks	4.0 - 5.8	₩ 1,786,157	₩ 1,450,000
Notes discounted	4.0 - 4.8	853,215	1,228,439
Usance financing, including document against acceptance loans incurred from intercompany transactions	1.5 - 5.0	3,635,070	3,266,273
Short-term borrowings of overseas subsidiaries	0.0 - 14.0	1,533,423	1,156,508
		₩ 7,807,865	₩ 7,101,220

Certain bank deposits, inventories, and property, plant and equipment are pledged as collaterals for the above borrowings (notes 4, 7 and 11). In addition, SEC guarantees repayment of substantially all short-term borrowings of overseas subsidiaries (note 19).

In addition, the above short-term borrowings include those of Samsung Card Co., Ltd., the consumer financing subsidiary, amounting to ₩2,263,921 million (2004: ₩2,568,439 million) and current maturities of long-term debts of ₩3,672,014 million (2004: ₩4,870,356 million) as of December 31, 2005.

Note 15: Long-Term Debt

Long-term debts as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	Reference	2005	2004
Korean won loans	(A)	₩ 542,216	₩ 337,186
Foreign currency loans, in Korean won equivalents	(B)	631,344	511,099
Debentures	(C)	7,304,732	9,554,196
		8,478,292	10,402,481
Less: Current maturities		(3,786,791)	(4,957,052)
		₩ 4,691,501	₩ 5,445,429

As of December 31, 2005, 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 is guaranteed by various Korean financial institutions and/or certain affiliated companies (note 19).

Included in the long-term debts are the borrowings of Samsung Card Co., Ltd. in an aggregate amount of ₩4,386,262 million (2004: ₩5,114,799 million) as of December 31, 2005.

(A) Local currency loans as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	Annual interest rates (%) as of December 31, 2005	2005	2004
Korea Energy Management Corporation	2.8 - 4.5	₩ 921	₩ 3,714
Samsung Life Insurance Co., Ltd.	6.9	320,000	320,000
Samsung Shinhan 4th Special Purpose Company	-	215,346	-
Hana Bank Others	2.5 - 4.9	5,949	13,472
		₩ 542,216	₩ 337,186

(B) Long-term debts denominated in foreign currencies as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	Annual interest rates (%) as of December 31, 2005		2005		2004
National Agricultural Cooperative Federation	5.3	₩	2,968	₩	3,033
Shinhan Bank	4.9 - 6.9		222,860		20,702
Royal Bank of Scotland	-		-		103,510
Foreign financial institutions (Overseas subsidiaries)	0.4 - 13.3		405,516		383,854
		₩	631,344	₩	511,099

(C) Debentures outstanding as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	Annual interest rates (%) as of December 31, 2005		2005		2004
Non-guaranteed debentures	1.9 - 8.5	₩	6,357,200	₩	8,662,938
Private debentures	4.9		10,000		20,000
Subordinated convertible bonds	2.0		800,000		800,000
			7,167,200		9,482,938
Add: Premium for non-executed rights			334,698		334,698
Less: Conversion rights			(186,024)		(249,897)
Discounts			(11,142)		(13,543)
		₩	7,304,732	₩	9,554,196

Maturities of long-term debts outstanding, excluding premiums and discounts on debentures, as of December 31, 2005, are as follows:

(in millions of Korean won)	Local currency loans	Foreign currency loans	Debentures	Total
2007	₩ 426	₩ 399,814	₩ 1,876,500	₩ 2,276,740
2008	232	57,995	1,772,000	1,830,227
2009	215,641	3,545	120,000	339,186
2010	11	12,552	40,000	52,563
Thereafter	184	53,621	-	53,805
	₩ 216,494	₩ 527,527	₩ 3,808,500	₩ 4,552,521

Note 16: Foreign Currency Notes and Bonds

Unsecured foreign currency notes and bonds as of December 31, 2005 and 2004 consist of the following:

(in millions of Korean won)	Reference	Due date	2005	2004
SEC				
USD denominated straight bonds	(A)	October 1, 2027	₩ 101,300	₩ 104,380
Overseas subsidiaries				
USD denominated fixed rate notes	(B)	April 1, 2027	25,325	26,095
USD denominated fixed rate notes	(B)	April 1, 2030	25,325	26,095
			151,950	156,570
Less: Current maturities			-	-
Less: Discounts			(5,743)	(5,834)
			₩ 146,207	₩ 150,736

(A) US\$ denominated straight bonds

On October 2, 1997, the Company 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 which began on the date of issuance.

(B) Overseas subsidiaries

Overseas subsidiaries' bonds will be repaid at maturities with the biannual interest payment over the terms of the bonds.

The SEC has provided guarantees over such overseas subsidiaries' bonds.

Maturities of foreign currency notes and bonds, outstanding as of December 31, 2005, are as follows:

(in millions of Korean won)	Year	Foreign Currency Notes and Bonds
	2008	₩ 5,065
	2009	5,065
	2010	5,065
	Thereafter	136,755
		₩ 151,950

Note 17: Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005	2004
Balance at the beginning of the year	₩ 1,155,698	₩ 970,832
Provision for severance benefits	459,499	444,206
Actual severance payments	(179,363)	(250,184)
Others ¹	(3,837)	(9,156)
	1,431,997	1,155,698
Less: Cumulative deposits to the National Pension Fund	(14,807)	(16,638)
Severance insurance deposits	(840,268)	(683,079)
Balance at the end of the year	₩ 576,922	₩ 455,981

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

Note 18: Liability Provisions

The changes in main liability provisions for the year ended December 31, 2005, are as follows:

(in millions of Korean won)	Reference	January 1, 2005	Increase	Decrease	December 31, 2005
Warranty reserves	(A)	₩ 237,758	₩ 368,066	₩ 403,376	₩ 202,448
Royalty expenses	(B)	700,052	349,513	227,767	821,798
Long-term incentives	(C)	-	133,579	-	133,579

(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 certain technical assistance agreements that have not been renewed. The schedule of payment is still under negotiation.

(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 current year. The incentive is expected to be paid in 2008.

In addition, the Company's domestic and overseas subsidiaries accrue warranty reserves totaling ₩376,914 million.

Note 19: Commitments and Contingencies

(A) As of December 31, 2005, the Company is contingently liable for guarantees of indebtedness, principally for related parties, approximating ₩8,307 million and US\$885,918 thousand with a maximum limit of US\$1,905,000 thousand.

In addition, as of December 31, 2005, the Company's overseas subsidiaries enter into "Cash Pooling Arrangement" contracts and "Banking Facility" agreements with overseas financial institutions for funds employment and provide mutual guarantees of indebtedness.

Area	Participating Subsidiaries	Financial Institutions
Europe	SEUK and 17 other subsidiaries	Citibank and another bank
Asia	SAPL and 6 other subsidiaries	Bank of America
Asia	SEMA and 2 other subsidiaries	Standard Chartered bank

(B) As of December 31, 2005, SEC and its domestic subsidiaries are insured against future contract commitments up to ₩137,079 million. In addition, Samsung Card Co., Ltd. is insured against future contract commitments relating American Express from Woori Bank up to US\$500 thousand.

(C) As of December 31, 2005, the Company has technical assistance agreements with certain companies.

(D) As of December 31, 2005, SEC and its Korean subsidiaries have a bank overdraft facility agreement with various Korean financial institutions with a combined maximum limit of ₩718,500 million.

(E) The Company leases certain property, plant and equipment under various capital lease arrangements. Assets recorded under capitalized lease agreements are included in property, plant and equipment with a total acquisition cost of ₩32,008 million. Depreciation expense for the capital lease assets amounted to ₩1,917 million for the year ended December 31, 2005.

As of December 31, 2005, future minimum lease payments under scheduled capital leases are as follows:

Year	(in millions of Korean won)
2006	₩ 4,346
2007	4,346
2008	4,346
2009	4,346
Thereafter	54,148
Total minimum payments	71,532
Amount representing interest	(47,968)
Obligations under capital leases	₩ 23,564

(F) As of December 31, 2005, the Company has various lease agreements that are recognized as operating leases. Related rental payments are charged to current operations as incurred. Future rental expenses under these non-cancelable operating lease agreements amounted to ₩228,951 million as of December 31, 2005.

(G) Samsung Card Co., Ltd. maintains a lease financing business with lease receivables related chips to such business recorded as short-term and long-term financing receivables (notes 8 and 11). Scheduled future lease revenue from these operating lease arrangements are as follows:

Year	(in millions of Korean won)
2006	₩ 166,600
2007	117,352
2008	45,736
Thereafter	939
	₩ 330,627

(H) As of December 31, 2005, the Company holds a contract to supply NAND Flash Memory chips to Apple Computer, Inc. from 2007 to 2009. The Company received ₩505,950 million as advance for the contract, and has recognized this amount as long-term advances received.

(I) As of December 31, 2005, the Company maintains credit insurance against its approved foreign customers on behalf of its affiliates and subsidiary companies with Korea Export Insurance Co.

(J) As of December 31, 2005, 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 contract 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.

A summary of derivative transactions as of and for the year ended December 31, 2005 and 2004, follows:

(in millions of Korean won)

Type	2005			2004
	Asset Liability	Gain (loss) on Valuation (I/S)	Gain (loss) on Valuation (B/S)	Asset Liability
Forward exchange	₩ 5,704 (7,361)	₩ 6,255 (7,519)	- -	₩ 4,859 (10,228)
Interest rate swap	9,228 (6,202)	- (112)	8,386 (5,249)	8,009 (23,087)
Currency swap	- (5,480)	- (5,480)	- -	868 (19,621)

Of the amounts charged to capital adjustments from the valuation of interest rate swap contracts, a loss of ₩19 million will be realized by December 31, 2006.

(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., which were previously transferred to the Creditors in connection with the petition for court receivership of SMI by December 31, 2000. In the event that the sales proceeds fall short of ₩2,450 billion, SEC and the Affiliates have agreed to compensate the Creditors for the shortfall by other means, including the participation in any equity offering or subordinated debentures issued by the Creditors. Any excess proceeds over ₩2,450 billion are to be distributed to SEC and the Affiliates. In the event of delays, interest on the agreed sales proceed amount of ₩2,450 billion has been agreed to be paid to the Creditors by SEC and the Affiliates. As of the balance sheet date, these transferred shares of Samsung Life Insurance Co., Ltd. have not yet been sold. As a result, on December 9, 2005, the Creditors filed a civil lawsuit against Mr. Lee Kun-Hee the chairman of SEC, SEC and 27 other Samsung Group Companies, for losses arising from breach of this agreement.

The Creditors are claiming for the agreed sales proceed amount of ₩2,450 billion and damages for delays amounting to ₩2,287.9 billion, both with interest of 6% per annum from January 1, 2001 until the date SEC was served with court papers and 20% per annum thereafter until settlement. The interest on the damages for delays has been calculated on a

monthly basis from January 1, 2001. In addition, the Creditors claimed further damages for delays (calculated at 19% per annum on ₩2,450 billion) from December 1, 2005 until settlement.

As of the balance sheet date, the outcome of this litigation 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, 2005, SEC has been named as the defendant in nine foreign legal actions filed by Matsushita Electric Industrial Co., Ltd., International Rectifier Corporation, Commissariat A L'Energie Atomique, ITT Manufacturing Inc., 02 Micro International Limited, St.Clair Intellectual Property Consultants, Inc., Tadahiro Ohmi, Lavaflow, LLP., and Rambus Inc. for alleged patent infringements, and as a plaintiff in four foreign legal actions against Quanta Computer, Compal Electronics Inc., Matsushita Electric Industrial Co., Ltd, and Rambus Inc. for alleged patent infringements. In addition, the Company is involved in two legal actions as the defendant against the creditors of SONICblue Inc. and Getronics Wang Co., LLC. for collection of certain debts.

Domestic legal actions involving SEC include 4 cases as the plaintiff with total claims amounting to approximately ₩6,504 million and 26 cases as the defendant, excluding the Samsung Motors Inc. case, mentioned above in (K), with a total claims amounting to approximately ₩96,007 million. In addition, its subsidiaries have been sued relating to alleged patent infringements and collection of certain debts in domestic and foreign countries with total claims amounting to approximately ₩237,751 million as plaintiff and total claims amounting to approximately ₩81,700 million as defendant.

Considering the legal cases mentioned above and various other claims and proceedings pending as of December 31, 2005, 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.

(M) As of December 31, 2005, SEA and five 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\$1,595 million can be sold. The Company has trade notes receivable discounting facilities with various Korean banks, including Korea First Bank with a combined limit of up to ₩200,000 million; a credit sales facility agreement with five Korean 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), the Company has recourse obligations on the receivables where the due date extension have been granted. In addition, the Company also has collateral loan facilities on accounts receivables with four banks, including Woori Bank for up to ₩1,311,000 million.

(N) As of December 31, 2005, Samsung Card Co., Ltd. has credit loan facilities up to ₩3,000 billion and collateral loan facilities up to ₩2,000 billion with Samsung Life Insurance Co., Ltd. In addition, S-LCD and two other domestic subsidiaries have general term loan facilities up to ₩480 billion with Korean banks, including Woori Bank.

(O) As of December 31, 2005, SEC and its domestic subsidiaries have provided six blank notes and two notes amounting to ₩30,000 million, to financial institutions as collaterals for bank borrowings and for the fulfillment of certain contracts, which would not have a direct adverse effect on the operations or financial position of the Company.

(P) In 2002, the United States Department of Justice Antitrust Division (the Justice Department) initiated an investigation into alleged anti-trust violations by the sellers of Dynamic Random Access Memory ("DRAM") in the United States, including Samsung Semiconductor Inc. (SSI), a US subsidiary of the Company. The Company and SSI entered into a plea agreement with the US Department of Justice on November 30, 2005 and agreed to pay US\$300 million in five equal installments over the next five years. As of the balance sheet date, SSI has established a provision amounting to US\$300 million in relation to the agreement.

Following the announcement of the Justice Department investigation, several civil class action suits were filed against the Company and SSI. Accordingly, SSI has established a further provision amounting to US\$67 million for any potential losses. The Company's management believes that, although the outcome of these matters is uncertain and could differ from the current estimation, the conclusion of the matters will not have a material adverse effect on the operations or financial position of the Company.

Note 20: 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 and 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. 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. The 8,310,000 shares of common stock and 1,060,000 shares of non-voting preferred stock were retired during the years ended December 31, 2003 and 2004, 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, as follows:

Name of Shareholder	Number of Shares of Stock	Number of Shares of GDR
Non-voting preferred stock	7,695,272	15,390,544
Common stock	4,251,338	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, 2005, outstanding global depository receipts consist of 29,306,594 shares for common stock (common stock equivalent: 14,653,297 shares) and 8,228,444 shares for non-voting preferred stock (preferred stock equivalent: 4,114,222 shares).

As of December 31, 2005, 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.

Note 21: Retained Earnings

Retained earnings as of December 31, 2005 and 2004 consist of the following:

(in millions of Korean won)	2005	2004
Appropriated legal reserve ¹	₩ 450,789	₩ 447,789
Reserve for business rationalization	6,512,101	5,512,101
Reserve for improvement of financial structure ²	204,815	204,815
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	14,936,458	10,936,458
Reserve for export losses	167,749	167,749
Reserve for loss on disposal of treasury stock	1,350,000	800,000
Reserve for capital expenditure	5,504,657	4,859,891
	29,802,301	23,604,535
Unappropriated	7,566,964	6,972,419
	₩ 37,369,265	₩ 30,576,954

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock by the resolution of the Board of Directors or used to reduce accumulated deficit, if any, with the ratification by the shareholders.

² In accordance with the Regulation for Securities Issuance and Disclosure, the Company 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 is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Note 22: Dividends

SEC declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2005 and 2004, and as year-end dividends for the years ended December 31, 2005 and 2004.

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

(A) Interim Dividends

(in millions of Korean won, except for the number of shares)		2005	2004
Number of shares eligible for dividend	Common stock	132,435,367 shares	137,274,021 shares
	Preferred stock	20,868,071 shares	20,953,734 shares
Dividend rate		10%	100%
Dividend amount	Common stock	₩ 66,218	₩ 686,370
	Preferred stock	10,434	104,769
		₩ 76,652	₩ 791,139

(B) Year-end Dividends

(in millions of Korean won, except for the number of shares)		2005	2004
Number of shares eligible for dividend	Common stock	130,620,297 shares	133,378,851 shares
	Preferred stock	20,653,734 shares	20,953,734 shares
Dividend rate	Common stock	100%	100%
	Preferred stock	101%	101%
Dividend amount	Common stock	₩ 653,102	₩ 666,894
	Preferred stock	104,301	105,817
		₩ 757,403	₩ 772,711

(C) Dividend Payout Ratio

(in millions of Korean won)	2005	2004
Dividend	₩ 834,055	₩ 1,563,850
Net income	7,640,092	10,789,535
Dividend payout ratio	10.92%	14.50%

(D) Dividend Yield Ratio

(in millions of Korean won)	2005		2004	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Dividend per share	₩ 5,500	₩ 5,550	₩ 10,000	₩ 10,050
Market price as of December 31, 2005 and 2004	659,000	491,000	450,500	289,500
Dividend yield ratio	0.83%	1.13%	2.22%	3.47%

Note 23: Treasury Stock

As of December 31, 2005, the Company holds 16,679,040 shares of its own common stock and 2,179,693 shares of its own preferred stock. These treasury stocks are recorded as a capital adjustment.

Note 24: Other Capital Adjustments

Other capital adjustments as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005	2004
Gain on valuation of available-for-sale securities	₩ 559,881	₩ 121,628
Loss on valuation of available-for-sale securities	(23,540)	(30,375)
Gain on valuation of investments using the equity method	123,384	72,619
Loss on valuation of investment using the equity method	(63,969)	-
Stock option compensation	616,824	692,292
Cumulative translation adjustments	(149,618)	44,763
Others	10,103	(11,776)
	₩ 1,073,065	₩ 889,151

Note 25: Stock Option Plan

The Company 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 the Company.

A summary of the terms of stock options granted follows:

	Date of the Grant							
	2000	2001	2002		2003	2004		2005
	March 16	March 9	February 28	March 25	March 7	April 16	October 15	December 20
Quantity (after reflecting forfeitures and exercises)	1,072,572	1,730,827	683,907	97,558	310,145	565,554	10,000	10,000
Exercise price ¹	₩ 272,700	₩ 197,100	₩ 329,200	₩ 342,800	₩ 288,800	₩ 580,300	₩ 460,500	₩ 606,700
Exercise period from the date of the grant ²	3~10years	3~10years	2~10years	2~10years	2~10years	2~10years	2~4years	2~10years

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 can be fully vested after two years 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							
	2000	2001	2002	2003	2004		2005	
	March 16	March 9	February 28	March 25	March 7	April 16	October 15	December 20
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 ₩59,439 million for the year ended December 31, 2005, and is estimated to be ₩18,224 million for the periods thereafter.

Samsung Card Co. Ltd., a domestic subsidiary, has granted 375,000 shares in stock options over two periods. The exercise price and the number of shares granted to employees and directors of Samsung Capital Co., Ltd. as part of the merger in 2004 have been adjusted by 227,395 shares using the ratio of merger. The compensation expense recognized by Samsung Card Co., Ltd. is ₩2 million (2004: ₩111 million) for the year ended December 31, 2005. The stock options of ₩1,231 million according to the SEC's ownership ratio are included in a separate component of shareholders' equity as other capital adjustments.

The following table reconciles the expected amount of income tax expense based on Korean normal income tax rates to the actual amount of taxes recorded by the Company for the years ended December 31, 2005 and 2004:

(in millions of Korean won)	2005	2004
Income before taxes	₩ 8,125,313	₩ 12,376,158
Statutory tax rate	27.5%	29.7%
Expected taxes at statutory rate	2,234,461	3,675,719
Tax credit	(1,292,932)	(1,680,419)
Others, net	276,717	211,985
Actual taxes	₩ 1,218,246	₩ 2,207,285
Effective tax rate	15.0%	17.8%

Note 26: Income Tax

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

Income tax expense for the years ended December 31, 2005 and 2004, consists of the following:

(in millions of Korean won)	2005	2004
Current income tax	₩ 1,586,753	₩ 2,271,972
Increase (decrease) in deferred income taxes	(358,394)	(54,132)
Items charged directly to shareholders' equity	(10,113)	(10,555)
	₩ 1,218,246	₩ 2,207,285

The income tax effect of temporary differences, including available tax credit carryforwards, comprising the deferred income tax assets and liabilities as of December 31, 2005, are as follows:

	Temporary Differences			Deferred Income Taxes				
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance	Current	Non-Current
<i>(in millions of Korean won)</i>								
Deferred tax arising from temporary differences								
Special reserves appropriated for tax purposes	₩(1,600,489)	₩(453,770)	₩(2,054,259)	₩(440,153)	₩(123,941)	₩(564,094)	₩(110)	₩(563,984)
Equity-method investments	(1,451,878)	171,335	(1,280,543)	(272,470)	(14,674)	(287,144)	-	(287,144)
Depreciation	(243,875)	(377,256)	(621,131)	(66,658)	(117,563)	(184,221)	(2,494)	(181,727)
Capitalized interest expense	(164,103)	24,350	(139,753)	(45,128)	6,696	(38,432)	-	(38,432)
Accrued income	(533,337)	83,785	(449,552)	(147,843)	24,216	(123,627)	(123,296)	(331)
Accrued expenses	1,967,010	214,767	2,181,777	551,383	52,312	603,695	557,630	46,065
Deferred foreign exchange gains	41,997	(15,369)	26,628	11,001	(3,780)	7,221	176	7,045
Impairment losses on investments	516,557	114,655	631,212	143,105	31,725	174,830	196	174,634
Others	682,317	1,674	683,991	194,534	(40,755)	153,779	77,490	76,289
	₩(785,801)	₩(235,829)	₩(1,021,630)	₩(72,229)	₩(185,764)	₩(257,993)	₩509,592	₩(767,585)
Deferred tax assets arising from the carryforwards								
Undisposed accumulated deficit	₩2,079,520	₩1,282,434	₩3,361,954	₩181,130	₩153,383	₩334,513	₩15,744	₩318,769
Tax credit carryforwards	₩587,889	₩354,613	₩942,502	₩531,845	₩377,959	₩909,804	₩625,535	₩284,269
Deferred tax relating to items charged to equity								
Other capital adjustments	-	₩(757,513)	₩(757,513)	-	₩(210,876)	₩(210,876)	₩7,571	₩(218,447)
						₩775,448	₩1,158,442	₩(382,994)

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.

The Company did not recognize the income tax effect of a ₩411,691 million temporary difference resulting from the revaluation of land as the Company does not expect cash inflows from the revalued land.

The Company did not recognize the income tax effect of a ₩236,383 million temporary difference resulting from earnings arising from certain subsidiaries and investments using the equity method as the Company does not expect cash inflows, such as proceeds from the disposal of, or receipts of dividends from, the investments using the equity method within foreseeable future.

In addition, due to the uncertainty regarding ultimate ability to recover such assets, the Company did not recognize the income tax effect of a ₩2,147,616 million temporary difference resulting from the loss carryforwards.

The income tax effect of temporary differences, including available tax credit carryforwards, comprising the deferred income tax assets and liabilities as of December 31, 2004, were as follows:

	Temporary Differences			Deferred Income Taxes		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
(in millions of Korean won)						
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (818,423)	₩ (782,066)	₩(1,600,489)	₩ (200,488)	₩ (239,665)	₩(440,153)
Equity-method investments	(1,174,510)	(277,368)	(1,451,878)	(152,723)	(119,747)	(272,470)
Depreciation	48,939	(292,814)	(243,875)	7,955	(74,613)	(66,658)
Capitalized interest expense	(203,927)	39,824	(164,103)	(56,768)	11,640	(45,128)
Accrued income	-	(533,337)	(533,337)	-	(147,843)	(147,843)
Accrued expenses	1,469,128	497,882	1,967,010	367,672	183,711	551,383
Deferred foreign exchange gains	52,385	(10,388)	41,997	14,761	(3,760)	11,001
Impairment losses on investments	451,810	64,747	516,557	132,299	10,806	143,105
Others	1,117,188	(434,871)	682,317	65,592	128,942	194,534
	₩ 942,590	₩ (1,728,391)	₩ (785,801)	₩ 178,300	₩ (250,529)	₩ (72,229)
Deferred tax assets arising from the carryforwards						
Undisposed accumulated deficit	₩ 401,761	₩ 1,677,759	₩ 2,079,520	₩ 68,397	₩ 112,733	₩ 181,130
Tax credit carryforwards	₩ 405,696	₩ 182,193	₩ 587,889	₩ 365,098	₩ 166,747	₩ 531,845
						₩ 640,746

In accordance with the SKFAS No.16, *Deferred Income Tax*, the Company changed its accounting policy for the tax effects of temporary differences which are directly related to shareholders' equity. As a result of this change, the amounts of capital adjustments decreased by ₩210,876 million and liabilities increased by ₩210,876 million. This change had no effect on the net income.

Note 27: Earnings Per Share

Earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Ordinary income per share is calculated by dividing ordinary income allocated to common stock, which is net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares outstanding during the year.

Basic earnings per share for the years ended December 31, 2005 and 2004, is calculated as follows:

(In millions, except per share and number of share amounts)	2005		2004	
Net income as reported on the statements of income	₩	7,640,092	₩	10,789,535
Adjustments:				
Dividends for preferred stock		(114,735)		(210,586)
Undeclared participating preferred stock dividend		(929,242)		(1,252,571)
Net income available for common stock		6,596,115		9,326,378
Weighted-average number of common shares outstanding		132,003,416		137,321,524
Earnings per share	₩	49,969	₩	67,916

Diluted earnings per share for the years ended December 31, 2005 and 2004, is calculated as follows:

(In millions, except per share and number of share amounts)	2005		2004	
Net income available for common stock	₩	6,596,115	₩	9,326,378
Adjustment:				
Compensation expense for stock options		2,437		8,284
Net income available for common stock and common equivalent shares		6,598,552		9,334,662
Weighted-average number of shares of common stock and common equivalent shares ¹ outstanding		134,314,164		139,570,829
Diluted earnings per share	₩	49,128	₩	66,881

¹ Common equivalent shares:

	2005			2004		
	Number of shares	Weight	Common stock equivalent	Number of shares	Weight	Common stock equivalent
Stock options	2,310,748	365/365	2,310,748	2,249,305	366/366	2,249,305

The number of dilutive shares of outstanding stock options is computed 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 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 the diluted earnings per share calculation.

Note 28: Related Party Transactions

Significant transactions between SEC and its consolidated subsidiaries, which have been eliminated in consolidation, for the years ended December 31, 2005 and 2004, and the related receivables and payables as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)

Company	Sales		Purchases		Receivables		Payables	
	2005	2004	2005	2004	2005	2004	2005	2004
SJC	₩ 3,352,043	₩ 3,747,578	₩ 2,312,721	₩ 4,341,226	₩ 280,444	₩ 121,184	₩ 163,103	₩ 164,122
SLCD	1,060,137	689,849	1,049,016	-	375,505	487,936	185,947	-
STA	1,966,733	3,304,045	415,867	217,034	179,195	158,892	209,793	32,643
SET	3,386,002	2,775,409	357,847	405,852	241,926	187,355	20,817	20,047
SSI	6,412,590	6,390,555	10,025	12,173	642,275	459,252	-	-
SAPL	3,015,172	2,006,460	760,714	582,187	201,303	142,368	50,994	35,432
SEHK	1,941,144	1,553,647	1,050,716	1,254,767	210,525	158,175	54,627	63,315
SEA	813,974	1,347,492	1,301,741	1,438,729	101,975	158,907	98,303	55,038
SSEG	3,903,865	3,185,293	4,072	338	445,707	306,309	3,327	103
SEO	1,893,544	1,667,826	40,961	-	263,216	222,482	12,991	2,498
SEUK	1,485,684	1,096,770	278,365	374,831	34,768	30,994	29,351	23,768
SEF	1,021,812	755,254	15,802	19,246	31,915	35,744	5,611	17,815
SSEL	1,175,766	1,427,594	512	278	85,251	110,329	228	-
SII	590,364	882,883	13,390	9,491	15,429	63,390	704	1,482
SEI	736,838	629,469	18,663	43,453	81,951	33,468	7,316	2,673
SELS	367,469	684,747	5,836	11,508	56,171	104,055	1,048	-
TSTC	2,033,053	1,794,505	15	280	151,023	32,863	3	1
SESC	234,379	131,534	263,715	120,343	56,925	39,703	25,968	19,161
Others	10,139,345	11,133,660	4,891,205	4,396,990	1,192,694	1,167,653	776,736	739,738
	₩ 45,529,914	₩ 45,204,570	₩ 12,791,183	₩ 13,228,726	₩ 4,648,198	₩ 4,021,059	₩ 1,646,867	₩ 1,177,836

In addition, significant transactions among subsidiaries for the years ended December 31, 2005 and 2004, and the related receivables as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)		Sales		Receivables	
Selling company	Purchasing company	2005	2004	2005	2004
SII	SEA	₩ 1,676,658	₩ 1,751,694	₩ 26,437	₩ 24,861
SESK	SELS	709,088	458,527	44,287	48,710
TSTC	STA	697,960	480,080	43,284	41,466
SSKMT	STA	583,569	479,425	5,848	29,059
SDMA	SELS	431,450	307,052	84,184	29,921
SELS	SEF	406,793	224,585	20,414	8,224
SSEG	SESK	365,489	264,654	34,447	19,343
SELS	SESA	342,069	340,861	8,732	26,499
SEHK	SESC	318,609	132,882	25,079	15,069
SEHK	SELS	313,924	246,552	72,267	55,809
SELS	SEO	311,455	218,430	4,690	6,261
SEIN	SEA	296,924	214,763	6,086	42,812
SSS	TSED	275,953	130,876	29,068	10,249
SSEC	SEO	274,298	169,999	76,413	53,977
SEA	SECA	275,745	261,044	11,551	335
Others		15,013,979	17,322,918	1,732,745	1,468,030
		₩ 22,293,963	₩ 23,004,342	₩ 2,225,532	₩ 1,880,625

The related company loans resulting from significant transactions among subsidiaries for the year ended December 31, 2005, amount to ₩638,117 million (2004: ₩604,319 million).

In addition, significant transactions between SEC and equity-method investees for the years ended December 31, 2005 and 2004, and the related receivables and payables as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)		Sales		Purchases		Receivables		Payables	
Equity-method investees	2005	2004	2005	2004	2005	2004	2005	2004	
Samsung SDI Co., Ltd. ¹	₩ 237,925	₩ 371,432	₩ 1,650,220	₩ 2,129,086	₩ 24,347	₩ 29,517	₩ 189,104	₩ 156,396	
Samsung SDS Co., Ltd.	36,739	52,381	619,709	542,967	10,079	3,195	128,190	128,648	
Samsung Electro-Mechanics Co., Ltd.	33,234	20,244	1,013,365	1,058,374	9,875	5,147	83,243	80,924	
Samsung Corning Precision Glass Co., Ltd.	11,255	33,534	544,036	534,004	1,455	26,458	42,680	39,411	
Samsung Techwin Co., Ltd.	33,584	465	512,712	420,746	16,327	683	51,256	41,228	
Seoul Commtech. Co., Ltd.	7,629	9,506	136,327	111,248	1,320	4,783	36,528	23,675	
Others	15,185	46,847	189,484	176,218	27,003	26,440	43,896	31,632	
	₩ 375,551	₩ 534,409	₩ 4,665,853	₩ 4,972,643	₩ 90,406	₩ 96,223	₩ 574,897	₩ 501,914	

¹ Includes transactions with Samsung OLED Co., Ltd. which was merged with Samsung SDI Co., Ltd. during 2005.

Significant transactions with related parties, which are not subsidiaries or equity-method investees, for the years ended December 31, 2005 and 2004, and the related receivables and payables as of December 31, 2005 and 2004, are as follows:

Company	Sales		Purchases		Receivables		Payables	
	2005	2004	2005	2004	2005	2004	2005	2004
Samsung Corporation	₩ 42,164	₩ 56,099	₩ 1,647,112	₩ 1,970,528	₩ 37,791	₩ 27,521	₩ 402,303	₩ 437,365
iMarketKorea Inc.	46,598	39,652	276,742	236,234	14,891	15,930	93,086	70,337
Samsung Life Insurance Co., Ltd.	43,101	32,301	12,731	10,690	21,203	19,440	462	1,930
Cheil Communications Inc.	2,385	906	294,581	267,241	122	1,418	200,476	160,269
Samsung Everland Co., Ltd.	1,079	16,791	214,886	220,710	212,021	187,357	35,754	26,722
Samsung Heavy Industries Co., Ltd.	6,920	5,912	145,553	138,889	6,950	8,183	32,873	18,951
Others	27,097	20,026	430,209	476,501	7,829	5,825	93,593	53,395
	₩ 169,344	₩ 171,687	₩ 3,021,814	₩ 3,320,793	₩ 300,807	₩ 265,674	₩ 858,547	₩ 768,969

Furthermore, as of December 31, 2005, the balances of beneficiary certificates from Samsung Securities Co., Ltd. amounted to ₩904,314 million (2004: ₩1,312,462 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 (notes 7, 11 and 17).

As of December 31, 2005 and 2004, Samsung Card Co., Ltd., a domestic subsidiary, has general term loans amounting to ₩320,000 million from Samsung Life Insurance Co., Ltd. (note 15).

Note 29: Research and Development Costs

Research and development costs incurred and expensed for the years ended December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)	2005	2004
Research expenses	₩ 2,179,981	₩ 1,838,251
Ordinary development expenses	3,319,966	3,064,447
	₩ 5,499,947	₩ 4,902,698

Note 30: Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2005 and 2004, assets and liabilities denominated in foreign currencies are as follows:

Account		Foreign company			Domestic company		
		2005		2004	2005		2004
		Foreign Currency	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)
Foreign currency deposits	US\$	554,050	₩ 561,257	₩ 254,029	133,994	₩ 135,736	₩ 30,086
	JPY	6,501,610	55,909	59,696	308,732	2,655	5,661
	EUR	182,860	219,314	84,572	2,244	2,691	6,050
	Others		1,276,000	977,659		1,052	1,595
			2,112,480	1,375,956		142,134	43,392
Trade accounts and notes receivable	US\$	1,093,115	1,107,324	1,248,989	90,455	91,628	103,344
	JPY	96,051,715	825,948	907,194	4,412,614	37,944	53,435
	EUR	1,431,856	1,717,283	1,399,235	12,542	15,043	8,425
	Others		2,803,545	2,395,001	-	12,453	1,912
			6,454,100	5,950,419		157,068	167,116
Other assets	US\$	61,228	62,028	162,262	181,675	184,037	107,612
	JPY	31,674,051	272,364	322,341	40,982	352	564
	EUR	64,282	77,097	80,483	16,954	20,334	7,644
	Others		310,777	336,165		5,016	5,218
			722,266	901,251		209,739	121,038
Total foreign currency assets			₩ 9,288,846	₩ 8,227,626		₩ 508,941	₩ 331,546

(in thousands of foreign currencies,
in millions of Korean won)

Account	Foreign Currency	Foreign company			Domestic company		
		2005		2004	2005		2004
		Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)
Trade accounts and notes payable	US\$	269,839	₩ 273,347	₩ 246,109	285,423	₩ 289,135	₩ 134,109
	JPY	101,911,285	876,335	1,071,811	22,459,462	193,127	141,047
	EUR	50,310	60,340	133,303	2,091	2,508	2,792
	Others		1,605,396	1,395,936		47	118
			2,815,418	2,847,159		484,817	278,066
Short-term borrowings, (including document against acceptance)			1,533,423	1,156,508		3,694,725	3,070,848
Other current liabilities	US\$	449,927	455,776	571,806	1,026,082	1,039,421	979,418
	JPY	4,417,318	37,986	50,544	14,069,274	120,980	98,723
	EUR	461,079	552,994	462,686	163,860	196,524	195,677
	Others		786,104	723,159		55,319	45,863
			1,832,860	1,808,195		1,412,244	1,319,681
Long-term other accounts payable	US\$	200,000	202,600	-	312,471	316,533	113,153
	Others		71,059	72,741		51,972	40,235
			273,659	72,741		368,505	153,388
Foreign currency notes and bonds (including current portions)	US\$	50,000	50,650	52,190	100,000	101,300	104,380
Long-term debt, (including current maturities)	US\$	131,885	133,600	138,180	222,930	225,828	127,245
	JPY	11,514,500	99,013	135,904	-	-	-
	Others		172,903	109,770		-	-
			405,516	383,854		225,828	127,245
Total foreign currency liabilities			₩6,911,526	₩ 6,320,647		₩6,287,419	₩ 5,053,608

Monetary assets and liabilities of overseas subsidiaries 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, 2005, amounted to ₩144,465 million and ₩117,571 million, respectively.

Note 31: Segment Information

The summary of consolidated financial information by industry as of December 31, 2005 and 2004, and for the years then ended, follows:

- Consolidated balance sheets by industry

(in millions of Korean won)	Non-financial Business		Financial Business	
	2005	2004	2005	2004
ASSETS				
Current assets	₩ 26,365,240	₩ 25,126,417	₩ 7,033,011	₩ 6,866,558
Investments	6,179,747	5,351,724	5,591,086	8,349,994
Property, plant and equipment	29,189,119	23,827,416	87,048	134,984
Intangible assets	516,676	448,151	116,180	96,371
Total assets	₩ 62,250,782	₩ 54,753,708	₩ 12,827,325	₩ 15,447,907
LIABILITIES				
Current liabilities	₩ 18,167,652	₩ 17,790,977	₩ 6,740,037	₩ 8,318,347
Non-current liabilities	3,154,737	1,221,047	4,625,199	5,275,714
Total liabilities	21,322,389	19,012,024	11,365,236	13,594,061
SHAREHOLDERS' EQUITY				
Capital stock	897,514	897,514	2,482,189	1,314,886
Capital surplus	6,338,460	6,239,586	921,914	930,998
Retained earnings	37,369,265	30,576,954	(2,235,155)	(729,944)
Capital adjustments	(4,897,713)	(3,270,488)	293,141	337,906
Minority interests	1,220,867	1,298,118	-	-
Total shareholders' equity	40,928,393	35,741,684	1,462,089	1,853,846
Total liabilities and shareholders' equity	₩ 62,250,782	₩ 54,753,708	₩ 12,827,325	₩ 15,447,907

- Consolidated statements of income (loss) by industry

(in millions of Korean won)	Non-financial Business		Financial Business	
	2005	2004	2005	2004
Sales	₩ 78,233,772	₩ 78,903,893	₩ 2,401,072	₩ 3,091,908
Cost of sales	54,589,941	52,019,531	667,047	950,528
Selling, general and administrative expenses	14,692,843	13,414,958	3,110,745	3,850,043
Operating profit (loss)	8,950,988	13,469,404	(1,376,720)	(1,708,663)
Non-operating income	2,978,082	2,974,311	41,507	44,605
Non-operating expenses	2,893,328	2,984,605	184,906	186,955
Income (loss) before income tax	9,035,742	13,459,110	(1,520,119)	(1,851,013)
Income tax expense (benefit)	1,437,114	2,630,886	(218,868)	(423,600)
Income (loss) before minority interests in earnings of consolidated subsidiaries, net	7,598,628	10,828,224	(1,301,251)	(1,427,413)
Minority interests in earnings of consolidated subsidiaries, net	(41,464)	38,689	-	-
Consolidated net income (loss)	₩ 7,640,092	₩ 10,789,535	₩ (1,301,251)	₩ (1,427,413)

In the above consolidated financial statements of the non-financial business, the financial service subsidiary has been accounted for using the equity method.

- Operating data according to business segment as of and for the year ended December 31, 2005:

(in millions of Korean won)	2005 Summary of Business by Segment								
	Digital media	Digital appliance	Telecomm- unication Network	Semi- conductor	LCD	Finance	Others	Elimination	Consoli- dated
Gross sales	₩ 35,031,168	₩10,594,106	₩ 36,641,463	₩ 38,582,867	₩ 20,564,098	₩ 2,401,072	₩ 17,975,256	₩ (81,160,520)	₩ 80,629,510
Intersegment sales	(17,374,610)	(4,976,398)	(15,726,648)	(18,250,632)	(11,848,873)	(5,280)	(12,978,079)	81,160,520	-
Net sales	₩ 17,656,558	₩ 5,617,708	₩ 20,914,815	₩ 20,332,235	₩ 8,715,225	₩ 2,395,792	₩ 4,997,177	-	₩ 80,629,510
Operating profit (loss)	₩ 247,700	₩ (29,102)	₩ 2,480,001	₩ 5,410,677	₩ 598,773	₩ (1,376,720)	₩ (36,540)	₩ 280,709	₩ 7,575,498
Total assets	₩ 10,848,994	₩ 3,658,525	₩ 11,965,742	₩ 26,326,732	₩ 14,135,584	₩ 12,827,325	₩ 8,701,091	₩ (14,002,195)	₩ 74,461,798

- Operating data according to business segment as of and for the year ended December 31, 2004:

(in millions of Korean won)	2004 Summary of Business by Segment								
	Digital media	Digital appliance	Telecomm- unication Network	Semi- conductor	LCD	Finance	Others	Elimination	Consoli- dated
Gross sales ¹	₩ 34,146,999	₩ 9,407,602	₩ 5,460,760	₩ 39,031,433	₩ 18,629,382	₩ 3,091,908	₩ 18,404,173	₩ (76,209,248)	₩ 81,963,009
Intersegment sales	(16,519,530)	(4,023,192)	(14,734,952)	(18,825,407)	(10,871,709)	(15,420)	(11,219,038)	76,209,248	-
Net sales ¹	₩ 17,627,469	₩ 5,384,410	₩ 20,725,808	₩ 20,206,026	₩ 7,757,673	₩ 3,076,488	₩ 7,185,135	-	₩ 81,963,009
Operating profit (loss) ¹	₩ 442,057	₩ 21,690	₩ 3,097,334	₩ 7,766,804	₩ 1,895,189	₩ (1,708,663)	₩ (60,956)	₩ 307,291	₩ 11,760,746
Total assets	₩ 9,101,900	₩ 3,403,424	₩ 10,927,036	₩ 25,623,728	₩ 10,662,823	₩ 14,999,011	₩ 7,513,077	₩ (13,226,374)	₩ 69,004,625

¹ Sales and operating profit (loss) by business segment for the year ended December 31, 2004, were reclassified to conform with 2005 presentation for comparative purposes.

- Operating data of entities classified according to geographic area as of and for the year ended December 31, 2005:

(in millions of Korean won)	2005 Summary of Business by Geographic Area							
	Korea (Domestic)	Korea (Export)	Asia	America	Europe	Africa	Elimination	Consolidated
Gross sales	₩ 16,486,869	₩ 50,719,397	₩ 43,268,723	₩ 24,872,774	₩ 25,898,349	₩ 543,918	₩ (81,160,520)	₩ 80,629,510
Intersegment sales	(4,171,148)	(45,773,056)	(18,082,515)	(7,781,560)	(5,352,172)	(69)	81,160,520	-
Net sales	₩ 12,315,721	₩ 4,946,341	₩ 25,186,208	₩ 17,091,214	₩ 20,546,177	₩ 543,849	-	₩ 80,629,510
Operating profit (loss)	₩ 6,629,701		₩ 512,711	₩ 20,721	₩ 118,893	₩ 12,703	₩ 280,709	₩ 7,575,498
Total assets	₩ 67,799,075		₩ 8,824,865	₩ 5,819,311	₩ 5,895,379	₩ 125,363	₩ (14,002,195)	₩ 74,461,798

- Operating data of entities classified according to geographic area as of and for the year ended December 31, 2004:

(in millions of Korean won)	2004 Summary of Business by Geographic Area							
	Korea (Domestic)	Korea (Export)	Asia	America	Europe	Africa	Elimination	Consolidated
Gross sales	₩ 16,177,813	₩ 48,864,259	₩ 43,197,071	₩ 27,358,939	₩ 22,203,862	₩ 370,313	₩ (76,209,248)	₩ 81,963,009
Intersegment sales	(3,126,578)	(43,636,422)	(16,716,383)	(8,362,645)	(4,366,743)	(477)	76,209,248	-
Net sales	₩ 13,051,235	₩ 5,227,837	₩ 26,480,688	₩ 18,996,294	₩ 17,837,119	₩ 369,836	-	₩ 81,963,009
Operating profit (loss)	₩ 10,258,862		₩ 591,573	₩ 426,195	₩ 168,392	₩ 8,433	₩ 307,291	₩ 11,760,746
Total assets	₩ 63,235,796		₩ 7,899,511	₩ 6,143,291	₩ 4,887,783	₩ 64,618	₩ (13,226,374)	₩ 69,004,625

Note 32: Significant transactions not affecting cash flows for the years ended December 31, 2005 and 2004, are as follows:

(in millions of Korean won)	2005	2004
Write-off of accounts receivables and financing receivables	₩ 1,846,815	₩ 2,739,035
Gain on valuation of available-for-sale securities	818,877	42,882
Loss on valuation of available-for-sale securities	(7,551)	27,622
Decrease in gain on valuation of available-for-sale securities due to disposal	19,319	17,377
Decrease in loss on valuation of available-for-sale securities due to disposal	1,618	5,952
Deferred tax effects applicable to gain on valuation of investment securities	276,552	-
Deferred tax effects applicable to loss on valuation of investment securities	8,924	-
Reclassification of long-term available-for-sale securities to short-term available-for-sale securities	13,679	495,612
Reclassification of long-term held-to-maturity securities to short-term held-to-maturity securities	127,631	102,255
Reclassification of held-to-maturity securities to available-for-sale securities	-	117,895
Reclassification of construction-in-progress and machinery in transit to other property, plant and equipment accounts	9,845,250	7,219,656
Current maturities of other long-term liabilities	4,001,569	3,111,035
Decrease in retained earnings arising from retirement of treasury stock	-	3,025,129

Note 33: Subsequent Event

Subsequent to December 31, 2005, Samsung Card Co., Ltd. issued unguaranteed bonds amounting to ₩370,000 million at face value.

Note 34: Approval of Consolidated Financial Statements

The audited consolidated financial statements as of and for the year ended December 31, 2005, will be approved by the Board of Directors on March 3, 2006.

Note 35: Reclassification of Prior Year Financial Statement Presentation

Certain amounts in the financial statements as of and for the year ended December 31, 2004, have been reclassified to conform to the December 31, 2005 financial statement presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

Non-consolidated Five-year Financial Summary

For the Years Ended December 31, 2001-2005

	in millions of Korean won				
	2005	2004	2003	2002	2001
Sales	₩ 57,457,670	₩ 57,632,359	₩ 43,582,016	₩ 40,511,563	₩ 32,380,375
Cost of sales	40,158,150	37,279,686	29,518,753	26,945,866	24,514,733
Gross profit	17,299,520	20,352,673	14,063,263	13,565,697	7,865,642
Selling, general and administrative expenses	9,239,745	8,335,796	6,870,561	6,321,025	5,570,308
Operating profit	8,059,775	12,016,877	7,192,702	7,244,672	2,295,334
Non-operating income					
Interest and dividend income	229,654	295,428	250,205	248,581	126,455
Foreign exchange gain	399,624	402,774	295,269	292,696	239,249
Gain on foreign currency translation	90,187	138,528	13,415	56,957	47,386
Gain on valuation of investments using the equity method of accounting	1,131,014	576,923	-	1,067,772	784,790
Others	454,361	723,088	556,266	832,651	622,624
Total non-operating income	2,671,359	2,136,741	1,115,155	2,498,657	1,820,504
Non-operating expenses					
Interest expense	42,214	65,970	95,656	100,501	205,145
Foreign exchange loss	348,804	364,867	355,767	222,905	242,918
Loss on foreign currency translation	31,244	41,903	34,182	17,547	91,493
Loss on valuation of investments using the equity method of accounting	972,173	-	228,916	-	-
Loss on valuation of inventories	-	-	-	42,206	54,129
Loss on impairment of available-for-sale securities	-	10,166	339,646	-	-
Others	466,227	546,186	349,200	489,704	439,546
Total non-operating expenses	1,860,662	1,029,092	1,403,367	872,863	1,033,231
Ordinary profit	8,870,472	13,124,526	6,904,490	8,870,466	3,082,607
Extraordinary income	-	-	-	-	-
Extraordinary loss	-	-	-	-	-
Net income before income taxes	8,870,472	13,124,526	6,904,490	8,870,466	3,082,607
Income tax expense	1,230,259	2,337,784	945,492	1,818,705	135,672
Net income	₩ 7,640,213	₩ 10,786,742	₩ 5,958,998	₩ 7,051,761	₩ 2,946,935
Basic earnings per share	₩ 49,970	₩ 67,899	₩ 36,356	₩ 42,005	₩ 17,461
Diluted earnings per share	₩ 49,128	₩ 66,864	₩ 35,930	₩ 41,603	₩ 17,230

	in thousands of U.S. dollars				
	2005	2004	2003	2002	2001
Sales	\$ 56,720,306	\$55,256,337	\$36,409,370	\$33,759,636	\$ 24,419,589
Cost of sales	39,642,794	35,742,748	24,660,612	22,454,888	18,487,732
Gross profit	17,077,512	19,513,589	11,748,758	11,304,748	5,931,857
Selling, general and administrative expenses	9,121,169	7,992,135	5,739,817	5,267,521	4,200,836
Operating profit	7,956,343	11,512,454	6,008,941	6,037,227	1,731,021
Non-operating income					
Interest and dividend income	226,707	283,248	209,027	207,151	95,365
Foreign exchange gain	394,496	386,169	246,674	243,913	180,429
Gain on foreign currency translation	89,030	132,817	11,207	47,464	35,736
Gain on valuation of investments using the equity method of accounting	1,116,500	553,138	-	889,810	591,848
Others	448,529	693,277	464,717	693,876	469,551
Total non-operating income	2,637,077	2,048,649	931,625	2,082,214	1,372,929
Non-operating expenses					
Interest expense	41,672	63,250	79,913	83,751	154,709
Foreign exchange loss	344,328	349,825	297,216	185,754	183,196
Loss on foreign currency translation	30,843	40,175	28,556	14,623	68,999
Loss on valuation of investments using the equity method of accounting	959,697	-	191,241	-	-
Loss on valuation of inventories	-	-	-	35,172	40,821
Loss on impairment of available-for-sale securities	-	9,747	283,748	-	-
Others	460,244	523,668	291,730	408,086	331,484
Total non-operating expenses	1,836,784	986,665	1,172,404	727,386	779,209
Ordinary profit	8,756,636	12,583,438	5,768,162	7,392,055	2,324,741
Extraordinary income	-	-	-	-	-
Extraordinary loss	-	-	-	-	-
Net income before income taxes	8,756,636	12,583,438	5,768,162	7,392,055	2,324,741
Income tax expense	1,214,471	2,241,403	789,885	1,515,588	102,316
Net income	\$ 7,542,165	\$ 10,342,035	\$ 4,978,277	\$ 5,876,467	\$ 2,222,425
Basic earnings per share	\$ 49	\$ 65	\$ 30	\$ 35	\$ 13
Diluted earnings per share	\$ 48	\$ 64	\$ 30	\$ 35	\$ 13

These five-year summary tables are provided for the convenience of the reader. Figures in U.S. dollars have been calculated using the following exchange rates. 2005: KRW 1,013 2004: KRW 1,043 2003: KRW 1,197 2002: KRW 1,200 2001: KRW 1,326 (Per USD 1)

Consolidated Five-year Financial Summary

Samsung Electronics Co., Ltd. and Subsidiaries

For the Years Ended December 31, 2001-2005

	in millions of Korean won				
	2005	2004	2003	2002	2001
Total sales	₩ 80,629,510	₩ 81,963,009	₩ 64,817,456	₩ 59,568,661	₩ 46,443,768
Cost of sales	55,251,655	52,952,682	42,252,493	36,952,320	32,657,190
Gross profit	25,377,855	29,010,327	22,564,963	22,616,341	13,786,578
Selling, general and administrative expenses	17,802,357	17,249,581	16,268,736	13,370,703	9,835,150
Operating profit	7,575,498	11,760,746	6,296,227	9,245,638	3,951,428
Non-operating income					
Interest and dividend income	320,709	382,049	310,703	307,493	205,075
Foreign exchange gain	1,190,611	1,146,088	871,796	611,362	599,486
Gain on foreign currency translation	144,465	202,172	246,168	235,601	87,491
Gain on valuation of equity method investments	491,405	495,620	-	-	-
Others	872,666	662,878	873,860	1,063,888	827,935
Total non-operating income	3,019,856	2,888,807	2,302,527	2,218,344	1,719,987
Non-operating expenses					
Interest expense	218,233	170,107	215,113	256,919	410,660
Foreign exchange loss	1,124,380	1,060,191	908,016	552,329	607,668
Loss on foreign currency translation	117,571	80,723	147,417	173,764	149,403
Loss on valuation of equity method investments	149,656	-	-	-	-
Impairment losses on investments	172,145	134,757	345,614	-	-
Others	688,056	827,617	553,034	911,931	669,255
Total non-operating expenses	2,470,041	2,273,395	2,169,194	1,894,943	1,836,986
Income before income tax and minority interests	8,125,313	12,376,158	6,429,560	9,569,039	3,834,429
Income tax	1,218,246	2,207,285	1,076,492	2,244,397	463,517
Income before minority interests	6,907,067	10,168,873	5,353,068	7,324,642	3,370,912
Minority interests in losses of consolidated subsidiaries, net	733,025	620,662	609,179	(271,807)	(315,846)
Net income	₩ 7,640,092	₩ 10,789,535	₩ 5,962,247	₩ 7,052,835	₩ 3,055,066
Basic earnings per share (in Korean won)	₩ 49,969	₩ 67,916	₩ 36,376	₩ 42,011	₩ 18,102
Diluted earnings per share (in Korean won)	₩ 49,128	₩ 66,881	₩ 35,950	₩ 41,610	₩ 17,858

	in thousands of U.S. dollars				
	2005	2004	2003	2002	2001
Total sales	\$ 79,594,778	\$ 78,583,902	\$ 54,149,921	\$ 49,640,551	\$ 35,025,466
Cost of sales	54,542,601	50,769,590	35,298,657	30,793,600	24,628,348
Gross profit	25,052,177	27,814,312	18,851,264	18,846,951	10,397,118
Selling, general and administrative expenses	17,573,896	16,538,429	13,591,258	11,142,253	7,417,157
Operating profit	7,478,281	11,275,883	5,260,006	7,704,698	2,979,961
Non-operating income					
Interest and dividend income	316,593	366,298	259,568	256,244	154,656
Foreign exchange gain	1,175,332	1,098,838	728,317	509,468	452,101
Gain on foreign currency translation	142,611	193,837	205,654	196,334	65,981
Gain on valuation of equity method investments	485,099	475,187	-	-	-
Others	861,467	635,549	730,042	886,574	624,386
Total non-operating income	2,981,102	2,769,709	1,923,581	1,846,620	1,297,124
Non-operating expenses					
Interest expense	215,432	163,094	179,710	214,099	309,699
Foreign exchange loss	1,109,951	1,016,482	758,576	460,274	458,272
Loss on foreign currency translation	116,062	77,395	123,155	144,803	112,672
Loss on valuation of equity method investments	147,735	-	-	-	-
Impairment losses on investments	169,936	129,201	288,734	-	-
Others	679,227	793,497	462,017	759,943	504,716
Total non-operating expenses	2,438,343	2,179,669	1,812,192	1,579,119	1,385,359
Income before income tax and minority interests	8,021,040	11,865,923	5,371,395	7,974,199	2,891,726
Income tax	1,202,612	2,116,285	899,325	1,870,331	349,560
Income before minority interests	6,818,428	9,749,638	4,472,070	6,103,868	2,542,166
Minority interests in losses of consolidated subsidiaries, net	723,618	595,074	508,922	(226,505)	(238,194)
Net income	\$ 7,542,046	\$ 10,344,712	\$ 4,980,992	\$ 5,877,363	\$ 2,303,972
Basic earnings per share (in U.S. dollars)	\$ 49	\$ 65	\$ 30	\$ 35	\$ 14
Diluted earnings per share (in U.S. dollar)	\$ 48	\$ 64	\$ 30	\$ 35	\$ 13

These five-year summary tables are provided for the convenience of the reader. Figures in U.S. dollars have been calculated using the following exchange rates. 2005: KRW 1,013 2004: KRW 1,043 2003: KRW 1,197 2002: KRW 1,200 2001: KRW 1,326 (Per USD 1)

Board of Directors

SEC works to enhance its business by encouraging a progressive and entrepreneurial environment based on the highest standards of governance, transparency, and accountability. Under such policy, the BOD administers the performance of management, sets corporate management policies, and makes strategic decisions on business execution. These activities are performed in accordance with relevant laws and regulations, our articles of incorporation (AOI), and the resolutions made at the annual general shareholders' meeting (AGM).

To better target the various responsibilities of the BOD, authorities have been delegated to sub-committees in which directors with expertise and experience in a certain field can contribute to that particular committee.

The BOD currently has 4 committees—the Management Committee, Audit Committee, Outside Director Recommendation Committee, and Internal Transaction Committee.

The BOD is operated by thirteen members (seven of them being outside directors). During the course of this year 2005, the BOD had 8 meetings and handled 24 cases.

The Management Committee considers and makes decisions on issues delegated to them by the BOD and reports their voting results to them in accordance with the AOI, BOD charter, or AGM resolutions. The committee had 32 meetings. The audit committee is a committee under Board of Directors that supervises and supports the management in such a way it may enhance the company's value to the maximum through auditing and Audit Committee consists of three members who are appointed among directors through the resolution of Board of Directors. All the members shall be outside directors. The committee met 7 times this past year.

The Outside Director Recommendation Committee is a committee under the BOD, structured to recruit and appoint outside directors' candidates in a fair and independent manner.

This committee consists of 4 directors (including 2 outside directors).

The Internal Transaction Committee, a board committee, was established in April 2004 as a compliance body to enhance corporate governance and promote fair transactions. The Internal Transaction Committee is reported with pending transactions between the company and its related party. The committee met 7 times this past year.

Management Committee

Jong-Yong Yun [chair]
Yoon-Woo Lee
Doh-Seok Choi

Audit Committee

Sung-Lark Rim [chair]
Jae-Sung Hwang
Kap-Hyun Lee

Outside Director Recommendation Committee

Gwi-Ho Chung [chair]
Tetsuo Iwasaki
Jong-Yong Yun
Doh-Seok Choi

Internal Transaction Committee

Jae-Sung Hwang [chair]
Sung-Lark Rim
Kap-Hyun Lee



Kun-Hee Lee

Chairman & CEO, Samsung Electronics [1998-Present]
Member, International Olympic Committee [1996-Present]
Vice Chairman, The Federation of Korean Industries [1987-Present]
Chairman of Samsung Group [December 1987]



Jong-Yong Yun

Vice Chairman & CEO, Samsung Electronics [2000-Present]
President & CEO, Samsung Electronics [1997-2000]
President & CEO, Samsung Japan Headquarters [1995-1997]
President & CEO, Samsung Display Devices [1994-1995]
President & CEO, Samsung Electro-Mechanics [1992-1994]



Hak-Soo Lee

Vice Chairman & CEO, Samsung Electronics [2004-Present]
Head of the Samsung Electronics Chairman's Office
Chief of the Samsung Strategic Planning Office [2006-Present]
Head of the Samsung Electronics Chairman's Office
Chief of the Samsung Restructuring Office [1998-2006]
President & CEO of Samsung Electronics [1998-2004]
President & CEO of the Staff of the Samsung Group Chairman's Office of the Executive Staff [1996]
President & CEO of Samsung Fire & Marine Insurance [1996]



Yoon-Woo Lee

Vice Chairman, Corporate CTO & Global Collaboration, Samsung Electronics
Vice Chairman, Samsung Advanced Institute of Technology [2005-Present]
Board Member, S-LCD [2004-Present]
Vice Chairman, Global Collaboration, Samsung Electronics
CEO, Samsung Advanced Institute of Technology [2004-2005]
President & CEO, Semiconductor Business, Samsung Electronics [1996-2004]
Executive VP & CEO, Semiconductor Business, Samsung Electronics [1994-1996]
Executive VP, Semiconductor Business (Memory), Samsung Electronics [1992-1994]



Doh-Seok Choi

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



In-Joo Kim

President, Samsung Strategic Planning Office [2006-Present]
President, Samsung Electronics Chairman's Office [2004-2006]
Executive VP, Samsung Electronics Chairman's Office [2001-2004]
Senior VP, Samsung Electronics Chairman's Office [1999-2001]
Vice President, Samsung Electronics Chairman's Office [1998-1999]



Franz-Hermann Hirlinger

Outside Director (Present), Samsung Electronics [1998-Present]
Representative Director, Swiss-Asia Consulting [2006-Present]
Partner & Director, Swiss-Asia Consulting [2004-2006]
Representative, State of Bavaria Korea Office [2001-2003]
First Vice President, Bayerische Landesbank Seoul [1997-2003]
First Vice President, Bayerische Landesbank Tokyo [1995-2004]
Senior Investment Manager and Head of International Marketing,
Credit Suisse [1991-1995]



Gwi-Ho Chung

Attorney at law [2006-Present]
Outside Director [Present],
Samsung Electronics Co., Ltd. [2003-Present]
Attorney at law, BarunLaw Office [1999-2006]
Justice, Supreme Court [1993-1999]
Chief Judge, Chuncheon District Court [1992-1993]



Sung-Lark Rim

Outside Director, Samsung Electronics [2000-Present]
Executive Director, Financial Planning Standards
Board of Korea [2000-Present]
President & CEO, Kookmin Investment
Trust Management [1998-2000]
Managing Director, Korea Long Term Credit Bank [1998]



Jae-Sung Hwang

Outside Director, Samsung Electronics Co., Ltd. [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]



Tetsuo Iwasaki

Outside Director, Samsung Electronics [2000-Present]
Chairman, International Management Association [2005-Present]
Chairman & CEO, GPI Inc. [2004-Present]
Senior Advisor to Board Member, Applied Materials, Inc.
[2002-Present]



Kap-Hyun Lee

Outside Director, Samsung Electronics [2001-Present]
Advisor, Boston Consulting Group [2001-Present]
CEO & President, Korea Exchange Bank [1999-2000]
Managing Director, Korea Exchange Bank [1997-1999]



Goran Sture Malm

Outside Director, Samsung Electronics [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]

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, 2005, there were 147,299,337 common and 22,833,427 preferred shares issued and outstanding. All shares have a par value of KRW 5,000. 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 29,306,594 GDRs are currently outstanding, representing 14,653,297 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

2005	High	Low	Close
Q1	528,000	435,000	502,000
Q2	522,000	452,000	494,000
Q3	613,000	501,000	588,000
Q4	662,000	546,000	659,000

LONDON STOCK EXCHANGE

GDR price in USD

2005	High	Low	Close
Q1	259.75	207.75	247.50
Q2	257.50	225.50	239.25
Q3	298.50	239.00	284.50
Q4	329.50	258.00	329.50

DIVIDENDS

In 2005, we declared a total dividend of KRW 5,500 for each common share and KRW 5,550 for each preferred share, resulting in a total payout of KRW 834 billion. We also invested KRW 2.15 trillion to repurchase 3,800,000 common shares and 300,000 preferred shares as part of our ongoing efforts to increase shareholder value. The total payout ratio for the year was 39%.

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.

INDEPENDENT AUDITORS

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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.

INTERNET ADDRESS INFORMATION

The 2005 Samsung Electronics Annual Report and the latest investor information are available online at www.samsung.com/ir. You may also contact us at irteam@samsung.co.kr.

For more information, please visit www.samsung.com

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Gumi 2nd Plant

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Fax: 82-54-479-5058

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Giheung-eup, Yongin
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Baebang-myeon, Asan
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Tangjeong-myeon, Asan
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Chungcheongnam-do
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Gwangju Plant

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Tianjin Samsung Telecom Communication (TSTC), Tianjin
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Tianjin Tongguang Samsung Electronics Company (TTSEC), Tianjin
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Shanghai Samsung Semiconductor
(SSS), Shanghai
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(SEPOL), Warsaw
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Samsung Electronics U.K. Ltd.
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