

SAMSUNG

2008
SAMSUNG
ELECTRONICS
ANNUAL REPORT



Contents

The Way We Lead	01
Message from the CEO	10
About the Board	14
2008 Financial Summary	16
Performance by Business	18
2008 at a Glance	20
DMC	22
Digital Media & Communications Business	
Product Gallery	28
DS	34
Device Solution Business	
CSR	
Corporate Citizenship	40
Partner Collaboration	42
Sustainability	44
Financial Statements	47
Investor Information	98
Global Network	99

THE WAY WE LEAD

At Samsung Electronics, we believe that crises are opportunities for innovation and that change is about action. It takes a different kind of strategy to navigate tough economic times and become one the world's leading companies. And we have what it takes to get there.

HERE'S HOW WE DO IT

Knowing how to lead is one thing. Being able to sustain that leadership is an entirely different one. In the next few pages, we'd like to introduce a few of our exceptional people and the unique ways they're helping us lead the way in brand marketing, manufacturing, research and development, and design.



Understanding Tomorrow's Markets And Consumers

When it comes to developing premium home appliances for specific regions, it's essential to have detailed data and research on those markets and consumers. The reason our front-loading washers with vibration-reduction technology and French-door refrigerators top their respective categories in the US is a direct result of our robust market- and consumer-focused market-sensing capabilities. And the insights we gain are helping us lead the way to a more convenient, comfortable future.

Kyu-Hee Lee
Assistant Manager, Brand Marketing Group
Digital Appliance Division




Collaborating For Greater Synergy

Since 2007, we've operated an innovative "cell-based" manufacturing system that has doubled productivity for our entire Digital Media & Communications Business product portfolio. These remarkable gains have been made possible by close collaboration between each of our departments—from manufacturing and development to marketing and purchasing. And the greater synergy this collaboration enables is helping us lead the way to a more productive, profitable future.

Gab-Soo Lee

General Manager, Application Engineering Group
Global Production Technology Center
Digital Media & Communications Business



Thinking Outside The Box

The most important principle in any R&D process is thinking outside the box. That's what we did when we set out to develop a small but very important component of smart card information security. In addition to significantly lower fabrication costs, the resulting all-digital solution has the added benefit of easing migration to different platforms, technologies, and markets. And the ability to step back and challenge the conventional is helping us lead the way to a more secure digital future.

Ihor Vasytsov
Senior Engineer, Digital IP Development Team
System LSI Division



Arriving First With Speed And Efficiency

The thing that's helped us rise above our rivals in the ultra-competitive LCD panel industry has been our ability to consistently develop technologies and ship products ahead of the rest. Our cutting-edge R&D capabilities enabled us to seize the first-mover advantage in a new product category at CES 2009 when we unveiled a ready-for-production HD LCD TV with edge-lit LED backlighting when others were just showing mockups. And this ability to consistently be first to market is helping us lead the way to a greener, more profitable future.

Yong-Il Kim
Manager, Development Team 2
Backlight Technology Group 2
LCD Division

A woman with curly hair, wearing a blue button-down shirt and dark pants, stands on the left, smiling. A man in a dark suit and blue tie stands on the right, also smiling. They are in a Samsung Experience store with multiple monitors in the background displaying Samsung logos and product information.

Connecting With Consumer Lifestyles

At the Samsung Experience in downtown New York, visitors can enjoy an engaging and memorable hands-on experience with over 300 of the latest and greatest Samsung products. Our staff of “brand ambassadors” strives to provide exceptional service to each customer while delving deeper into their needs to help them make the connection with Samsung products that fit their lifestyles. And those lasting impressions are helping us lead the way to a richer, more enjoyable future.

Angelo Vicari
General Manager, Samsung Experience



Making Smart Choices That Grow Markets

One of our strategic goals in 2008 was to grow our mobile phone market share in emerging markets. While many of our rivals lost ground in last year's market downturn, our smart, focused product line and resource allocation choices enabled us to achieve dramatic gains in both sales and brand awareness across Southeast Asia and Oceania, a trend we expect to continue in 2009. And those are the kind of choices that are helping us lead the way in more markets everywhere.

Jee-Hyun Dina Lee
Manager, Southeast Asia Sales & Marketing Group
Mobile Communication Division

A man with dark hair and glasses, wearing a dark blue button-down shirt, stands in a design studio. He is smiling and has his arms crossed. The background is a white wall covered with various design sketches and prototypes, including what appear to be TV bezel designs. The lighting is bright and even.

Creating Value That Can't Be Touched

The inspiration for our TV designs comes out of a product development process that includes extensive research on the user experience, meticulous consideration of each process step, and countless development and marketing discussions. Our sophisticated “liquid crystal” bezel design was the fruit of this exhaustive investigative and collaborative process, transforming our TVs into veritable objects of art. And that unique design touch is helping us lead the way in living rooms around the world.

Hee-Bong Kim
Junior Designer, Design Group
Visual Display Division

Message from the CEO



Our vision of becoming one of the world's leading companies is coming to life with creative innovation and progressive entrepreneurship.

Dear Samsung Electronics stakeholder:

As the US financial crisis deepened the global economic downturn in 2008, we experienced an extremely challenging year with conditions that recalled those we faced a decade earlier during the 1997 Asian financial crisis. This difficult situation was further aggravated as high oil prices fueled inflation, exchange rates increased in volatility, and falling asset values impacted real income. Despite this challenging business environment, systematic oversight and effective action enabled us to post continued growth in our core businesses as we delivered yet another solid financial performance with record consolidated sales of KRW 121.3 trillion and a net profit of KRW 5.5 trillion.



Despite the global economic downturn in 2008, systematic oversight and effective action enabled us to generate continued growth in our core businesses as we delivered yet another solid financial performance.”

THE YEAR IN REVIEW

Our core semiconductor, mobile phone, LCD panel, and TV businesses enjoyed continued growth.

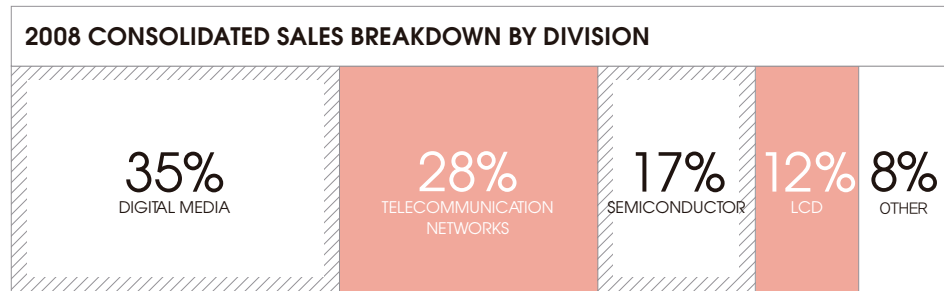
While DRAM and NAND memory prices dropped sharply in 2008, our technical leadership and ongoing cost-reduction efforts enabled us to further extend our lead over our industry rivals. Our non-memory semiconductor businesses delivered dramatic growth despite significantly weakened market demand. In mobile phones, we continued to generate stellar growth as our focus on bolstering our lineup with new smartphones and building market share in emerging markets paid off, enabling us to ship nearly 200 million phones for the year as we demonstrated our potential to vie for the industry's top spot. Our LCD business overcame slowing demand and tougher competition in the second half of the year as we maintained our industry-leading net profit margin and extended our lead over the competition in the 40-inch-and-larger TV panel market. Our TV business also overcame adverse conditions to grow shipments by 54% over 2007 as our global market share surpassed 20%, solidifying our position as the undisputed industry leader as we marked our third consecutive year at the top of the LCD, flat-panel, and overall TV markets.

We used creativity to strengthen our foundation for global leadership.

Fueled by creativity, our ambition to become one of the world's top companies has driven continuous improvement in every area of our organization thanks to our hard work and success in attracting the best and brightest people, pursuing innovative R&D, and building a strong, distinctive brand. Approximately 40% of our global employees are now involved in R&D as we develop the technologies of tomorrow. In 2008, we earned 3,515 patents in the US, a 29% increase over 2007 that kept us a solid No. 2 in the annual patent ranking. We also continued to press forward with a variety of market- and customer-focused brand marketing programs, including our successful role as the official wireless communications equipment partner of the Beijing 2008 Olympic and Paralympic Games.

We actively worked to build shareholder value and promote sustainability.

Even as volatility in financial markets was triggering the global economic downturn, we were actively pushing ahead with investor relations initiatives to improve our stock valuation. While the majority of global bourses and technology stocks lost more than half their value in 2008, our shares fared comparatively better, declining just 19% as our IR efforts paid off. We also launched a number of initiatives to improve workplace environment, safety, and health as well as reduce energy consumption as part of our growing commitment to sustainability. Our ongoing efforts to reduce toxic chemicals and improve product recycling were recognized by our second place ranking in Greenpeace's quarterly *Guide to Greener Electronics*.



* Based on 2008 organizational structure

“ We will take the next step toward being one of the world’s top companies, intelligently rising above the current crisis by strengthening our leadership in core businesses and capabilities in key growth fields as we drive creative innovation. ”

THE YEAR AHEAD

With the global economy limping along in the aftermath of last year’s crisis, it’s unclear whether we will see the beginning of a recovery this year. This has made demand forecasting and planning extremely difficult. From a survival perspective, the battle for industry leadership is intensifying as we face some of the biggest challenges in our history. That said, we have intelligently weathered countless crises over the years, demonstrating our ability to turn adversity into opportunity as we have grown to become a world-class consumer electronics company. We are confident that our can-do attitude and creative entrepreneurship will empower us overcome our present challenges, creating yet another opportunity to shape the future of our industry.

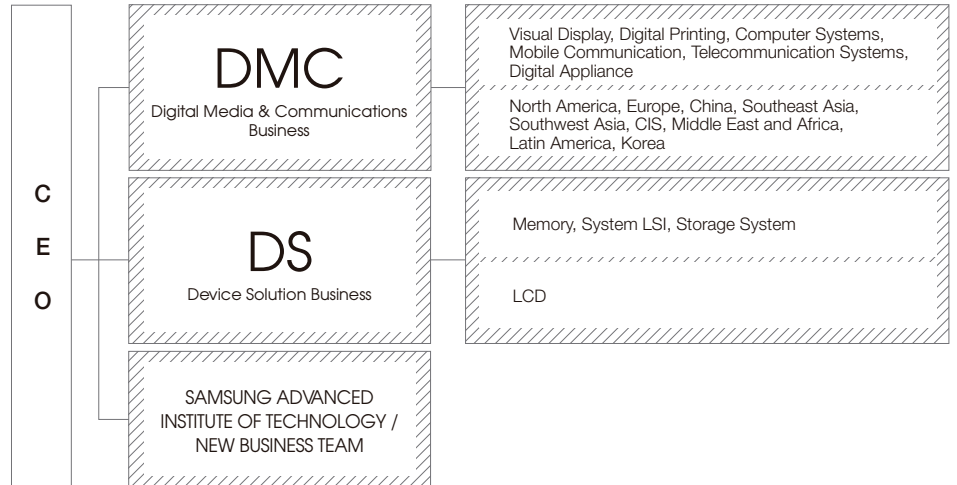
We will enhance our flexibility, potential for growth, and risk management capabilities.

We will pursue value creation in ways our competition will find difficult—if not impossible—to imitate. We will simultaneously push forward with value engineering and value innovation initiatives that will enable us to eliminate inefficiency, redundancy, and waste in our processes as we take our cost-reduction efforts to the next level. At the same time, we will bolster our unrivaled speed, efficiency, and other internal synergies as our departments and divisions closely collaborate in each step of product development from concept to launch. We will also upgrade our enterprise-wide risk management system to enhance our ability to monitor and address risk in a timely manner.

We will strengthen our leadership in core businesses and capabilities in key growth fields.

We aim to leverage our cost leadership to be the top global name in every segment of consumer electronics—from TVs to mobile phones. We also aim to extend our market leadership in components such as semiconductors and LCD panels with cutting-edge technologies and solutions. At the same time, we are laying the foundation for success in key growth fields such as printers, notebook PCs, and system air conditioners, bolstering our global capabilities by expanding our B2B distribution channels, differentiating our products through design, and expanding our worldwide sales network.

2009 ORGANIZATIONAL STRUCTURE



We will actively prepare for the future by driving creative innovation and growing new businesses.

While sheer determination and passion were sufficient to make us a world-class consumer electronics maker, becoming one of the world's top companies will require radical changes in our values and the way we think and work. We must create an organizational culture that promotes continuous individual growth and innovation driven by an entrepreneurial spirit that is not afraid of failure as we aggressively develop and use creative methods and tools that our rivals cannot easily imitate. This foundation will position us to steadily build growth momentum as we continue to identify and develop tomorrow's technologies and business opportunities.

A decade ago when we marked our 30th anniversary, a radical restructuring for survival enabled us to weather the Asian financial crisis and paved the way for our emergence as a world-class consumer electronics company. As we mark our 40th anniversary in 2009, we are united in our determination to intelligently rise above the present challenges armed with the same "prepared for anything" attitude, enterprising spirit, and creative thinking that have served us so well in the past. We look forward to the opportunity of earning your trust and respect over the coming year as we take the next step toward our vision of being one of the world's leading companies.

Yoon Woo Lee

Yoon-Woo Lee

Vice Chairman & CEO
Samsung Electronics

ABOUT THE BOARD

We are committed to delivering superior corporate and shareholder value through creativity and transparency in management.

At Samsung Electronics, our modern, board-centered corporate governance system ensures transparency and accountability in management. The board actively supports top management in effectively managing the company to maximize corporate value. It also plays a key role in increasing shareholder value as well as safeguarding shareholder rights and interests. The board's scope of responsibility encompasses all matters required by statute, specified in the articles of incorporation, or delegated by resolution at the general shareholders' meeting. These matters include the setting of basic management policies, guidance on strategic business decisions, and the oversight of senior management performance.

As of May 2009, our board is composed of nine directors, five of whom are outside directors. In 2008, the board convened five times to discuss and decide 23 agenda items. As provided for by law, the board has set up and delegated authority to a number of committees staffed by directors with relevant experience and professional knowledge to aid in timely, efficient decision-making. The board presently operates four committees: the Management Committee, Audit Committee, Outside Director Recommendation Committee, and the Internal Transaction Committee.

1. Yoon-Woo Lee

- Vice Chairman & CEO, Device Solution Business President, Samsung Electronics [2009-Present]
- Vice Chairman & CEO, Samsung Electronics [2008-2009]
- Vice Chairman, Global Collaboration, Samsung Electronics [2007-2008]
- Vice Chairman, Global Collaboration, Corporate CTO, Samsung Electronics
- Vice Chairman, Samsung Advanced Institute of Technology [2005-2007]
- Vice Chairman, Global Collaboration, Samsung Electronics CEO, Samsung Advanced Institute of Technology [2004-2005]
- President & CEO, Semiconductor Business, Samsung Electronics [1996-2004]

2. Gee-Sung Choi

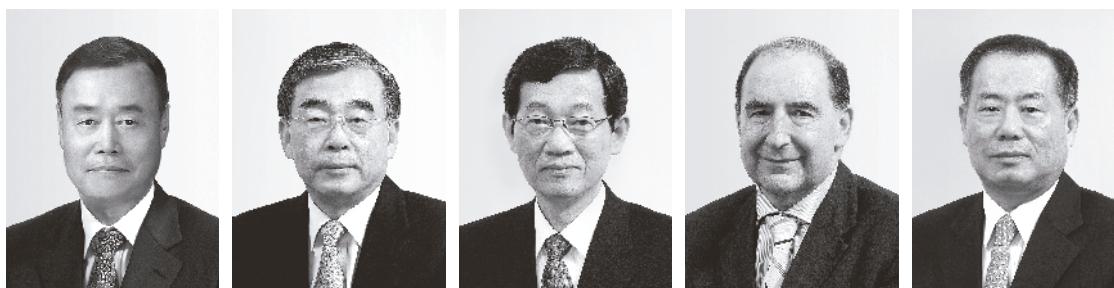
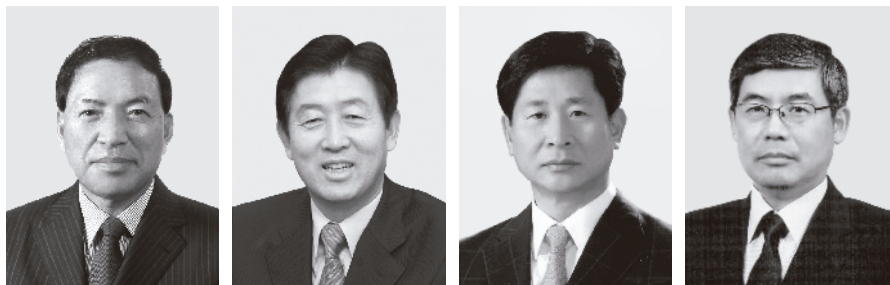
- President, Digital Media & Communications Business, Samsung Electronics [2009-Present]
- President, Telecommunication Networks Business, Samsung Electronics [2007-2009]
- President, Digital Media Business, Samsung Electronics [2003-2007]
- Executive Vice President, Visual Display Division, Digital Media Business, Samsung Electronics [1998-2002]
- Vice President, Semiconductor Sales Division, Samsung Electronics [1996-1998]

3. Ju-Hwa Yoon

- President, Corporate Auditing Team, Samsung Electronics [2009-Present]
- Head, Management Support Team, Corporate Executive Staff, Samsung Electronics [1998-2009]
- Head, Global ERP Task Force, Corporate Executive Staff, Samsung Electronics [2007-2009]
- Head, Management Innovation Team, Corporate Executive Staff, Samsung Electronics [2004-2007]
- Head, Management Support & Innovation Team, Corporate Executive Staff, Samsung Electronics [1998-2004]
- Head, Management Support & Innovation Group, Corporate Executive Staff, Samsung Electronics [1996-1998]

4. Sang-Hoon Lee

- Executive Vice President, Corporate Management Team, Samsung Electronics [2008-Present]
- Head, Management Support Group 2, Samsung Strategic Planning Office [2007-2008]
- Senior Vice President, Management Support Team, Samsung Strategic Planning Office [2006-2007]
- Senior Vice President, Finance Team, Samsung Reformation Headquarters [2004-2006]
- Senior Vice President, Overseas Support Team and Management Infrastructure Task Force, Samsung Electronics [2002-2004]
- Head, Management Support Team, North America Operations, Samsung Electronics [1999-2002]



5. Kap-Hyun Lee

- Outside Director [2001-Present]
- Advisor, Boston Consulting Group [2001-2007]
- Vice Chairman, Korea Chamber of Commerce & Industry [1999-2000]
- CEO & President, Korea Exchange Bank [1999-2000]

6. Dong-Min Yoon

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

7. Chae-Woong Lee

- Outside Director [2006-Present]
- Professor of Economics, Emeritus, Sungkyunkwan University [2007-Present]
- Professor of Economics, Sungkyunkwan University [1982-2007]
- President, Korean Economic Association [2005-2006]
- Vice Chancellor & Professor of Economics, Sungkyunkwan University [1999-2003]
- Member, Monetary Policy Committee, The Bank of Korea [1994-1998]

8. Goran S. Malm

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

9. Oh-Soo Park

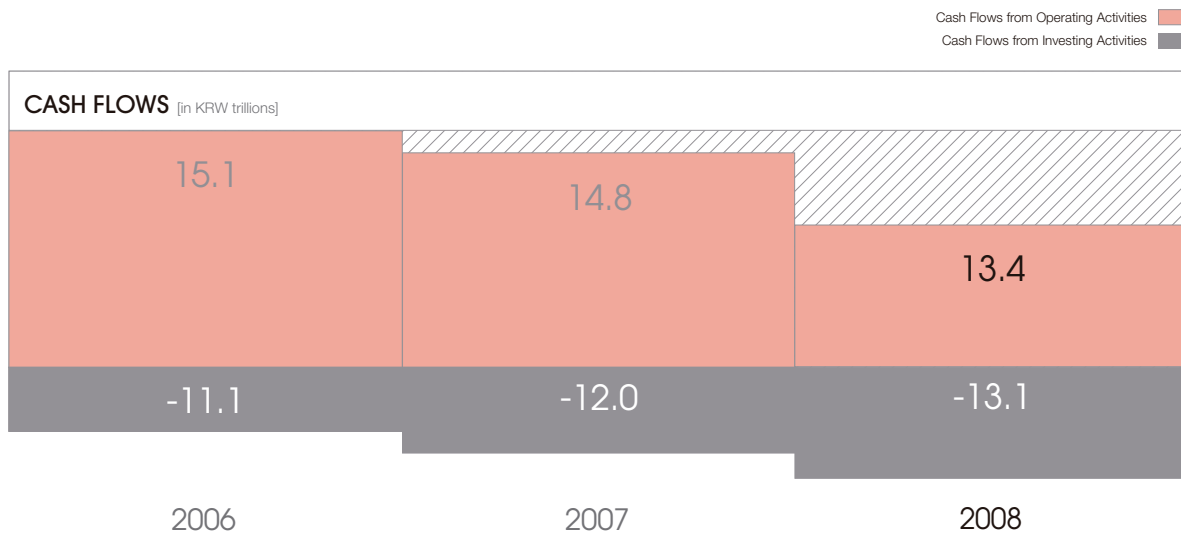
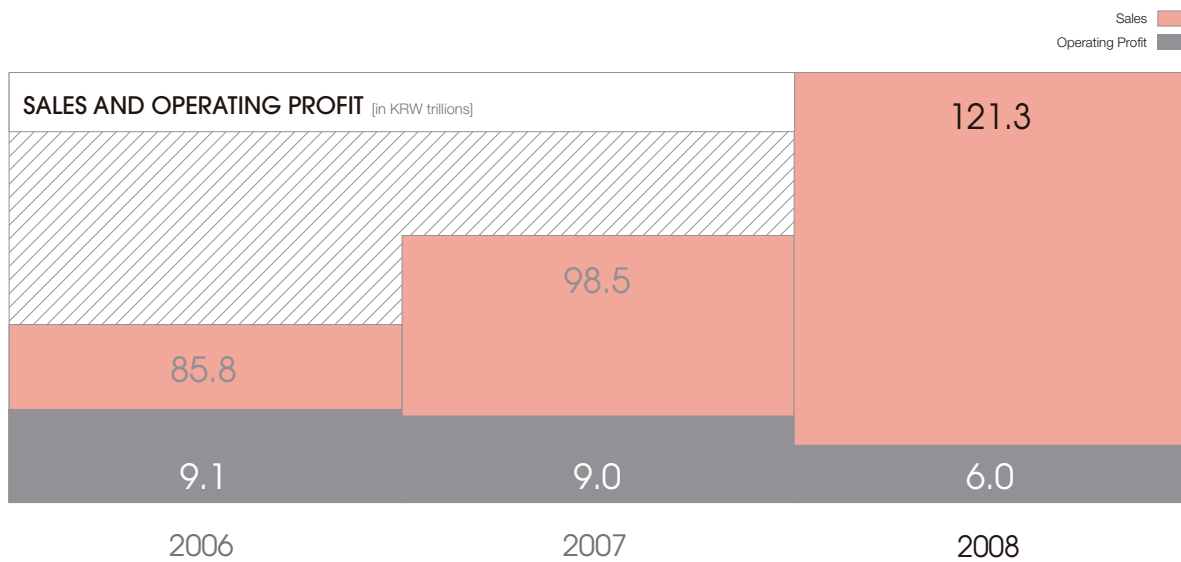
- Outside Director [2006-Present]
- President, Korean Academy Society of Business Administration [2008-Present]
- Professor, College of Business Administration, Seoul National University [1988-Present]
- President, Korean Academy of Business Ethics [2007-2008]
- Dean, College of Business Administration, Seoul National University [2003-2005]
- President, Korean Academy of Management [2002-2003]

2008 FINANCIAL SUMMARY

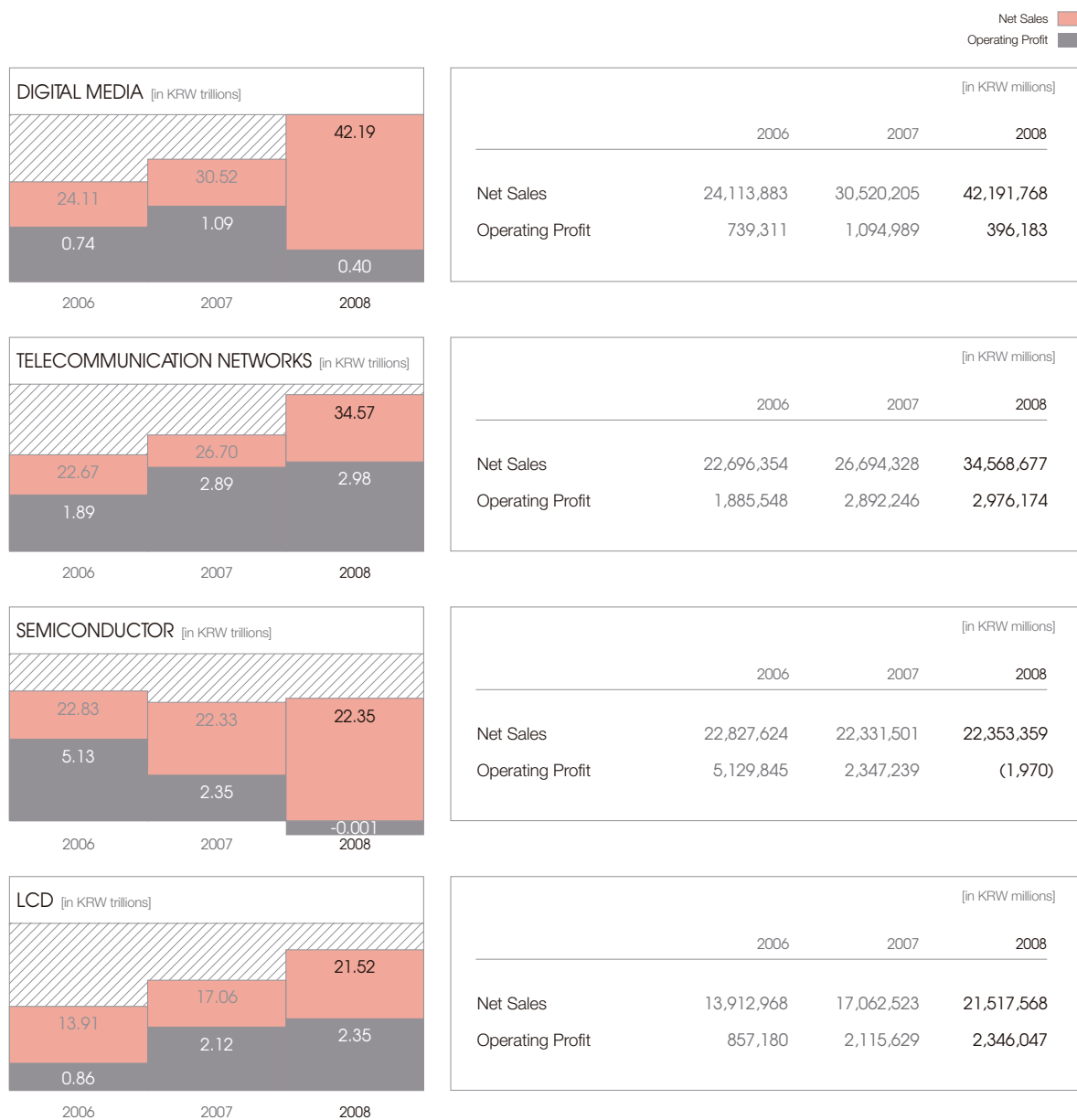
Samsung Electronics and Consolidated Subsidiaries

	[in KRW billions]		
	2006	2007	2008
INCOME STATEMENTS			
Sales	85,835	98,508	121,294
Operating Profit	9,129	8,973	6,032
Net Income	7,926	7,421	5,526
BALANCE SHEETS			
Assets	81,366	93,375	105,301
Liabilities	33,426	37,403	42,377
Shareholders' Equity	47,940	55,972	62,924
CASH FLOWS			
Cash Flows from Operating Activities	15,081	14,791	13,360
Cash Flows from Investing Activities	(11,098)	(12,002)	(13,128)
Cash Flows from Financing Activities	(3,889)	(1,600)	1,934

This annual report includes forward-looking statements which relate to future events and can be generally identified by phrases containing words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," or other words or phrases of similar meaning. These forward-looking statements are not guarantees of future performance and may involve known and unknown risks, uncertainties and other factors that may affect our actual results, performance, achievements or financial position, making them materially different from the actual future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Unless otherwise specified, all data presented in this report is from our consolidated financial statements.



PERFORMANCE BY BUSINESS



* The above presentation reflects the results of an organizational restructuring which took place on May 22, 2008. This restructuring saw the operations of the Digital Appliance business merged into the Digital Media and Telecommunication Networks businesses. The 2006 and 2007 results have been restated accordingly to reflect this change for comparative purposes.

BUSINESS OVERVIEW

We are a global leader in consumer electronics and premium home appliances. Our comprehensive product portfolio includes digital flat-panel TVs and monitors, audio and video equipment, cameras and camcorders, computers and peripherals, printers and multifunction devices, and home appliances. In addition to our global market leadership in TVs and monitors, we continue to deliver innovative products that combine form and function such as the industry's thinnest LED TVs and the industry's most compact color laser printers and multifunction devices.

We are a global leader in mobile phones and telecommunications equipment. Our product portfolio includes the industry's widest range of cutting-edge mobile phones and MP3 players as well as turnkey telecommunications network solutions. As our premium designs and unique features propel us ever closer to the top of the global mobile phone market, we're also playing a key role in the development and standardization of next-generation 4G network technologies such as Mobile WiMAX and LTE.

We are a global leader in memory, logic semiconductors, and hard drive storage systems. In addition to our long-standing market leadership in DRAM, we are the industry's top supplier of flash memory, SRAM, display driver ICs, and MP3 player system-on-chip devices. We are also on the leading edge of development in emerging high-tech market segments such as solid-state drive (SSD) storage and "fusion" or hybrid semiconductor solutions.

We are a global leader in LCD panels for the TV, monitor, notebook, and digital information display markets. Backed by timely investment in new panel and module production capacity, we have now led the industry in sales revenue for seven consecutive years since 2002. Today, we're targeting growing demand for 40-inch-and-larger LCD panels, LED-backlit LCD TVs, digital information displays, and netbooks as we continue to work on flexible displays and other next-generation display technologies.

2008 HIGHLIGHTS

In 2008, we marked our third consecutive year at the top of the global TV and LCD monitor markets as we continued to deliver products with innovative designs and features. Our printer business continued to hold steady at No. 2 in the global laser printer and multifunction printer market. Our home appliances business also led the industry in growth as we continued to win new customers around the globe.

In 2008, we shipped more than 196 million mobile phones worldwide, solidifying our position as the global No. 2 maker. Our success was driven by the steady rollout of premium phones with advanced features such as touchscreens with "haptic" tactile feedback and high-resolution cameras of up to 8 megapixels as well as aggressive marketing in key markets. We also expanded our market base in the telecommunication systems business by delivering Mobile WiMAX network equipment to major operators in the US, Japan, Russia, and other markets.

Despite rapidly declining DRAM and flash memory prices in 2008, our continued investment in product development and manufacturing technology, combined with unrivaled economies of scale, kept us solidly at the forefront of the memory industry. In addition to gaining significant market share in key logic and microprocessor segments, we also expanded our storage systems lineup with external hard drives.

The successful launch of our first 8th generation LCD line in 2007 and growing demand for 40-inch-and-up LCD TV panels and other high-margin products kept us at the top of the global industry in 2008 for a seventh consecutive year as the industry's most profitable panel maker. In addition to launching new panels for LED-backlit TVs, digital information displays, and ultra-high-definition TVs, we continued to drive the industry forward with work on flexible displays and other next-generation technologies.

2008 AT A GLANCE

JANUARY

- Surpassed sales of USD 100 billion in 2007
- Acquired Consumer Complaints Management System certification from the Korea Fair Trade Commission
- Sponsored the African Cup of Nations in Ghana
- Shipped 20-millionth E250 mobile phone
- Signed semiconductor patent cross-licensing agreement with Matsushita

FEBRUARY

- Signed semiconductor licensing agreements with ARM and Tensilica
- Led the global TV market for the second consecutive year
- Launched first fast-cook oven with steam cooking and cleaning
- Launched the industry's first 3D-ready plasma TVs

MARCH

- Entered the Japanese Mobile WiMAX market
- Launched first full-HD LCD TVs with liquid-crystal styling
- Launched W420 Haptic touchscreen phone with tactile touch feedback
- Launched Korea's first remote management system for commercial air conditioners

APRIL

- Launched SyncMaster T series LCD monitors with liquid-crystal styling
- Swept top honors at CTIA Wireless 2008 with M800 Instinct phone
- Acquired WiMAX Forum 2.3 GHz certification
- Launched production of industry's first 50nm 1Gb DDR2 DRAM
- Launched u900 Soul flagship slider phone
- Signed agreement with Sony to build second 8th generation LCD line at S-LCD

MAY

- Launched Series 6 full-HD plasma TVs
- Reached agreement with Intel and TSMC on transition to 450mm silicon wafers
- Unveiled the industry's first blue-phase mode LCD panel
- Appointed Yoon-Woo Lee vice chairman and CEO
- Launched MultiXpress multifunction printer series with the industry's fastest A4 color and monochrome print speeds

JUNE

- Acquired WiMAX Forum 2.5 GHz certification
- Unveiled 90nm smart card IC chip
- Launched production of 300mm wafers in Singapore with Siltronic
- Launched the i900 Omnia flagship smartphone
- Marked 38th consecutive month at global No. 1 in large LCD panel market
- Led the global A4 color laser multifunction printer market for the first time in Q2

JULY

- Named "Best Managed Company in Korea" by *FinanceAsia*
- Hosted Samsung Future Mobile Forum 2008
- Joined the Korea Fair Trade Commission's Triangle Cooperation Program
- Sold 150-millionth mobile phone in the US
- Initiated discussions with Samsung SDI to establish active-matrix OLED venture

AUGUST

- Launched Armani premium LCD TV series
- Hosted 3GPP working group meetings
- Launched SyncMaster T series full-HD-ready LCD monitors
- Served as the official wireless telecommunications equipment partner of the Beijing 2008 Olympic Games
- Launched the industry's first front-load washer with "bubble wash" technology

SEPTEMBER

- Deployed the first Mobile WiMAX network in Russia
- Launched production at a flat-panel TV plant in Russia
- Served as the official wireless telecommunications equipment partner of the Beijing 2008 Paralympic Games
- Sold 10-millionth microwave oven in Russia
- Signed sponsorship deal for Guangzhou 2010 Asian Games
- Launched production of the industry's first 50nm 2Gb DDR3 DRAM

OCTOBER

- Led J.D. Power and Associates customer satisfaction rankings for French door and side-by-side refrigerators for the 4th consecutive year in the US
- Launched the first US Mobile WiMAX service with Sprint (Clearwire)
- Launched production at a LCD module plant in Slovakia
- Launched the M8800 Pixon touchscreen phone with 8-megapixel camera

NOVEMBER

- Led European home theater system market in January-to-August sales
- Led US mobile phone market in Q3 for the first time
- Sold 2-millionth flat-panel TV with liquid-crystal styling just seven months after market debut
- Shipped an industry record 5.39 million LCD TVs in Q3
- Launched production of high-performance 256GB solid-state drives

DECEMBER

- Surpassed USD 50 billion in exports
- Opened Samsung d'light brand showcase at Seoul HQ
- Awarded deployment contracts for Mobile WiMAX service in Taiwan and Kuwait
- Unveiled the P3 MP3 player with haptic UI
- Opened the Samsung Experience brand shop in Dubai
- Led the global TV market for the third consecutive year

DMC

Digital Media & Communications Business

VISUAL DISPLAY DIVISION
DIGITAL PRINTING DIVISION
COMPUTER SYSTEMS DIVISION
MOBILE COMMUNICATION DIVISION
TELECOMMUNICATION SYSTEMS DIVISION
DIGITAL APPLIANCE DIVISION

DS

Device Solution Business

MEMORY DIVISION
SYSTEM LSI DIVISION
STORAGE SYSTEM DIVISION
LCD DIVISION

Series 7 LED TV



DMC

Digital Media & Communications Business

At Samsung Electronics, we're creating user experiences that empower consumers to more easily access and enjoy the myriad benefits of digital technology with state-of-the-art visual displays, audio and video equipment, computers, printers, mobile phones, and home appliances. In short, our high-tech, beautifully designed products are delivering a whole new kind of satisfaction.

VISUAL DISPLAY DIVISION
DIGITAL PRINTING DIVISION
COMPUTER SYSTEMS DIVISION
MOBILE COMMUNICATION DIVISION
TELECOMMUNICATION SYSTEMS DIVISION
DIGITAL APPLIANCE DIVISION



02



21.9%

2008 GLOBAL TV MARKET SHARE

01. SPF-107H Digital Photo Frame

This chic 10-inch photo frame with liquid-crystal styling boasts an ultra-slim 23 mm profile, 1GB of onboard memory, and a high-resolution 1,024 x 600-pixel screen that brings precious memories to life.

01



VISUAL DISPLAY We led the global TV market for the third straight year in 2008 as we continued to win over customers with outstanding picture quality, elegant liquid-crystal bezel styling, and advanced interactivity and connectivity options that allow customers to enjoy pictures, movies, and music from the Internet, their own home network, or even USB devices. Our leadership took another leap forward in 2009 as we introduced a new whole new “species” of high-definition television that is sure to be a global hit. Our new LED TV lineup is the next evolution in LCD technology, replacing the conventional cold-cathode fluorescent lamp (CCFL) backlighting with eco-friendly LED backlighting. The result is exactly what customers want—full-featured TVs with superior picture quality, stylish ultra-slim enclosures, and dramatically lower power consumption. Today, we continue to drive innovation in the flat-panel TV market with new ultra-slim plasma TVs and 240 Hz full-HD LCD TVs, delivering the breakthrough products and superior value that will keep us at the forefront of the global TV market.

LCD monitors are another field we have led the world in since the third quarter of 2006. In 2008, we launched a number of premium monitors, including our SyncMaster T-series with the same liquid-crystal bezel design featured on our LCD TVs to commemorate the 20th anniversary of the SyncMaster brand. We intend to once again lead the industry in 2009 by rolling out a large number of new products, including the SyncMaster 70-series with liquid-crystal bezels, ultra-slim LED-backlit monitors, laptop computer monitors, professional monitors, 120 Hz monitors, and large-format digital information displays with ultra-slim bezels for video wall applications.

In the audio and video equipment field, we leveraged our leadership in Blu-ray technology to unveil the industry’s slimmest Blu-ray player to date featuring our sophisticated liquid-crystal styling in a wall-mountable unit just 39 mm thick. Our Blu-ray and DVD home theater systems took numerous awards in Europe and around the world in 2008. We also continued to innovate in the video space with an ultra-compact full-HD camcorder featuring a built-in 64GB solid-state drive, hybrid still/video cameras, and a compact digital camera with a 24 mm wide-angle lens and 10x optical zoom.

02. Series 7 LED TVs

Showcasing our gorgeous liquid-crystal styling, brilliant LED backlighting, an ultra-slim profile of 29.9 mm, and advanced interactivity and connectivity options, our Series 7 LED TVs add a dazzling new dimension to home entertainment.

03. HT-BD7200 Blu-Ray Home Theater System

Winner of a Best of CES 2009 award in the home audio category, this sleek wall-mountable 2.1-channel Blu-ray system is an eye-catching match for our TVs with support for streaming audio and video and Bluetooth wireless audio connectivity.

03



13.7%

2008 GLOBAL LASER PRINTER
AND MULTIFUNCTION PRINTER MARKET SHARE



04

“
We're making life
richer and more
enjoyable with digital
products that offer
innovative features,
distinctive design,
and eco-friendly
engineering.”

DIGITAL PRINTING We are working hard to become the world's top laser printer maker with an attractive, easy-to-use, energy-efficient lineup that includes the industry's smallest and sleekest mono-chrome and color laser printers and multifunction printers. In 2008, our focus on eco-performance earned us the top product award at Korea's National Environmental Management Excellence Awards as well as the greatest number of German Blue Angel eco-label certifications in the office equipment category. Our growing family of workgroup solutions—including the world's fastest A4 color laser multifunction printer with speeds of up to 38 pages-per-minute—is backed by an organization committed to providing complete professional color printing solutions to the enterprise marketplace.

COMPUTER SYSTEMS We are currently in the process of relaunching our computer business with a focus on mobile computing. In 2008, our new lineup of stylish, quality netbooks proved to be exceptionally popular in advanced markets like Europe as well as emerging ones such as the CIS and China, catapulting us into the ranks of the world's top-10 notebook makers. With the launch of third-generation netbooks in 2009 featuring greatly improved design, ease-of-use, and battery life, this notebook segment—one we aim to be a top-three player in—is quickly gaining momentum. We will also be focusing on the high-end ultra-light premium notebook market as well as desktop PCs with advanced security and remote management features for the enterprise market.



05

**04. MultiXpress C8385ND
Color Laser Multifunction Printer**

The industry's fastest A4 color laser multifunction printer boasts advanced workgroup features, outstanding print quality, and a number of convenience-enhancing features that give a major boost to office productivity.

05. N310 Netbook PC

Conceived by award-winning designer Nato Fukasawa, this elegant and compact netbook packs all the latest features and technology in a package designed for maximum mobility.



MOBILE COMMUNICATION Our mobile phones have the world talking. In 2008, we shipped over 196 million phones worldwide as we held steady at No. 2 in global market share. Our premium line-up of full-touchscreen phones, smartphones, and high-resolution camera phones enabled us capture the No. 1 market share crown in France and the US, the latter market in which we shipped our 150-millionth phone to date during the year. We also saw a number of our entry-level phones exceed sales of 10 million units in emerging markets as our full-range phone lineup continued to attract new customers to the Samsung brand.

We continue to deliver unique, premium phones that wow customers around the globe with compelling design and cutting-edge features. During the year, we redefined the user experience with a steady parade of innovative phones. After beginning the year with the breakthrough Haptic (W420) touchscreen phone featuring our dynamic TouchWiz UI with haptic (vibration) feedback, we went on to add the Innov8 (i8510) smartphone with 8-megapixel camera and the Omnia (i900) flagship touchscreen smartphone. In their first 18 months on the market, our full-touchscreen phones have taken global markets by storm, selling over 20 million units based on features like our sophisticated TouchWiz UI, high-resolution cameras, and minimalist design. We intend to keep the hits coming in 2009 with high-end touchscreen models with features like gorgeous active-matrix OLED screens, physical keypads, HD video recording, and DJ-style music mixing and scratching.

06



07

**06. Samsung Star**

This sleek 11.9 mm full-touchscreen phone features our latest TouchWiz UI, DNSe™ 3.0 sound engine, a 3-megapixel camera with video recording, Bluetooth, and a host of other multimedia features that are helping it take the mid-range market by storm.

07. i8910 HD

The world's first mobile phone capable of recording 720p HD video, this upgrade to the original Omnia smartphone features a long list of high-tech features, including a stunning 3.7-inch active-matrix OLED touchscreen and a high-resolution 8-megapixel camera.

16.7%

2008 GLOBAL MOBILE PHONE
MARKET SHARE

“
We're transforming
life on the go with
mobile phones that
shine with advanced
multimedia features,
user interfaces
that deliver tactile
feedback, and
uniquely stylish
design.”



08

Our MP3 player business continues to aggressively compete in global markets with a full lineup of products that ranges from premium media players to voice recorders. Our current lineup includes the flagship P3 touchscreen media player with haptic feedback, the Q1 and Q2 players with our latest DNSe™ 3.0 sound engine, and the VP1 voice recorder.

As we look ahead to 2009 and beyond, we will be focusing on generating both qualitative and quantitative growth as we expand our leadership in the premium market as well as our presence and marketing in emerging markets. You can expect us to continue to deliver a steady stream of uniquely Samsung mobile phones and MP3 players designed to meet the needs of today's fast-changing marketplace as we deliver value and enjoyment that far exceeds consumer expectations.

TELECOMMUNICATION SYSTEMS We continued to achieve remarkable growth with a wide range of products including Mobile WiMAX, CDMA and HSPA wireless equipment, enterprise PBX solutions, and home network set-top box solutions. Since we unveiled the world's first commercial Mobile WiMAX service in 2006, we have led the industry with system and equipment deliveries to 23 major operators in 19 countries around the globe, including the US, Japan, and Russia. In 2008, we demonstrated the industry's first Mobile WiMAX II (802.16m) solution that promises to more than quadruple data rates. Today, we continue to lead the way in developing and delivering total solutions for tomorrow's 4G Mobile WiMAX and Long Term Evolution (LTE) mobile telecommunications networks that will make mobile broadband a ubiquitous part of life in the coming years.



09



08. YP-P3 MP3 Player

Winner of a Best of CES 2009 award in the MP3 and video player category, our flagship full-touchscreen media player dazzles the ears with its DNSe™ 3.0 sound engine, the touch with VibeWoofer™ bass vibration, and the eyes with our upgraded MP3 TouchWiz UI with vibration feedback.

09. U-RAS Flexible Mobile WiMAX Base Station

The first Mobile WiMAX product to win WiMAX Forum 3.5 GHz certification, this modular system features separate radio and digital processing units for maximum flexibility in installation.



We're working hard to bring more beauty and convenience home with appliances that lead the way in esthetics, ecology, energy savings, and health. ”



11

10



DIGITAL APPLIANCE We are a leading home appliances maker known for delivering products with innovative technology, exceptional design, and outstanding ease-of-use. In 2008, we saw shipments steadily rise worldwide despite the global economic downturn as we posted the highest growth rates in the industry. As we burnished our premium brand image in advanced markets with our ever-popular high-end front-load washing machines and side-by-side refrigerators, we also continued to pursue and win new customers in emerging markets with products designed to match local lifestyles.

Our latest home appliances continue to win praise and customers around the world for their innovative features and attractive designs. Our side-by-side refrigerators feature our patented Twin Cooling System™ for independent cooling and humidity control of each compartment to keep food at its freshest. Our washing machines have features like “bubble wash” technology that improves cleaning performance while cutting washing time in half, advanced vibration-reduction technology, and a diamond-textured stainless steel drum that is gentler on fabrics.

Our room air conditioners have advanced energy-saving features as well as the ability to automatically monitor and control room temperature and humidity while simultaneously cleaning the air. Our commercial air conditioner lineup now boasts the industry’s most-powerful outdoor units and designer indoor units featuring many of the design and health-enhancing features of our home units. Our new line of fast-cook ovens adds steam cooking and cleaning. Last, but not least, our vacuum lineup includes models with the industry’s quietest bagless technology and steam cleaning capability as well as advanced robot vacuums.

In the coming years, we will be working even harder to fill the lives of our customers with beauty and convenience as we deliver appliances that lead the way in promoting esthetics, ecology, energy savings, and health.

10. AQV12ABBN Wall-Mounted Air Conditioner

This split-system air conditioner with inverter-driven compressor combines sophisticated styling with a host of advanced cleaning and bacteria-killing features to deliver cooling that is as refreshing as it is hygienic.

11. RFG297AARS French Door Refrigerator

This stainless steel beauty features our latest Twin Cooling Plus System™ with independent cooling and humidity control of each compartment to keep food fresher, an external ice and water dispenser, doors that automatically close when left slightly open, and plenty of flexible storage options for larger items with one of the largest capacities in its category.



12. BD-P4600 Blu-Ray Player

Endowed with liquid-crystal styling, this sophisticated player is the industry's slimmest to date at just 39 mm. It also supports wireless networking for instant access to the latest Blu-ray features as well as streaming audio and video via both the Internet and home networks.

13. Ultra^{TOUCH}

This premium full-touchscreen phone will dazzle with a brilliant 2.8-inch active-matrix OLED screen, high-resolution 8-megapixel camera, and a host of other sophisticated multimedia features.

14. 750 Series LCD TVs

With a 240 Hz refresh rate for smoother, sharper action scenes, sophisticated liquid-crystal styling, and improved interactivity and connectivity features, this TV family will keep you more than entertained.

13



14



DESIGN

At Samsung Electronics, our design philosophy focuses on creating an “emotional journey” for our customers by delivering a holistic user experience that encompasses distinctive product styling, superior usability, and a unique design story. Anchored by the Corporate Design Center in Seoul, our global design network includes centers in London, Milan, Los Angeles, Shanghai, Tokyo, and Delhi. We are also actively involved in nurturing tomorrow’s world-class designers through the Samsung Art & Design Institute (SADI) and the Samsung Design Membership program for college and university design majors.

Our elegant liquid-crystal styling, TouchWiz UI, and other design innovations are playing a major role in growing our market share and enhancing our brand image. Each year, our outstanding capabilities are recognized at some of the world’s most prestigious design competitions. In 2008, we had another outstanding year as we marked our fifth straight appearance at the top of the overall corporate rankings at the Industrial Design Excellence Awards based on our five-year award performance. We also topped the corporate and creative categories in the iF Ranking based on our performance at the iF Design Awards over the past three years. Today, our quest continues to develop the innovative designs that will create compelling new user experiences that will keep our customers on the cutting edge of technology and style.



15. WF448 Front-Load Washer

This 2009 CES Eco-Design Award winner is gentler on clothing as well as the environment with the category's largest load capacity, powerful deep-steam cleaning, whisper-quiet vibration reduction technology, and dramatically lower water and electricity requirements.

16



17



18



19



16. ML-2525 Monochrome Laser Printer

Despite its compact size, this speedy laser can print up to 24 pages a minute. A convenient "print screen" button makes it easy to get a hard copy of whatever is on the computer screen.

17. SyncMaster 70 Series LCD Monitors

Showcasing our eye-catching and eco-friendly liquid-crystal styling, a sleek 30 mm profile, and improved power-saving features, these premium monitors deliver sharp, vivid images with a 50,000:1 dynamic contrast ratio and speedy 2 ms response time.

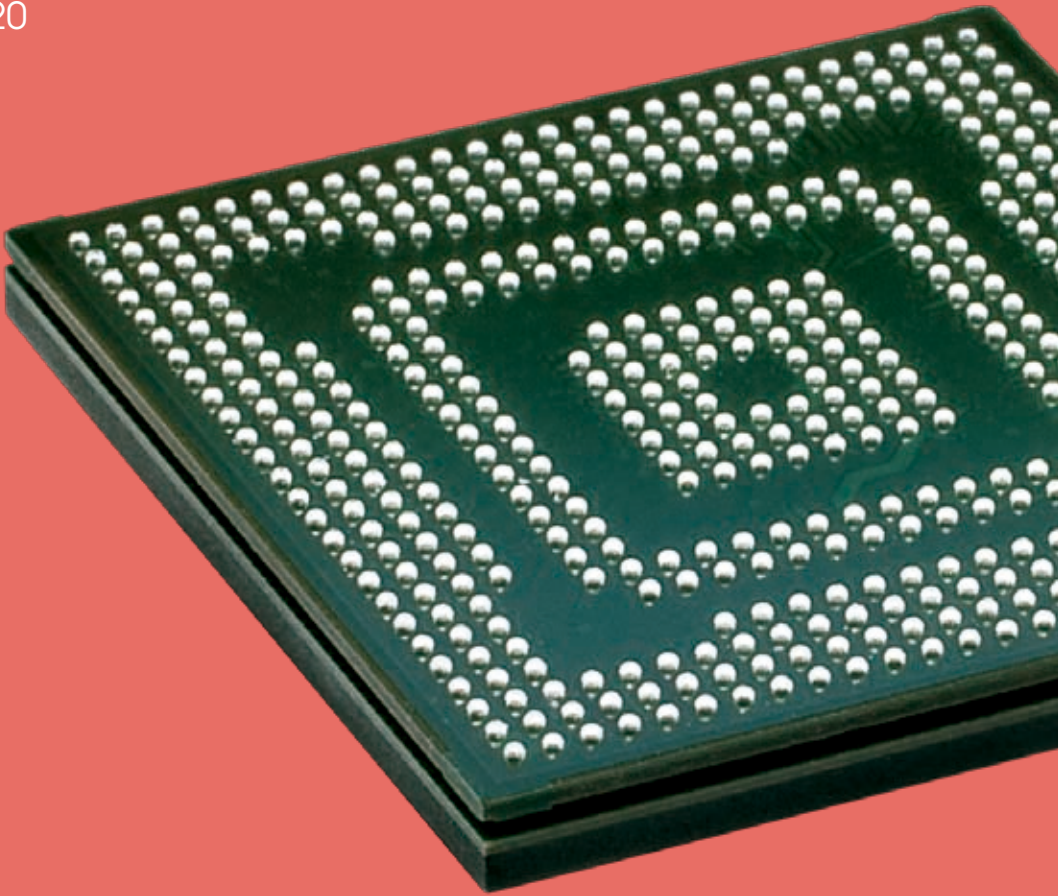
18. Beat^{SOLO3}

Featuring audio by Bang & Olufsen ICEpower and our own advanced DNSe™ 3.0 sound engine, this music-focused handset jams with stereo speakers and DJ-style mixing and scratching on a brilliant 2.8-inch active-matrix OLED touchscreen display.

19. Q320 Notebook PC

Boasting chic minimalist styling, a 16:9 LED-backlit display, dedicated 3D graphics, wireless networking, and an eSATA/USB combo port, this powerful notebook delivers a powerful combination of multimedia performance and portability.

20



22



21



At Samsung Electronics, our ongoing commitment to technology leadership has enabled us to consistently deliver innovative products that enhance and enrich life. In 2008, our investment of KRW 6.9 trillion—9.5% of parent company sales—resulted in technological breakthroughs like a 256GB solid-state drive, 90nm high-performance smart card chip, 82-inch 120 Hz quad-HD-resolution TV panel, and a Mobile WiMAX II (802.16m) solution. It also enabled us to ship innovations like front-load washers with time-, energy-, and wear-saving “bubble wash” technology and the industry’s most compact color laser printers. In 2009, we plan to invest approximately KRW 7.8 trillion in R&D to enhance the competitiveness of our core businesses and develop tomorrow’s technologies.

We recently reorganized our global R&D network for greater agility, flexibility, and efficiency. In addition to the Samsung Advanced Institute of Technology—the global hub of our R&D organization—this network includes the centers operated by our business divisions, the Mechatronics and Manufacturing Technology Center, and 14 overseas centers. Today, our over 42,100 researchers are hard at work on tomorrow’s paradigm-shifting technologies and products. And as we continue to expand our investment in core technologies and cutting-edge growth businesses, we are ensuring our global technology leadership grows stronger with each passing year.

20. 800MHz Mobile Application Processor

This advanced processor gives mobile devices a powerful multimedia punch, supporting standard-definition video compression and playback, high-performance 3D maps, games, and user interfaces, and much more with an ultra-efficient power envelope.

21. Story Station External Hard Drives

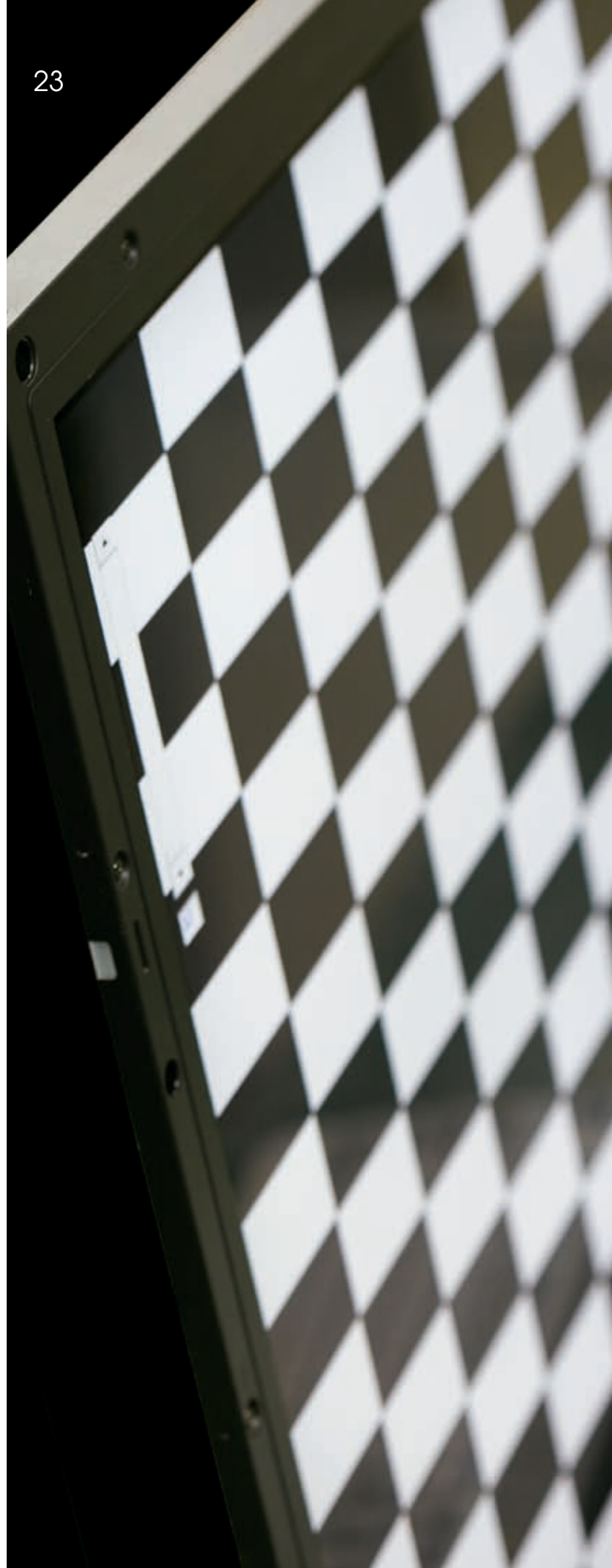
Available in capacities of up to 1.5TB, these stylish 3.5-inch external drives are an ideal desktop PC storage expansion or backup solution.

22. 32GB DDR3 RDIMM

The highest-capacity memory solution for servers and workstations to date, this module uses 72 of our low-power 50nm 4Gb DDR3 DRAM chips arranged in nine quad-die packages on each side of the module to boost performance and lower power requirements.

23. LED TV Panels

Our ultra-slim 10.8 mm panels featuring high-quality edge-lit LED backlighting and 120 Hz and 240 Hz refresh rates deliver truer colors and brighter, sharper images with significantly lower power consumption.



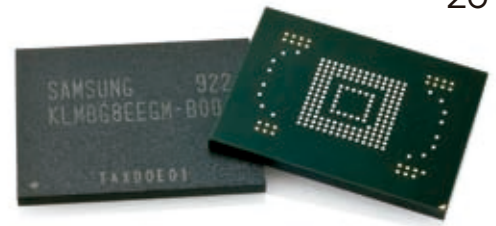
DS

Device Solution Business

At Samsung Electronics, our global leadership in technology, production capabilities, and cost competitiveness, combined with highly collaborative customer relationships, enables us to deliver the high-tech semiconductors, LCD panels, and other core components that are driving the rapid evolution of the global electronics and infotech industries. In short, our high-tech components are the building blocks that will help hasten the arrival of an era in which information is truly ubiquitous.

MEMORY DIVISION
SYSTEM LSI DIVISION
STORAGE SYSTEM DIVISION
LCD DIVISION





Our industry-leading technologies, state-of-the-art production capabilities, and close collaborative relationships with key customers have made us a global leader in memory and logic semiconductors as well as a powerhouse in leading-edge hard drives. Despite challenging market conditions, timely advances in production technology and an innovative, expanding product lineup have enabled us to cut costs and expand market share while continuing to offer the most comprehensive business portfolio in the industry.

In the memory field, we extended our leadership in high-end markets by being the first to offer next-generation DRAM products with superior power-saving characteristics. We also increased the competitiveness of our product mix by expanding our lineup to include SSDs designed for server and high-performance PC applications and more attractive "fusion" memory devices such as an improved OneDRAM™ chip and a higher-capacity moviNAND™ chip. In the logic semiconductor field, we showed remarkable resilience in the face of significantly weakened market demand by continuing to grow sales revenues.

MEMORY We have held the number one position in worldwide memory sales since 1993. Today, we continue to lead the industry in developing new technologies and manufacturing processes for DRAM, SRAM, and flash memory products. We are also at the forefront in developing markets for high performance products such as solid-state drives, fusion memory devices, and next-generation PRAM.

In the DRAM segment, we continue to maintain our industry leadership with the world's smallest 50nm-class 2Gb DRAM. We plan to strengthen our eco-friendly offerings in 2009 by commencing mass production of a 40nm-class 2Gb DDR3 that consumes one-fourth the energy of today's mainstay 60nm-class products. In the NAND segment, we are leading the way in providing advanced hybrid memory solutions for high-capacity mobile applications. We are now mass producing a 32GB moviNAND™ chip, the industry's first high-capacity storage solution to use 30nm-class NAND, as well as 1Gb OneDRAM™ and 40nm 8Gb Flex-OneNAND™, both double the capacity of previous offerings. In the SSD segment, we will begin mass production of even higher-performance, higher-capacity drives in 2009, spurring the creation of the next-generation of flash-based storage products and applications.

24. S Series Portable External Hard Drives

By integrating a USB controller onto 1.8- and 2.5-inch hard drives, we have created a series of external drives that are significantly smaller, lighter, and more energy efficient than the competition with unique data-protection features such as automatic backup, SecretZone™ encrypted storage, and SafetyKey™ password protection.

25. 32GB moviNAND™ eMMC Solution

The industry's highest-density embedded storage solution to date, this "fusion memory" chip combines eight of our 30nm-class 32Gb NAND chips in a multi-layer package that's a perfect match for today's high-performance, multimedia-savvy mobile devices.

30.1%

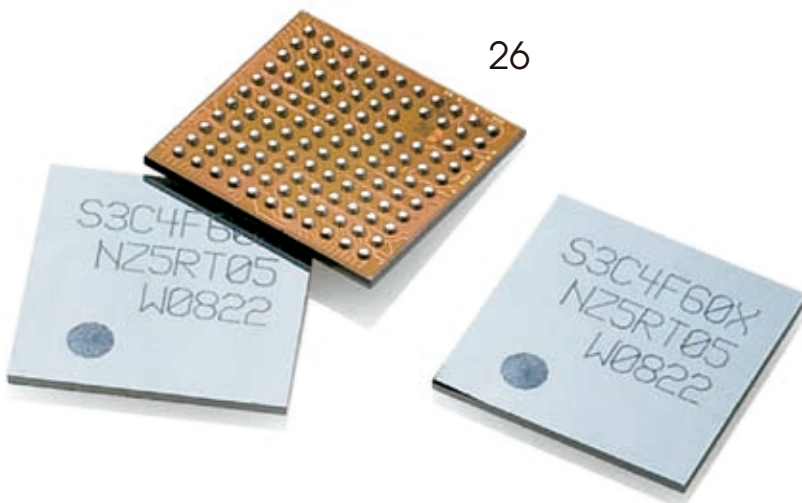
2008 GLOBAL DRAM MARKET SHARE

“
We’re leading
the global
semiconductor
industry into
the future with
advanced technology,
superior production
capabilities,
and strong
partnerships.”

SYSTEM LSI We are the industry leader in display driver ICs and MP3 system-on-chip (SoC) solutions as well as a major producer of smart card chips, application processors, CMOS image sensors, mobile TV SoCs, flash memory controllers, and optical storage SoCs. Our recent accomplishments have been extensive. We have developed EEPROM-embedded 90nm smart card chips as well as high-performance, low-power application processors for mobile devices and the industry’s top-performing wireless USB SoC solution incorporating both a baseband processor and flash memory controller. Today, we continue to drive convergence at the chip level to help our customers deliver products with increasingly powerful and efficient levels of user functionality.

STORAGE SYSTEM We are a leading producer of high-capacity hard drive storage solutions for the mobile, home, and enterprise markets. Our comprehensive lineup includes 1.3-, 1.8-, 2.5-, and 3.5-inch drives with capacities ranging from 40GB to 1.5TB. In late 2008, we entered the external hard drive market with our ultra-light, ultra-portable 1.8-inch S1 Mini and 2.5-inch S2 Portable drives, followed in early 2009 by the 3.5-inch Story Station external drive series for desktop PCs. We also showed our commitment to the development and design of “greener” products in early 2009 with the launch of our EcoGreen series of 3.5-inch drives featuring eco-friendly components, low power consumption, and low-noise characteristics.

26



26. Multi-Mode Mobile TV Receiver SoC

The industry’s first solution to combine a multi-mode RF tuner and channel decoder on a single chip, this system-on-chip solution supports mobile TV reception around the world at speeds of up to 280 km/h.



LCD We are the world's leading manufacturer of LCD panels backed by the industry's most-advanced technology, production capabilities, and cost competitiveness. In 2008, we focused investment on adding a second 8th generation production line at S-LCD—our joint venture with Sony—as we targeted highly profitable market segments such as the 40-inch-and-up TV panel market. This enabled us to capture 25.7% of the global market as we marked our 7th consecutive year at the top of the industry. Despite the global economic downturn, we generated an operating income of over KRW 2 trillion for the very first time as we pulled further ahead of our competition as the industry's most profitable maker.

Backed by the superb image quality of our S-PVA technology with 240 Hz refresh rates, we now lead the full-HD TV display market with panels ranging from 26 inches all the way up to 70 inches. We continued to drive the industry forward in 2008 by unveiling the first 82-inch 120 Hz quad-HD TV panel with four-times the resolution of today full-HD panels. In 2009, we began shipping the industry's first 240 Hz ultra-slim TV panels with edge-lit LED backlighting, significantly lowering power consumption while eliminating a significant source of mercury pollution.

27. 46-inch DID with Super-Narrow Bezel

With a mere 7.3 mm gap between live screen areas, this 46-inch digital information display is the building block of a virtually seamless video wall solution with one of the narrowest bezel spaces available on the market.

25.7%

2008 GLOBAL TFT-LCD PANEL MARKET SHARE

“

We're delivering a brighter, sharper lineup of LCD panels that satisfies every customer need from picture quality and form factor to eco-friendliness. ”

In addition to TV panels, we produce high-resolution LCD panels in a variety of sizes in both 16:9 and 16:10 aspect ratios for computer monitors and notebook displays that feature wide color gamuts and ultra-thin designs that make it easier to manufacture ultra-slim, ultra-portable multimedia devices. Our current focus is on leading the market for 20-inch-and-larger panels and 16:9 widescreen panels as we step up development of panels for the fast-growing netbook market. We are also innovating in the digital signage market with 46-inch DID panels featuring ultra-narrow 7.3 mm bezels for tiled video wall applications and high-brightness 46-inch (1,500 nits) and 70-inch (2,000 nits) panels for sunlight-readable outdoor applications.

Today, we are leading the way in developing tomorrow's display technologies. In addition to producing the industry's first LCD panels with built-in touchscreen features and demonstrating the industry's first blue-phase-mode LCD that is compatible with refresh rates of 240 Hz and above, we continue to innovate with a 52-inch full-HD 3D panel, the industry's largest OLED TV panel (40 inches), a 4.3-inch flexible plastic LCD panel, and a 14.3-inch color e-paper solution.

Strategic expansion of our production capabilities goes hand-in-hand with our ongoing efforts to optimize production processes for greater yields and cost competitiveness. We launched production at our first 8th generation line at S-LCD in Korea and a module plant in China in 2007, followed by a module plant in Slovakia in 2008 and our second 8th generation line at S-LCD in 2009. As we look ahead to the future, we plan to expand our 7th and 8th generation lines to meet growing demand for larger panel sizes. Combined with our growing lineup of premium products, expanding customer base, ongoing R&D, and pursuit of new business opportunities, our market-driven investment paradigm ensures our industry leadership will continue to grow in the years ahead.

28

28. 70-inch DID with 2,000-Nit Output

Boasting up to four times the brightness of a standard LCD TV, this digital information display with advanced local-dimming LED backlighting delivers a bright, clear picture in even bright outdoor environments with significantly lower power consumption.





CSR

Corporate Social Responsibility

At Samsung Electronics, we're making life a little brighter as we share the hopes of local communities around the world. We're building a better tomorrow as we grow and prosper together with our partners. We're making the world a little greener as we practice the principles of sustainability. And as we continue to fulfill our responsibilities as a global corporate citizen, we'll be bringing the dream of a sustainable future a step closer to reality.

CORPORATE CITIZENSHIP
PARTNER COLLABORATION
SUSTAINABILITY



“

In North America, our community activities focus on children and youth. And the most rewarding part of my job is the smiles I help make.”

Kris Narayanan

Director, Brand Marketing Team
Samsung Electronics America

CORPORATE CITIZENSHIP

We're earning global respect
as we share local hopes.

SERVING TO MAKE A WORLD OF DIFFERENCE

At Samsung Electronics, we're committed to making a difference in our local communities. At home and abroad, we're involved in a diverse range of community service programs and initiatives spanning the gamut from volunteer service and social welfare to culture and the arts, academics and education, and environmental conservation. As part of our efforts to more systematically meet our responsibilities, we established the CSR Liaison Office within our Partner Collaboration & Enhancement Office in early 2009 to serve as a single point of contact for all internal and external CSR initiatives. We intend to continually expand the scope and effectiveness of our activities in the years ahead as we pursue our vision of becoming one of the world's most trusted and respected companies.

SUPPORTING PROGRAMS THAT CHANGE LIVES

Our social contribution initiatives focus on three broad areas. For young students, we sponsor events such as the Students' Science Olympics, the National Students' Creativity Olympiad, song festivals, and special classes covering science, financial literacy, and economics. Our assistance for the children of low-income families includes college scholarships for students with disabled parents, after-school study programs, and regular visitation programs. Last, but not least, our divisions strive to make a difference in ways that have a meaningful connection with their businesses such as supporting a dementia prevention center for the elderly (Memory Division) and programs for the hearing-impaired (Telecommunication Systems Division) and the sight-impaired (LCD Division).

“

I've been a fan ever since my dad and I ran in a Samsung Running Festival. It's awesome that Samsung does so many cool things for kids! ”



Merrill Lilly
Future Samsung Customer

WORKING HARD FOR NEEDY NEIGHBORS

We've been meeting the needs of local communities across Korea since 1995 when we formally launched our service organization. Today, Samsung Community Relations oversees approximately 1,500 volunteer teams serving at community welfare centers as well through a broad range of programs benefitting shut-in seniors, child-headed families, the disabled, natural disaster victims, and other needy and underprivileged members our communities. Our in-house fundraising efforts to benefit worthy local charities and causes include a matching grant program as well as biannual 5 km "love runs", a perennially popular event that attracted over 88,000 employee and partner participants in 2008.

THINKING GLOBALLY BY ACTING LOCALLY

Our commitment to helping local communities prosper is a global one. Our partnership with the Korean National Commission for UNESCO (KNCU) through the Samsung-KNCU Education Fund promotes literacy and basic education in developing nations by underwriting information and communication technology projects. Our Samsung Running Festival fun-runs help raise money for worthy local causes around the world. We are also reaching out to meet the needs of children, schools, and local communities around the globe through major initiatives like our Four Seasons of Hope programs in the US, Adopt-a-Village program in China, and the Samsung Digital Hope program in Southeast Asia.



“
Whether it’s boosting
competitiveness or
serving the community,
we’re laying the
foundation for mutual
prosperity with
our partners.”

Seung-Heon Lee
Manager, Partner Collaboration
& Enhancement Office

PARTNER COLLABORATION

We’re building partnerships of trust
to lead the world.

BUILDING WINNING PARTNERSHIPS

At Samsung Electronics, we provide extensive consulting and training support to help our partners improve their technical and manufacturing processes as part of a comprehensive, long-term strategy to foster win-win partnerships. In 2008, we established the Partner Collaboration & Enhancement Office under the direct control of the CEO. We also joined the Korea Fair Trade Commission’s Triangle Cooperation Program—an initiative that provides guidelines to facilitate fair trade; provisions for supplier financing, technical support, and training; and incentives to improve quality and lower costs—to better meet the needs of our more than 1,300 partners. These initiatives, combined with annual partner case study seminars and award events, are just part of our ongoing efforts to create winning partnerships.

INVESTING IN PARTNER COMPETITIVENESS

We systematically support our partners to ensure their technical, manufacturing, and management capabilities are globally competitive. We help them secure technical competitiveness by supporting the localization of semiconductor fabrication equipment and key components as well as the development of new production methods. We offer opportunities for technical exchanges and benchmarking with industry leaders to keep them abreast of technology and equipment trends. We help them improve manufacturing competitiveness by providing in-house and independent consultants to facilitate innovations in manufacturing technology and productivity. We also help them improve their managerial capabilities by supporting ERP system implementation and supply chain integration.

“

Our organic collaboration with Samsung Electronics provided the crucial support we needed to develop our world-class computer peripherals.”

Sung-II Cho
Assistant Manager, S&J Co., Ltd.



FOSTERING WORLD-CLASS PARTNERS

We operate over 30 online and offline training programs focusing on executive development, CEO grooming, and specialist training to help our business partners improve the efficiency and effectiveness of their workforces. The executive development courses share management know-how through a variety of workshops and seminars. The one-year CEO-grooming course helps prepare partner CEO candidates for future leadership. The specialist training programs provide coaching in group value engineering, Six Sigma quality management, CAD engineering, ERP systems, manufacturing, and quality control. We also offer numerous technology courses in collaboration with major Korean universities.

COLLABORATING FOR SUCCESS

We actively collaborate with partners on new technologies, products, and business opportunities as we work together to take our global competitiveness to the next level and deliver a steady stream of best-selling products. One example of this is the dual-injection molding technology we co-developed with seven injection-molding and three mold-making firms to create the sensuous liquid-crystal bezel design that helped us maintain our position as the global TV market leader for a third consecutive year in 2008. Another example is our collaboration to localize production of semiconductor fabrication equipment that has enabled our partner to emerge as the industry's top equipment maker.



“

We're working harder to create a healthy, sustainable world where everyone can dream of a brighter tomorrow.”

Hye-Jin Lee

Manager, Products Environment Group

SUSTAINABILITY

We're helping usher in an era of sustainable, low-carbon growth.

MAKING SUSTAINABILITY TOP PRIORITY

At Samsung Electronics, the greening of management, products, processes, workplaces, and communities has been our top priority since we launched our sustainability strategy in 1996. Over the years, we have implemented ISO 14001- and OHSAS 18001-certified integrated environment, safety, and health (ESH) management systems at each of our eight Korean manufacturing facilities. As of the end of 2008, 94% of our global manufacturing network had an internationally certified ESH system in place, and we expect the entire network to be certified by the end of 2009. In early 2009, we established the Environment Strategy Team within our Customer Satisfaction Environment Center to support and enhance our sustainability strategy and execution capabilities.

COOPERATING TO MITIGATE CLIMATE CHANGE

We are actively involved in a number of initiatives to mitigate climate change. Launched in 2002 as part of our efforts to voluntarily reduce greenhouse gas (GHG) emissions, our Catch CO₂ project has enabled us to progressively lower the carbon footprint of each manufacturing process. We have also worked to shrink GHG emissions by signing a voluntary agreement with the Korea Energy Management Corporation to cut energy consumption at our manufacturing facilities. Today, we are focusing on developing highly energy-efficient products and components that will enable us to achieve a standby energy consumption of under 1 watt for our entire product portfolio.

“
Mommy says
the world is sick now.
I hope Samsung
makes a lot of good
things that will
help it get
better soon.”

Yoon-Hwan Shin
Future Samsung Customer



GREENING THE PRODUCT LIFE-CYCLE

We are adopting cleaner, more energy-efficient manufacturing processes and technologies as we work to maximize resource and energy efficiency and minimize waste. We are also striving to reduce GHG emissions over the entire product life-cycle—from design to manufacturing, usage, and disposal—by developing and implementing an eco-design strategy across our operations. This strategy includes eco-certification of our supply chain, eco-design assessment, and eco-label certification. Beyond our ongoing efforts to make our supply chain more environmentally friendly, we have created an international take-back program to facilitate efficient reuse of resources as well as reduce waste and pollution for a cleaner environment. We also comply with increasingly stringent international rules and regulations on the usage, handling, and disposal of hazardous materials.

EARNING THE RIGHT TO BE CALLED “GREEN”

In addition to operating our own eco-labeling program to effectively communicate the eco-friendly features of our products to consumers, we certify our products under six major international eco-labels, including the EU Ecolabel and US EPEAT systems. In 2008, we led the global electronics industry’s green revolution by acquiring eco-label certification for over 1,900 products. We also continued to win awards and great reviews from consumers and NGOs for green products such as our LCD TVs with liquid-crystal styling, front-load washers with “bubble wash” technology, and mobile phones made with corn-based bioplastics. At the CES 2009 show in the US, we won two Innovations Eco-Design Awards, sharing the limelight for the most awards earned in the category.

AND THE LEADERSHIP GOES ON...

Creative innovation and progressive entrepreneurship are the strategies that will keep us at the forefront of the global electronics industry. And with each passing day, they bring us a step closer to our vision of becoming one of the world's most trusted and respected companies.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in 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 certain subsidiaries including Samsung Card Co., Ltd., whose financial statements represent 21% and 20% of the consolidated total assets as of December 31, 2008 and 2007, respectively, and 25% and 24% of the consolidated total sales for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished us, and our opinion expressed herein, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Samsung Electronics Co., Ltd. and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations, the changes in their equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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Without qualifying our opinion, we draw your attention to Note 19 to the accompanying consolidated financial statements, in which as discussed, the amount of Company's obligation arising from the suit filed by Samsung Motors Inc.'s creditors is uncertain as of date of this report. Accordingly, the ultimate effect of this matter on the Company's consolidated financial statements can not be reasonably determined.

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

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

Seoul, Korea
February 27, 2009

This report is effective as of February 27, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

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

	2008	2007	2008	2007
ASSETS				
Current assets				
Cash and cash equivalents	₩ 8,814,638	₩ 5,831,989	\$ 7,012,441	\$ 4,639,609
Short-term financial instruments (Note 4)	3,591,337	5,061,898	2,857,070	4,026,967
Short-term available-for-sale securities (Note 5)	982,067	922,833	781,278	734,155
Trade accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	12,043,979	11,125,132	9,581,527	8,850,543
Other accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	1,558,279	989,143	1,239,681	786,908
Inventories (Note 7)	9,492,607	7,968,803	7,551,796	6,339,541
Short-term financing receivables, net (Note 8)	6,266,512	5,575,006	4,985,292	4,435,168
Short-term deferred income tax assets (Note 25)	2,135,068	1,537,946	1,698,543	1,223,505
Prepaid expenses and other current assets	4,084,069	2,888,264	3,249,059	2,297,744
Total current assets	48,968,556	41,901,014	38,956,687	33,334,140
Property, plant and equipment, including revaluations, net of accumulated depreciation (Note 11)	42,496,311	37,380,644	33,807,726	29,737,982
Long-term available-for-sale securities (Note 9)	2,618,262	3,712,322	2,082,945	2,953,319
Long-term held-to-maturity securities (Note 9)	334,460	147,287	266,078	117,173
Equity-method investments (Note 10)	4,356,862	3,782,413	3,466,080	3,009,080
Deferred income tax assets (Note 25)	379,087	266,280	301,581	211,838
Intangible assets, net of accumulated amortization (Note 12)	787,249	704,627	626,292	560,562
Long-term financing receivables, net of allowance for doubtful accounts (Note 8)	3,704,792	3,799,955	2,947,329	3,023,035
Long-term deposits and other assets (Note 13)	1,655,071	1,680,594	1,316,682	1,336,989
Total assets	₩ 105,300,650	₩ 93,375,136	\$ 83,771,400	\$ 74,284,118

continued

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

	2008	2007	2008	2007
LIABILITIES AND EQUITY				
Current liabilities				
Trade accounts and notes payable	₩ 5,587,137	₩ 6,037,864	\$ 4,444,819	\$ 4,803,392
Short-term borrowings (Note 14)	9,026,630	8,453,099	7,181,090	6,724,820
Current maturities of long-term debts (Notes 15 and 16)	2,263,380	1,987,148	1,800,621	1,580,866
Other accounts and notes payable	5,114,567	3,861,661	4,068,868	3,072,125
Accrued expenses	7,907,197	6,777,936	6,290,531	5,392,153
Income taxes payable	675,553	1,343,941	537,433	1,069,165
Other current liabilities	1,632,606	1,334,327	1,298,810	1,061,517
Total current liabilities	32,207,070	29,795,976	25,622,172	23,704,038
Long-term debts (Note 15)	5,773,957	3,843,728	4,593,442	3,057,858
Foreign currency notes and bonds (Note 16)	390,693	228,658	310,814	181,908
Long-term accrued expenses (Note 18)	177,774	43,005	141,427	34,212
Accrued severance benefits (Note 17)	850,233	739,936	676,399	588,652
Deferred income tax liabilities (Note 25)	1,486,287	1,465,555	1,182,408	1,165,915
Other long-term liabilities	1,490,682	1,286,370	1,185,904	1,023,366
Total liabilities	42,376,696	37,403,228	33,712,566	29,755,949
Commitments and contingencies (Note 19)				
Equity				
Capital stock (Note 20)				
Preferred stock	₩ 119,467	₩ 119,467	\$ 95,041	\$ 95,041
Common stock	778,047	778,047	618,971	618,971
Capital surplus	6,588,861	6,574,995	5,241,735	5,230,704
Capital adjustments				
Treasury stock (Note 23)	(8,910,135)	(9,157,492)	(7,088,413)	(7,285,196)
Others	313,122	410,111	249,103	326,263
Accumulated other comprehensive income (Note 27)	3,808,076	1,875,385	3,029,496	1,491,953
Retained earnings (Note 21)	55,419,571	51,065,174	44,088,760	40,624,641
Total Shareholders' equity	58,117,009	51,665,687	46,234,693	41,102,377
Minority interests	4,806,945	4,306,221	3,824,141	3,425,792
Total equity	62,923,954	55,971,908	50,058,834	44,528,169
Total liabilities & equity	₩ 105,300,650	₩ 93,375,136	\$ 83,771,400	\$ 74,284,118

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

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008	2007	2008	2007
Sales (Note 28)	₩ 121,294,319	₩ 98,507,817	\$ 96,495,083	\$ 78,367,396
Cost of sales (Note 28)	89,762,355	70,880,912	71,409,988	56,388,951
Gross profit	31,531,964	27,626,905	25,085,095	21,978,445
Selling, general and administrative expenses	25,500,101	18,653,619	20,286,477	14,839,793
Operating profit	6,031,863	8,973,286	4,798,618	7,138,652
Non-operating income				
Interest and dividend income	639,439	483,604	508,702	384,729
Foreign exchange gains	7,238,637	1,831,629	5,758,661	1,457,143
Gain on foreign currency translation (Note 31)	444,663	127,891	353,749	101,743
Gain on valuation of equity method investments (Note 10)	1,047,224	652,500	833,114	519,093
Others	1,454,307	1,049,315	1,156,967	834,777
	10,824,270	4,144,939	8,611,193	3,297,485
Non-operating expenses				
Interest expense	670,271	590,515	533,231	469,781
Foreign exchange losses	7,597,640	1,849,002	6,044,264	1,470,964
Loss on foreign currency translation (Note 31)	933,940	116,231	742,991	92,467
Loss on valuation of equity method investments (Note 10)	209,357	274,874	166,553	218,675
Others	867,150	654,730	689,856	520,867
	10,278,358	3,485,352	8,176,895	2,772,754
Net income before income tax	6,577,775	9,632,873	5,232,916	7,663,383
Income tax (Note 25)	687,561	1,709,892	546,986	1,360,295
Net income	₩ 5,890,214	₩ 7,922,981	\$ 4,685,930	\$ 6,303,088
Attributable to:				
Controlling interests	5,525,904	7,420,579	4,396,105	5,903,404
Minority interests	364,310	502,402	289,825	399,684
Basic earnings per share (Note 26) (in Korean won and U.S. dollars)	₩ 37,684	₩ 49,502	\$ 29.98	\$ 39.38
Diluted earnings per share (Note 26) (in Korean won and U.S. dollars)	₩ 37,340	₩ 48,924	\$ 29.71	\$ 38.92

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Korean won, in thousands of U.S. dollars)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interests	Total
Balance at January 1, 2007	₩ 897,514	₩ 6,364,604	₩ (6,994,210)	₩ 532,820	₩ 44,463,683	₩ 2,675,456	₩ 47,939,867
Cash dividends appropriated in prior year	-	-	-	-	(746,075)	(5,888)	(751,963)
Retained earnings after appropriations	-	-	-	-	43,717,608	2,669,568	47,187,904
Interim cash dividends	-	-	-	-	(73,036)	(21,793)	(94,829)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	185,395	-	-	-	879,367	1,064,762
Disposal of equity-method investments	-	90,365	-	-	-	55,465	145,830
Cumulative effects of changes in scope of consolidation	-	17,970	-	-	-	-	17,970
Net income	-	-	-	-	7,420,579	502,402	7,922,981
Acquisition of treasury stock	-	-	(1,825,395)	-	-	-	(1,825,395)
Disposal of treasury stock	-	(5,978)	187,925	-	-	-	181,947
Stock option activities	-	2,403	(63,955)	-	-	-	(61,552)
Available-for-sale Securities	-	-	-	698,339	-	190,711	889,050
Equity-method investments	-	-	-	145,503	-	-	145,503
Translation of foreign currency financial statements	-	-	-	496,509	-	29,029	525,538
Others	-	(79,764)	(51,746)	2,214	23	1,472	(127,801)
Balance at December 31, 2007	₩ 897,514	₩ 6,574,995	₩ (8,747,381)	₩ 1,875,385	₩ 51,065,174	₩ 4,306,221	₩ 55,971,908
Balance at January 1, 2007	\$ 714,012	\$ 5,063,329	\$ (5,564,208)	\$ 423,882	\$ 35,372,858	\$ 2,128,445	\$ 38,138,318
Cash dividends appropriated in prior year	-	-	-	-	(593,536)	(4,684)	(598,220)
Retained earnings after appropriations	-	-	-	-	34,779,322	2,123,761	37,540,098
Interim cash dividends	-	-	-	-	(58,103)	(17,337)	(75,440)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	147,490	-	-	-	699,576	847,066
Disposal of equity-method investments	-	71,889	-	-	-	44,125	116,014
Cumulative effects of changes in scope of consolidation	-	14,296	-	-	-	-	14,296
Net income	-	-	-	-	5,903,404	399,684	6,303,088
Acquisition of treasury stock	-	-	(1,452,184)	-	-	-	(1,452,184)
Disposal of treasury stock	-	(4,757)	149,503	-	-	-	144,746
Stock option activities	-	1,912	(50,879)	-	-	-	(48,967)
Available-for-sale Securities	-	-	-	555,560	-	151,719	707,279
Equity-method investments	-	-	-	115,754	-	-	115,754
Translation of foreign currency financial statements	-	-	-	394,995	-	23,094	418,089
Others	-	(63,455)	(41,165)	1,762	18	1,170	(101,670)
Balance at December 31, 2007	\$ 714,012	\$ 5,230,704	\$ (6,958,933)	\$ 1,491,953	\$ 40,624,641	\$ 3,425,792	\$ 44,528,169

continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In millions of Korean won, in thousands of U.S. dollars)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interests	Total
Balance at January 1, 2008	₩ 897,514	₩ 6,574,995	₩ (8,747,381)	₩ 1,875,385	₩ 51,065,174	₩ 4,306,221	₩ 55,971,908
Cash dividends appropriated in prior year	-	-	-	-	(1,098,098)	(102,138)	(1,200,236)
Retained earnings after appropriations	-	-	-	-	49,967,076	4,204,083	54,771,672
Interim cash dividends	-	-	-	-	(73,411)	(41,839)	(115,250)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	37,370	-	-	-	221,516	258,886
Cumulative effects of changes in scope of consolidation	-	-	-	-	-	(318)	(318)
Net income	-	-	-	-	5,525,904	364,310	5,890,214
Disposal of treasury stock	-	4,039	247,357	-	-	-	251,396
Stock option activities	-	2,306	(89,239)	-	-	-	(86,933)
Available-for-sale Securities	-	-	-	(578,674)	-	(121,288)	(699,962)
Equity-method investments	-	-	-	313	-	-	313
Translation of foreign currency financial statements	-	-	-	2,527,591	-	207,537	2,735,128
Others	-	(29,849)	(7,750)	(16,539)	2	(27,056)	(81,192)
Balance at December 31, 2008	₩ 897,514	₩ 6,588,861	₩ (8,597,013)	₩ 3,808,076	₩ 55,419,571	₩ 4,806,945	₩ 62,923,954
Balance at January 1, 2008	\$ 714,012	\$ 5,230,704	\$ (6,958,933)	\$ 1,491,953	\$ 40,624,641	\$ 3,425,792	\$ 44,528,169
Cash dividends appropriated in prior year	-	-	-	-	(873,586)	(81,255)	(954,841)
Retained earnings after appropriations	-	-	-	-	39,751,055	3,344,537	43,573,328
Interim cash dividends	-	-	-	-	(58,402)	(33,285)	(91,687)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	29,729	-	-	-	176,226	205,955
Cumulative effects of changes in scope of consolidation	-	-	-	-	-	(253)	(253)
Net income	-	-	-	-	4,396,105	289,825	4,685,930
Disposal of treasury stock	-	3,213	196,784	-	-	-	199,997
Stock option activities	-	1,835	(70,994)	-	-	-	(69,159)
Available-for-sale Securities	-	-	-	(460,361)	-	(96,490)	(556,851)
Equity-method investments	-	-	-	249	-	-	249
Translation of foreign currency financial statements	-	-	-	2,010,812	-	165,105	2,175,917
Others	-	(23,746)	(6,167)	(13,157)	2	(21,524)	(64,592)
Balance at December 31, 2008	\$ 714,012	\$ 5,241,735	\$ (6,839,310)	\$ 3,029,496	\$ 44,088,760	\$ 3,824,141	\$ 50,058,834

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

	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	₩ 5,890,214	₩ 7,922,981	\$ 4,685,930	\$ 6,303,088
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	10,095,191	8,497,528	8,031,178	6,760,165
Provision for severance benefits	543,980	615,586	432,761	489,726
Bad debt expenses	532,429	172,827	423,571	137,492
Loss on disposal of property, plant and equipment	62,292	71,964	49,556	57,251
Gain on disposal of property, plant and equipment	(110,962)	(107,542)	(88,275)	(85,554)
Loss on foreign currency translation	1,070,358	122,597	851,518	97,531
Gain on foreign currency translation	(447,885)	(128,580)	(356,313)	(102,291)
Loss on valuation of equity-method investments	209,357	274,874	166,553	218,675
Gain on valuation of equity-method investments	(748,398)	(372,239)	(595,384)	(296,133)
Deferred income taxes	(500,435)	(99,601)	(398,119)	(79,237)
Others	1,289,732	798,031	1,026,040	634,870
	17,885,873	17,768,426	14,229,016	14,135,583
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivable	(86,180)	(1,355,615)	(68,560)	(1,078,453)
Increase in inventories	(693,712)	(1,301,580)	(551,879)	(1,035,465)
Decrease (Increase) in trade accounts and notes payable	(1,514,400)	464,720	(1,204,773)	369,706
Increase (Decrease) in accrued expenses	(207,881)	1,146,178	(165,379)	911,836
Increase (Decrease) in income taxes payable	(751,619)	43,576	(597,947)	34,667
Payment of severance benefits	(301,887)	(338,137)	(240,165)	(269,003)
Increase in financing receivables	(1,313,573)	(1,288,638)	(1,045,006)	(1,025,169)
Increase in long-term accrued expenses	408,324	198,601	324,840	157,995
Others	(64,870)	(546,719)	(51,607)	(434,941)
Net cash provided by operating activities	₩ 13,360,075	₩ 14,790,812	\$ 10,628,540	\$ 11,766,756

continued

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008	2007	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in short-term financial instruments	₩ 1,445,781	₩ (1,646,130)	\$ 1,150,184	\$ (1,309,570)
Proceeds from sale of short-term available-for-sale securities	3,576,436	3,028,477	2,845,216	2,409,290
Acquisition of short-term available-for-sale securities	(3,580,000)	(1,842,360)	(2,848,051)	(1,465,680)
Decrease (Increase) in deposits and loans	(506,178)	29,348	(402,687)	23,348
Proceeds from disposal of property, plant and equipment	295,287	491,701	234,914	391,170
Acquisition of property, plant and equipment	(14,088,184)	(12,251,537)	(11,207,784)	(9,746,648)
Proceeds from sale of long-term available-for-sale securities	188,332	82,198	149,827	65,392
Proceeds from sale of long-term held-to-maturity securities	31,234	49,124	24,848	39,080
Proceeds from sale of equity-method investments	16,682	184,472	13,271	146,756
Acquisition of long-term available-for-sale securities	(12,602)	(20,758)	(10,025)	(16,514)
Acquisition of equity-method investments	-	(127,080)	-	(101,098)
Others	(495,212)	20,486	(393,964)	16,297
Net cash used in investing activities	(13,128,424)	(12,002,059)	(10,444,251)	(9,548,177)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of dividends	(1,315,486)	(819,110)	(1,046,528)	(651,639)
Acquisition of treasury stock	-	(1,825,395)	-	(1,452,184)
Net proceeds from short-term borrowings	668,383	798,134	531,729	634,951
Repayment of current maturities of long-term debts	(1,826,860)	(2,767,259)	(1,453,349)	(2,201,479)
Repayment of long-term debts	(415,275)	(191,644)	(330,370)	(152,461)
Proceeds from long-term debts	4,346,404	2,527,696	3,457,760	2,010,896
Others	477,055	677,766	379,518	539,193
Net cash provided by (used in) financing activities	1,934,221	(1,599,812)	1,538,760	(1,272,723)
Effect of exchange rate changes on cash and cash equivalents	813,514	419,005	647,187	333,337
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	3,263	2,016	2,596	1,604
Net increase in cash and cash equivalents	2,982,649	1,609,962	2,372,832	1,280,797
CASH AND CASH EQUIVALENTS				
Beginning of year	5,831,989	4,222,027	4,639,609	3,358,812
End of the year	₩ 8,814,638	₩ 5,831,989	\$ 7,012,441	\$ 4,639,609

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

CONSOLIDATED BALANCE SHEET

(In billions of Korean won)

	2004	2005	2006	2007	2008
Assets	69,005	74,462	81,366	93,375	105,301
Cash & Cash Eq.	8,108	8,144	7,726	10,894	12,406
Marketable Securities	2,868	1,932	2,059	923	982
A/R	6,774	7,397	9,089	11,125	12,044
Inventory	5,804	5,865	6,753	7,969	9,493
Liabilities	32,604	32,854	33,426	37,403	42,377
Debt	17,654	16,432	14,477	14,514	17,455
Stockholder's Equity	36,400	41,607	47,940	55,972	62,924

CONSOLIDATED INCOME STATEMENT

(In billions of Korean won)

	2004	2005	2006	2007	2008
Sales	81,963	80,630	85,426	98,508	121,294
- COGS	52,953	55,252	59,652	70,881	89,762
Gross Profit	29,010	25,378	25,773	27,627	31,532
(Margin)	35.4%	31.5%	30.2%	28%	26%
- SG&A	17,250	17,802	16,766	18,654	25,500
Operating Profit	11,761	7,575	9,008	8,973	6,032
(Margin)	14.3%	9.4%	10.5%	9.1%	5.0%
- Non Operating Income (Expense)	615	550	820	660	546
Interest Payment (Net)	192	66	70	171	(56)
Equity Method Gain (Loss)	496	342	520	378	838
- Extra Gain (Loss)	0	0	0	0	0
Income before tax	12,376	8,125	9,828	9,633	6,578
(Margin)	15.1%	10.1%	11.5%	9.8%	5.4%
- Income Tax Expense	2,207	1,218	1,634	1,710	688
- Minority Interests, etc. (Net)	621	733	(268)	(502)	(364)
Net Income	10,790	7,640	7,926	7,421	5,526
(Margin)	13.2%	9.5%	9.3%	7.5%	4.6%

continued

CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED BASE

CONSOLIDATED CASH FLOW STATEMENT

(In billions of Korean won)

	2004	2005	2006	2007	2008
Cash Flow from Operating Activities	16,744	13,329	15,081	14,791	13,360
Net Income	10,790	7,640	7,926	7,421	5,526
Depreciation & Amortization	5,185	6,020	6,873	8,498	10,096
Cash Flow from Investing Activities	(8,183)	(9,046)	(11,098)	(12,002)	(13,128)
Acquisition of PP&E	(10,497)	(11,540)	(11,738)	(12,252)	(14,088)
Cash Flow from Financing Activities	(9,639)	(3,266)	(3,889)	(1,600)	1,934
Dividend	(1,596)	(849)	(832)	(819)	1,315
Rights Issuance / Stock repurchase	(3,841)	(2,149)	(1,813)	(1,825)	0
Consolidation adjustments	81	(64)	46	421	817
Increase in Cash & Cash Eq.	(996)	953	139	1,610	2,983

CONSOLIDATED FINANCIAL RATIOS

(In billions of Korean won)

	2004	2005	2006	2007	2008
ROE	32.4%	19.6%	17.7%	14.3%	9.3%
Profitability (Net Income / Sales)	0.13	0.09	0.09	0.08	0.05
Asset Turnover (Sales / Asset)	1.20	1.12	1.10	1.13	1.22
Leverage (Asset / Equity)	2.06	1.84	1.74	1.68	1.67
Debt / Equity	48.5%	39.5%	30.2%	25.9%	27.7%
Net Debt / Equity	18.3%	15.3%	9.8%	4.8%	6.5%
Earnings per share (KRW)	67,916	49,969	52,880	49,502	37,684

1. THE COMPANY

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

As of December 31, 2008, SEC's shares are listed on the Korea Stock Exchange, and its global depository receipts are listed on the London and Luxembourg Stock Exchange.

CONSOLIDATED SUBSIDIARIES

The consolidated financial statements include the accounts of SEC and its controlled subsidiaries (collectively referred to as "the Company"). Controlled subsidiaries generally 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 Statement of Korean Financial Accounting Standards ("SKFAS") No.25, *Consolidated Financial Statements*.

The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2008.

(In millions of Korean won)

Subsidiaries	Primary Business	Capital	Percentage of Ownership (%)	Location
Samsung Gwangju Electronics	Home appliances manufacturing	₩ 725,941	94.25	Korea
Samsung Card	Consumer financing	3,769,034	35.29	Korea
STECO	Semiconductor equipment manufacturing	64,164	51.00	Korea
SEMES	Semiconductor equipment manufacturing	107,858	63.87	Korea
Secron	Semiconductor equipment manufacturing	38,613	50.63	Korea
Samsung Electronics Service	Service center for electronic goods	58,964	83.33	Korea
Living Plaza	Sales	133,953	100.00	Korea
Samsung Electronics Logitech	Distribution	46,731	100.00	Korea
S-LCD	LCD manufacturing	3,689,467	50.00	Korea
Samsung Electronics Hainan Fiberoptics Korea (SEHF-K)	Optical cable manufacturing	39,574	100.00	Korea
Samsung Electronics Canada (SECA)	Sale of electronic goods	92,256	100.00	Canada
Samsung Electronics America (SEA)	Sale of electronic goods	3,822,829	100.00	U.S.A
Samsung Receivables (SRC)	Financing	305,564	100.00	U.S.A
Samsung Semiconductor (SSI)	Semiconductor sales	2,679,954	100.00	U.S.A
Samsung Austin Semiconductor (SAS)	Semiconductor manufacturing	2,559,211	100.00	U.S.A
Samsung Information Systems America (SISA)	Information system research and development	34,909	100.00	U.S.A
Samsung International (SII)	Manufacturing and sale of electronic goods	199,671	100.00	U.S.A
Samsung Mexicana (SAMEX)	Manufacturing and sale of electronic goods	56,540	100.00	Mexico
Samsung Telecommunications America (STA)	Mobile phone sales and research and development	395,270	100.00	U.S.A
Samsung Electronics Latinoamerica (Zona Libre) (SELA)	Sale of electronic goods	60,145	100.00	Panama
Samsung Electronics Latinoamerica Miami (SEMI)	Sale of electronic goods and mobile phone	30,305	100.00	U.S.A
Samsung Electronica Columbia (SAMCOL)	Sale of electronic goods	12,890	100.00	Columbia
Samsung Electronics Mexico (SEM)	Manufacturing and sale of electronic goods	58,162	100.00	Mexico
Samsung Electronics Argentina (SEASA)	Sale of electronic goods	7,442	100.00	Argentina

continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

(In millions of Korean won)

Subsidiaries	Primary Business	Capital	Percentage of Ownership (%)	Location
Samsung Electronica da Amazonia (SEDA)	Sale and manufacturing of electronic goods	₩ 324,493	100.00	Brazil
Samsung Electronics Iberia (SESA)	Sale of electronic goods	143,454	100.00	Spain
Samsung Electronics Nordic (SENA)	Sale of electronic goods	70,168	100.00	Sweden
Samsung Electronics Hungarian (SEH)	CTV manufacturing and sales	487,234	100.00	Hungary
Samsung Electronica Portuguesa (SEP)	Sale of electronic goods	38,332	100.00	Portugal
Samsung Electronics France (SEF)	Sale of electronic goods	241,472	100.00	France
Samsung Electronics (UK) (SEUK)	Sale of electronic goods	406,720	100.00	U.K.
Samsung Semiconductor Europe (SSEL)	Semiconductor sales	66,966	100.00	U.K.
Samsung Electronics Holding (SEHG)	Holding company (financing)	397,593	100.00	Germany
Samsung Semiconductor Europe GmbH (SSEG)	Semiconductor sales	16,212	100.00	Germany
Samsung Electronics GmbH (SEG)	Sale of electronic goods	80,374	100.00	Germany
Samsung Electronics Austria (SEAG)	Sale of electronic goods	32,677	100.00	Austria
Samsung Electronics Italia (SEI)	Sale of electronic goods	146,738	100.00	Italy
Samsung Electronics Europe Logistics (SELS)	Logistics	71,111	100.00	Netherlands
Samsung Electronics Benelux (SEBN)	Distribution and sale of electronic goods	366,707	100.00	Netherlands
Samsung Electronics LCD Slovakia (SELISK)	LCD manufacturing	194,388	100.00	Slovakia
Samsung Semiconductor Israel R&D Center (SIRC)	Research center	1,018	100.00	Israel
Samsung Electronics Rus (SER)	Marketing	14,229	100.00	Russia
Samsung Electronics Polska (SEPOL)	Sale of electronic goods and telephone	82,360	100.00	Poland
Samsung Electronics South Africa (SSA)	Sale of electronic goods	35,830	100.00	South Africa
Samsung Electronics Slovakia (SESK)	Monitor manufacturing	488,016	100.00	Slovakia
Samsung Electronics Overseas (SEO)	Sale of electronic goods	1,155	100.00	Netherlands
LLC Samsung Electronics Rus (SERC)	Sale of electronic goods	94,436	100.00	Russia
LLC Samsung Russia Service Center (SRSC)	Service	9,622	100.00	Russia
Samsung Electronics Baltics (SEB)	Sale of electronic goods	4,032	100.00	Latvia
Samsung Electronics Rus Kaluga (SERK)	CTV manufacturing	112,396	100.00	Russia
Samsung Electronics Ukraine Company (SEUC)	Sale of electronic goods	21,920	100.00	Ukraine
Samsung Electronics KZ and Central Asia (SEKZ)	Sale of electronic goods	5,844	100.00	Kazakhstan
Samsung Japan Corporation (SJC)	Sale	515,565	50.96	Japan
Samsung Yokohama Research Institute (SYRI)	Research center	92,583	100.00	Japan
Samsung Electronics Australia (SEAU)	Sale of electronic goods	112,981	100.00	Australia
Samsung Electronics (M) (SEMA)	Home appliances manufacturing	155,953	100.00	Malaysia
Samsung Gulf Electronics (SGE)	Sale of electronic good	33,981	100.00	Arab Emirates
Samsung Electronics Indonesia (SEIN)	A/V manufacturing and sale of electronic goods	125,299	99.99	Indonesia
Samsung Telecommunications Indonesia (STIN)	Installation of telecom systems	2,785	99.00	Indonesia
Samsung Electronics Display (M) (SDMA)	Monitor manufacturing	317,256	100.00	Malaysia
Samsung India Electronics (SIEL)	CTV manufacturing and sale of electronic goods	81,842	100.00	India
Samsung India Software Operations (SISO)	Research and development	31,787	100.00	India
Samsung Asia (SAPL)	Sales	368,916	70.00	Singapore
Samsung Electronics Philippines (SEPCO)	Sale of electronic goods	23,790	100.00	Philippines
Samsung Electronics Asia Holding (SEAH)	Holding company	438,019	100.00	Singapore
Samsung Vina Electronics (SAVINA)	Manufacturing and sale of electronic goods	30,761	80.00	Vietnam

continued

(In millions of Korean won)

Subsidiaries	Primary Business	Capital	Percentage of Ownership (%)	Location
Thai Samsung Electronics (TSE)	CTV and washing machine manufacturing and sales	₩ 316,455	91.83	Thailand
Samsung Electronics Philippines Manufacturing (SEPHIL)	ODD Manufacturing	79,300	100.00	Philippines
Samsung Malaysia Electronics (SME)	Semiconductor and LCD sales	13,550	100.00	Malaysia
Samsung Electronics Vietnam (SEV)	Mobile phone manufacturing	58,233	100.00	Vietnam
Samsung Telecommunications Japan (STJ)	Sales of telecommunication products and maintenance	2,857	100.00	Japan
Samsung Electronics Hong Kong (SEHK)	Sales	108,086	100.00	China
Samsung Electronics Taiwan (SET)	Semiconductor sales and sale of electronic goods	116,387	100.00	Taiwan
Samsung Electronics Suzhou Semiconductor (SESS)	Semiconductor manufacturing	515,184	100.00	China
Samsung (China) Investment (SCIC)	Holding company	242,391	100.00	China
Tianjin Tongguang Samsung Electronics (TTSEC)	CTV manufacturing	252,365	96.02	China
Samsung Electronics (Beijing) Service (SBSC)	Service	7,928	100.00	China
Samsung Electronics Huizhou (SEHZ)	A/V manufacturing	324,885	99.96	China
Tianjin Samsung Electronics Display (TSED)	Monitor manufacturing	78,527	79.95	China
Suzhou Samsung Electronics (SSEC)	Home appliances manufacturing	180,428	88.28	China
Tianjin Samsung Electronics (TSEC)	A/V manufacturing	171,772	91.07	China
Samsung Electronics (Shandong) Digital Printing (SSDP)	Manufacturing and sales of facsimile, printer and telecommunication products	111,058	100.00	China
Tianjin Samsung Telecom Technology (TSTC)	Mobile phone manufacturing	604,778	90.00	China
Samsung Electronics Suzhou Computer (SESC)	Computer manufacturing	46,551	100.00	China
Samsung Electronics Suzhou LCD (SESL)	LCD manufacturing	337,447	100.00	China
Shenzhen Samsung Kejian Mobile Telecommunication Technology (SSKMT)	Mobile phone manufacturing	202,722	60.00	China
Shanghai Samsung Semiconductor (SSS)	Semiconductor sales	22,805	100.00	China
Samsung Semiconductor (China) R&D (SSCR)	Research center	9,328	100.00	China
Samsung Electronics Hainan Fiberoptics (SEHF)	Optical cable manufacturing	52,321	100.00	China
Beijing Samsung Telecom R&D Center (BST)	Research center	10,273	100.00	China
Samsung Suzhou Electronics Export (SSEC-E)	Manufacturing of electronic goods	58,909	100.00	China
Samsung Electronics Shanghai Telecommunications (SSTC)	Semiconductor sales	(1,396)	100.00	China

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

A summary of financial information of subsidiaries as of and for the year ended December 31, 2008, included in the consolidated financial statements follows:

(In millions of Korean won)

Subsidiaries	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Gwangju Electronics	₩ 910,335	₩ 184,394	₩ 2,591,240	₩ 6,833
Samsung Card	14,433,635	10,664,601	2,926,714	297,913
S-LCD Corporation	5,104,313	1,414,846	7,880,370	205,463
Samsung Electronics America (SEA)	7,002,724	3,073,613	18,488,840	132,839
Samsung Semiconductor (SSI)	3,564,249	884,295	7,508,334	15,453
Samsung Austin Semiconductor (SAS)	3,817,860	1,391,945	1,261,548	(284,728)
Samsung Electronica da Amazonia (SEDA)	1,062,446	737,953	2,482,366	112,902
Samsung Electronics Hungarian (SEH)	831,720	344,486	3,948,427	19,115
Samsung Electronics France (SEF)	1,126,769	885,298	4,024,664	32,139
Samsung Electronics (UK) (SEUK)	1,328,926	916,408	4,272,445	87,223
Samsung Electronics Europe Logistics (SELS)	1,204,241	1,133,130	9,850,354	8,117
Samsung Electronics Slovakia (SESK)	1,268,442	780,426	5,457,722	(55,560)
Samsung Japan (SJC)	2,010,663	1,495,098	11,471,825	45,526
Samsung Telecommunications America (STA)	1,084,724	689,454	5,979,180	54,390
Samsung Electronics GmbH (SEG)	838,852	758,478	2,816,064	(5,163)
Samsung Electronics Italia (SEI)	861,750	715,012	2,340,870	16,252
Samsung (China) Investment (SCIC)	1,143,396	901,006	2,737,745	57,886
Samsung Electronics Huizhou (SEHZ)	882,750	557,865	4,129,359	76,885
Tianjin Samsung Telecom Technology (TSTC)	964,951	360,173	5,708,094	52,787
LLC Samsung Electronics Rus (SERC)	967,295	872,859	3,979,236	(30,839)
Others	28,593,083	16,873,353	104,471,600	847,730

In accordance with the SKFAS No. 25, *Consolidated Financial Statements*, the following subsidiaries were excluded from consolidation as of December 31, 2008, because their total assets at the prior fiscal year end were less than ₩7,000 million:

Subsidiaries	Primary Business	Percentage of Ownership (%)	Location
SEMES America	Service	100.00	U.S.A
Samsung Electronics Chile	Marketing and service	99.99	Chile
Samsung Semiconductor International	Holding company	100.00	Mexico
Samsung Semiconductor Mexico	Semiconductor sales	100.00	Mexico
Samsung-Crosna Joint Stock	Telecom (switchboard)	67.00	Russia
Samsung Electronics Istanbul Marketing & Trading	Marketing	100.00	Turkey
Samsung Electronics Ukraine	Marketing	99.99	Ukraine
Samsung Telecom Benelux	Installation and service of telecom systems	100.00	Netherlands
Samsung Electronics Kazakhstan	Marketing	100.00	Kazakstan
Samsung Electronics Romania	Marketing	100.00	Romania
Samsung Semiconductor France	Semiconductor sales	100.00	France
Samsung Semiconductor Italia	Semiconductor sales	100.00	Italy
Samsung Semiconductor Sweden	Semiconductor sales	100.00	Sweden
Samsung Electronics Limited	-	100.00	U.K.
Samsung Telecoms (UK)	-	100.00	U.K.
Batino Realty Corporation	Real-properties lease	38.90	Philippines
Samsung Electronics China R&D Center	Research	100.00	China
Samsung Electronics Shenzhen	Semiconductor sales	100.00	China
Samsung Electronics Football Club	Sports services	100.00	Korea

CHANGES IN SCOPE OF CONSOLIDATION

(a) Details of subsidiaries newly included in consolidation for the year ended December 31, 2008, are as follows:

Location	Name of Subsidiaries	Remark
China	Beijing Samsung Telecom R&D Center (BST)	Increase in total assets
	Samsung Suzhou Electronics Export (SSEC-E)	Newly incorporated
	Samsung Electronics Shanghai Telecommunications (SSTC)	Increase in shares
Europe	Samsung Electronics Baltics (SEB)	Increase in total assets
	Samsung Electronics Rus Kaluga (SERK)	Increase in total assets
	Samsung Electronics Ukraine Company (SEUC)	Newly incorporated
	Samsung Electronics KZ and Central Asia (SEKZ)	Newly incorporated
Asia	Samsung Electronics Vietnam (SEV)	Newly incorporated
	Samsung Telecommunications Japan (STJ)	Newly incorporated

(b) The following subsidiaries were deconsolidated for the year ended December 31, 2008:

Location	Name of Subsidiaries	Remark
China	Hangzhou Samsung Eastcom Network Technology (HSEN)	Liquidation completed
Asia	Samsung Telecommunications India (STI)	Merged

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF FINANCIAL STATEMENT PRESENTATION

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

APPLICATION OF THE STATEMENTS OF KOREAN FINANCIAL ACCOUNTING STANDARDS

The Company's consolidated financial statements were prepared in conformity with accounting principles generally accepted in Korea, including SKFAS No. 1 through No. 25.

NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

The Company has changed the scope of its related parties in accordance with revision of SKFAS No. 20, *Related Party Disclosures*. Note 29 to consolidated financial statements as of and for the year ended December 31, 2007 presented herein for comparative purpose, has been restated to reflect this change.

USE OF ESTIMATES

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

PRINCIPLES OF CONSOLIDATION

The Company records differences between the investment account and corresponding capital account of subsidiaries as goodwill or negative goodwill, and such differences are amortized over five years using the straight-line method. However, differences which occur from additional investments acquired in consolidated subsidiaries are reported in a separate component of equity, and are not included in the determination of the results of operations. In accordance

with the SKFAS No. 25, *Consolidated Financial Statements*, minority interests in consolidated subsidiaries are presented within equity and identified separately from shareholders' equity in the consolidated balance sheet.

All significant intercompany transactions and balances have been eliminated during consolidation. Unrealized profits included in inventories, property, plant and equipment and other assets, as a result of intercompany transactions, are eliminated. Unrealized profits, arising from sales by the consolidated subsidiaries, or equity-method investees, to the controlling companies, or sales between consolidated subsidiaries, or equity-method investees, are fully eliminated, and charged to shareholders' equity and minority interests, based on the percentage of ownership.

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

INVESTMENT IN SECURITIES

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

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

Available-for-sale securities are stated at fair value, while non-marketable equity securities are stated at cost. Unrealized holding gains and losses on available-for-sale securities are reported in equity under accumulated other comprehensive income, 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 in equity as a component of accumulated other comprehensive income.

Impairment resulting from a significant or prolonged decline in fair value of the security below its acquisition cost, net of amortization is recognized in current operations.

EQUITY-METHOD INVESTMENTS

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

Under the equity method, the original investment is recorded at cost and adjusted by the Company's share in the net book value of the investee with a corresponding charge to current operations, a separate component of equity, or retained earnings, depending on the nature of the underlying change in the net book value. All significant

unrealized profits arising from intercompany transactions between the Company and its equity-method investees are eliminated.

Differences between the investment amounts and corresponding capital amounts of the investees 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.

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

INVENTORY

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, NET OF ACCUMULATED 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 capital surplus or transferred to raise 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 asset are capitalized.

INTANGIBLE ASSETS

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

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

LEASES

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

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

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

DISCOUNTS AND PREMIUMS ON DEBENTURES

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

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 Company based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

A portion of the accrued severance benefits of the Company are funded through a group severance insurance plan with Samsung Life Insurance Co., Ltd., and the amounts funded under this insurance plan are classified as a deduction from the accrued severance benefits liability.

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 goods are transferred to the buyer. Revenue from rendering services is recognized using the percentage-of-completion method.

FOREIGN CURRENCY TRANSLATION

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

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 other comprehensive income presented as part of equity.

DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

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

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

LONG-TERM RECEIVABLES AND PAYABLES

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

STOCK-BASED COMPENSATION

The Company uses the fair-value method in determining compensation costs of stock options granted to its employees and directors. The compensation cost is estimated using the Black-Scholes option-pricing model and is accrued and charged to expense over the vesting period, with a corresponding increase in a separate component of equity.

EARNINGS PER SHARE

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

PROVISIONS AND CONTINGENT LIABILITIES

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

DERIVATIVE INSTRUMENTS

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 accumulated other comprehensive income and the ineffective portion is recorded in current operations. The effective portion of the gain or loss recorded as accumulated other comprehensive income 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 accumulated other comprehensive income is added to or deducted from the asset or the liability.

ASSET IMPAIRMENT

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

3. UNITED STATES DOLLAR AMOUNTS

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩1,257 to US\$1, the exchange rate in effect on December 31, 2008. 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 2007 U.S. dollar amounts, which were previously expressed at ₩938 to US\$1, the rate in effect on December 31, 2007, have been restated to reflect the exchange rate in effect on December 31, 2008.

4. CASH SUBJECT TO WITHDRAWAL RESTRICTIONS

Cash deposits subject to withdrawal restrictions as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

		2008	2007
Short-term financial instruments	Government-sponsored research and development projects	₩ 24,505	₩ 35,632
	Other activities	36,228	34,548
		₩ 60,733	₩ 70,180
Long-term deposits and other assets	Special deposits	₩ 60	₩ 19
	Other activities	9	374
		₩ 69	₩ 393

5. SHORT-TERM AVAILABLE-FOR-SALE SECURITIES

Short-term available-for-sale securities as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008	2007	Maturity
Beneficiary certificates ¹	₩ 982,067	₩ 775,493	Within 1 year
Financial institution bonds ²	-	147,340	Within 1 year
	₩ 982,067	₩ 922,833	

1. Beneficiary certificates as of December 31, 2008 and 2007, consist of the following.

2. The Balance as of December 31, 2007, includes accrued interest income amounting to ₩2,677 million.

(In millions of Korean won)

	2008	2007
Call loan	₩ 157	₩ 9,151
Certificates of deposit	231,561	270,546
Bonds	622,911	392,414
Time deposits	127,307	101,500
Others	131	1,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

For the years ended December 31, 2008 and 2007, changes in valuation gain or loss on short-term available-for-sale securities are as follows:

(In millions of Korean won)

2008	Valuation Gain on Available-For-Sale Securities				Valuation Loss on Available-For-Sale Securities			
	Balance at January 1, 2008	Valuation Amount	Included in Earnings	Balance at December 31, 2008	Balance at January 1, 2008	Valuation Amount	Included in Earnings	Balance at December 31, 2008
Beneficiary certificates	₩ 5,493	₩ 12,067	₩ 5,493	₩ 12,067	₩ -	₩ -	₩ -	₩ -
Financial institution bonds	-	-	-	-	(196)	-	(196)	-
	₩ 5,493	₩ 12,067	₩ 5,493	12,067	₩ (196)	-	₩ (196)	-
Deferred income tax				(2,920)				-
				₩ 9,147				₩ -

(In millions of Korean won)

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

6. ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable, and their allowance for doubtful accounts as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008	2007
Trade accounts and notes receivable	₩ 12,133,793	₩ 11,180,598
Less: Allowance for doubtful accounts	(89,814)	(55,466)
	₩ 12,043,979	₩ 11,125,132
Other accounts and notes receivable	₩ 1,582,861	₩ 1,010,801
Less: Allowance for doubtful accounts	(24,483)	(21,600)
Discounts on present value	(99)	(58)
	₩ 1,558,279	₩ 989,143

As of December 31, 2008, the Company has credit insurance with Korea Export Insurance and overseas insurance companies against its export accounts receivable with their approved foreign customers.

The outstanding balance of trade accounts and notes receivable sold to financial institutions as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008	2007
Asset-backed securities with recourse	₩ 1,380,735	₩ 1,396,041
Trade accounts receivable with recourse	567,121	446,770
Trade accounts receivable without recourse	843,032	1,206,320
	₩ 2,790,888	₩ 3,049,131

As a consolidation entry to account for the sale of subsidiaries' receivables, the Company has recognized borrowings of ₩3,055,270 million and ₩4,384,783 million as of December 31, 2008 and 2007, respectively.

The outstanding balances of financing receivables sold to financial institutions as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008	2007
Asset-backed securities with limited recourse	₩ 3,795,418	₩ 4,037,885

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

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

(In millions of Korean won)

Accounts	Face Value	Discount	Present Value	Period	Weighted-Average Interest Rate (%)
Long-term loans and other receivables	₩ 169,022	₩ 13,761	₩ 155,261	2004.5 ~ 2014.11	3.1 ~ 8.7
Long-term payables and other payables	444,602	87,301	357,301	2002.12 ~ 2017.3	7.7 ~ 8.7

7. INVENTORIES

Inventories, net of valuation losses, as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008	2007
Finished goods and merchandise	₩ 3,049,834	₩ 2,340,066
Semi-finished goods and work-in-process	2,067,935	1,695,511
Raw materials and supplies	3,113,563	2,309,980
Materials-in-transit	1,261,275	1,623,246
	₩ 9,492,607	₩ 7,968,803

Inventories are insured against fire and other casualty losses for up to ₩7,853,380 million as of December 31, 2008 (2007: ₩6,258,083 million).

As of December 31, 2008, losses on valuation of inventories, amounted to ₩651,296 million (2007: ₩258,787 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

8. FINANCING RECEIVABLES

Financing receivables of the consumer financing subsidiary, Samsung Card Co., Ltd., as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

Accounts	2008	2007
Short-term financing receivables		
Credit card assets	₩ 5,193,739	₩ 4,311,592
Lease assets	182,898	141,228
Installment finance	306,221	358,870
General loans	569,332	698,043
Call loans and others	470,232	507,215
	6,722,422	6,016,948
Less: Allowance for doubtful accounts	(455,910)	(441,942)
	6,266,512	5,575,006
Long-term financing receivables		
Credit card assets	1,845,906	2,069,388
Lease assets	1,000,959	801,395
Installment finance	423,863	406,619
General loans	428,171	547,318
Trust assets and others	198,088	221,087
	3,896,987	4,045,807
Less: Allowance for doubtful accounts	(192,195)	(245,852)
	3,704,792	3,799,955
	₩ 9,971,304	₩ 9,374,961

Collection schedule of installment finance and general loans as of December 31, 2008, follows:

(In millions of Korean won)

Year	Installment finance	General loans
2009	₩ 306,221	₩ 569,332
2010	232,169	193,783
2011	156,477	143,594
2012	24,110	68,027
2013	10,601	20,137
Thereafter	506	2,630
	₩ 730,084	₩ 997,503

Maturities of finance lease, as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008		2007	
	Minimum Lease Payment	Present Values	Minimum Lease Payment	Present Values
Within one year	₩ 29,973	₩ 29,225	₩ 26,466	₩ 25,636
From one year to five years	438,904	385,848	259,274	234,557
More than five years	-	-	804	639
Unguaranteed residual value	88,790	78,199	62,420	54,691
	557,667	₩ 493,272	348,964	₩ 315,523
Present value adjustment	(64,395)		(33,441)	
Financing lease receivables	₩ 493,272		₩ 315,523	

The minimum lease receipts relating to operating lease agreements as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008	2007
Within one year	₩ 242,325	₩ 214,707
From one year to five years	212,272	195,561
	₩ 454,597	₩ 410,268

As of December 31, 2008 and 2007, properties under operating leases are classified as follows:

(In millions of Korean won)

	2008	2007
Automobiles	₩ 993,712	₩ 867,157
Electronic system	6,410	12,546
	1,000,122	879,703
Less: Accumulated depreciation	315,471	270,168
Accumulated impairment losses	2,641	1,970
Operating lease assets	₩ 682,010	₩ 607,565

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, 2008 and 2007, consist of the following:

(In millions of Korean won)

	Detail	2008		2007
		Acquisition Cost	Recorded Book Value	Recorded Book Value
Listed equities ¹	(1)	₩ 566,722	₩ 1,935,163	₩ 3,027,052
Non-listed equities ¹	(2)	462,967	679,602	682,002
Government and public bonds and others		3,497	3,497	3,268
		₩ 1,033,186	₩ 2,618,262	₩ 3,712,322

1. Exclude equity-method investees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1) LISTED EQUITIES

Listed equities as of December 31, 2008 and 2007, consist of the following:

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

	2008					2007
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value of Investee	Recorded Book Value	Recorded Book Value
Samsung Heavy Industries	40,675,641	17.61	₩ 258,299	₩ 919,269	₩ 919,269	₩ 1,635,161
Samsung Fine Chemicals	2,969,730	11.51	61,374	114,186	114,186	130,668
Hotels Shilla	2,529,580	6.35	18,604	32,505	32,505	56,915
Cheil Worldwide	259,949	5.65	25,737	50,690	50,690	73,306
Samsung Fire & Marine Insurance	2,298,377	4.85	90,443	433,244	433,244	581,489
Samsung Securities	3,143,194	4.70	57,347	194,878	194,878	285,402
S1 Corporation	725,060	1.91	16,207	39,153	39,153	40,893
Samsung Engineering	704,104	1.76	9,018	30,629	30,629	66,045
Cheil Industries	2,449,713	4.90	18,339	98,478	98,478	128,120
Korea Information Service	107,603	2.26	797	1,523	1,523	1,915
Saehan Media	324,579	2.32	1,840	378	378	1,529
Tomen Device	832,000	12.23	1,575	11,330	11,330	11,586
Others			7,142	8,900	8,900	14,023
			₩ 566,722	₩ 1,935,163	₩ 1,935,163	₩ 3,027,052

The differences between the acquisition cost and fair value of the investment is recorded under accumulated other comprehensive income, a separate component of equity.

2) NON-LISTED EQUITIES

Non-listed equities as of December 31, 2008 and 2007, consist of the following:

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

	2008					2007
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value/ Market Value of Investee	Recorded Book Value	Recorded Book Value
Allat Corporation ¹	300,000	30.00	₩ 1,500	₩ 5,178	₩ 5,427	₩ 5,074
Beijing T3G Technology	-	-	-	-	-	9,164
Bluebird Soft	140,000	17.00	10,199	2,746	2,441	2,441
iMarketKorea	380,000	14.10	1,900	9,320	1,900	1,900
Kihyup Technology Banking Corporation	1,000,000	17.24	5,000	6,512	5,000	5,000
Korea Digital Satellite Broadcasting	600,000	0.71	3,344	1,575	3,000	3,000
Pusan Newport	1,135,307	1.15	5,677	4,360	5,677	5,677
Renault Samsung Motors	17,512,000	19.90	87,560	119,432	119,432	143,896
Samsung Electronics Football Club ¹	400,000	100.00	2,000	1,991	2,000	-
Samsung Everland ¹	641,123	25.64	64,112	500,861	256,452	256,452
Samsung General Chemicals	1,914,251	3.91	19,143	33,427	13,864	13,864
Samsung Life Insurance	131,588	0.66	92,112	47,194	92,112	92,112
Samsung Petrochemical	514,172	12.96	8,040	16,673	8,040	8,040
Samsung Venture Investment Corporation	980,000	16.33	4,900	6,472	4,900	4,900
Symbian	-	-	-	-	-	31,839
TU Media	3,015,195	5.62	15,076	2,217	15,076	15,076
Yong Pyong Resort	400,000	1.05	1,869	1,389	1,869	1,869
Others			140,535	100,369	142,412	81,698
			₩ 462,967	₩ 859,716	₩ 679,602	₩ 682,002

1. As of December 31, 2008, these investments in affiliated companies were not valued using the equity method of accounting due to immateriality of their total asset balances or the Company's inability to exercise significant influence over the operating and financial policies.

Impairment losses on cost-method investments resulting from the decline in realizable value below the acquisition cost amounted to ₩2,885 million for the year ended December 31, 2008 (2007: ₩6,234 million).

As of December 31, 2008, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt.

Gain and loss on valuation of available-for-sale securities for 2008 are as follows:

(In millions of Korean won)

Valuation Gain on Available-For-Sale Securities				Valuation Loss on Available-For-Sale Securities			
Balance at January 1, 2008	Valuation Amount	Included in Earnings	Balance at December 31, 2008	Balance at January 1, 2008	Valuation Amount	Included in Earnings	Balance at December 31, 2008
₩ 2,519,181	₩ (1,077,274)	₩ -	₩ 1,441,907	₩ (1,665)	₩ (599)	₩ -	₩ (2,264)
Deferred income tax and Minority interest			(598,550)				542
			₩ 843,357				₩ (1,722)

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

(In millions of Korean won)

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

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

Long-term held-to-maturity securities as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008		2007	
	Face Value	Recorded Book Value	Face Value	Recorded Book Value
Government and public bonds	₩ 97	₩ 97	₩ 165	₩ 165
ABS subordinated securities	756,701	334,363	572,406	147,122
	₩ 756,798	₩ 334,460	₩ 572,571	₩ 147,287

The subordinate bonds of SangRokSoo 1st Securitization Specialty were previously impaired by ₩404,583 million. The realizable value subsequently dropped and a loss of ₩3,538 million was recognized in 2008. The subordinate bonds of Badbank Heemangmoah Securitization Specialty were also previously impaired by ₩20,700 million. As the subordinate bonds of Badbank Heemang Moah Securitization Specialty recovered, a gain of ₩6,483 million was recognized during 2008.

The maturities of long-term held-to-maturity securities as of December 31, 2008, consist of the following:

(In millions of Korean won)

Maturity	Recorded book value		
	Government and public bonds	ABS subordinated securities	Total
From one year to five years	₩ 97	₩ 334,363	₩ 334,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

10. EQUITY-METHOD INVESTMENTS

Equity-method investments as of December 31, 2008, consist of the following:

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

Investee	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value of Investee	Balance at Beginning of Year	Earnings (Losses) From Equity -Method Investments	Other Increase (Decrease)	Balance at End of Year
Samsung SDI	9,282,753	19.68	₩ 423,722	₩ 892,938	₩ 893,419	₩ 7,175	₩ (26,515)	₩ 874,079
Samsung Electro-Mechanics	17,693,084	22.80	359,237	445,531	445,205	13,708	(13,669)	445,244
Samsung Techwin	19,604,254	25.46	211,726	275,290	258,411	19,188	(4,766)	272,833
Samsung SDS	11,977,770	21.27	12,753	247,271	178,123	50,320	(5,067)	223,376
Samsung Corning Precision Glass	7,512,165	42.54	297,165	1,846,755	1,246,710	758,306	(233,807)	1,771,209
Samsung Thales	13,500,000	50.00	135,000	146,970	128,020	18,936	-	146,956
Siltronic Samsung Wafers	-	50.00	264,410	210,939	184,830	(35,034)	61,152	210,948
Others			397,265	408,134	447,695	5,268	(40,746)	412,217
			₩ 2,101,278	₩ 4,473,828	₩ 3,782,413	₩ 837,867	₩ (263,418)	₩ 4,356,862

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

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

Investee	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value of Investee	Balance at Beginning of Year	Earnings (Losses) From Equity -Method Investments	Other Increase (Decrease)	Balance at End of Year
Samsung SDI	9,282,753	19.68	₩ 423,722	₩ 911,657	₩ 920,389	₩ (131,751)	₩ 104,781	₩ 893,419
Samsung Electro-Mechanics	17,693,084	22.80	359,237	448,570	394,899	34,714	15,592	445,205
Samsung Techwin	19,604,254	25.46	211,726	261,362	216,118	48,720	(6,427)	258,411
Samsung SDS	11,977,770	21.27	12,753	202,790	125,614	49,285	3,224	178,123
Samsung Corning Precision Glass	7,512,165	42.54	297,165	1,302,773	894,801	409,000	(57,091)	1,246,710
Samsung Thales	13,500,000	50.00	135,000	128,045	116,075	11,945	-	128,020
Siltronic Samsung Wafers	-	50.00	195,978	184,819	77,751	(9,147)	116,226	184,830
Others			427,394	433,879	647,970	(35,140)	(165,135)	447,695
			₩ 2,062,975	₩ 3,873,895	₩ 3,393,617	₩ 377,626	₩ 11,170	₩ 3,782,413

Eliminated unrealized gains and losses as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008			2007		
	Inventories	Property, Plant and Equipment and Intangible Assets	Total	Inventories	Property, Plant and Equipment and Intangible Assets	Total
Samsung SDI	₩ (645)	₩ 170	₩ (475)	₩ 1,810	₩ (14,236)	₩ (12,426)
Samsung Electro-Mechanics	3,125	8	3,133	8,516	239	8,755
Samsung Techwin	345	110	455	(2,407)	194	(2,213)
Samsung SDS	(12)	779	767	676	500	1,176
Samsung Corning Precision Glass	(28,678)	(7,219)	(35,897)	(2,141)	(4,951)	(7,092)
Others	395	312	707	139	443	582
	₩ (25,470)	₩ (5,840)	₩ (31,310)	₩ 6,593	₩ (17,811)	₩ (11,218)

Amounts in the table represent eliminated unrealized gains and losses for the years ended December 31, 2008 and 2007, recognized as part of equity earnings (losses) from equity method investments.

Financial information of investees as of and for the years ended December 31, 2008 and 2007, follows:

(In millions of Korean won)

Investee	2008				2007			
	Assets	Liabilities	Sales	Net Income (Loss)	Assets	Liabilities	Sales	Net Income (Loss)
Samsung SDI	₩5,977,519	₩1,440,231	₩4,649,465	₩38,874	₩6,570,071	₩1,936,904	₩3,792,465	₩(592,183)
Samsung Electro-Mechanics	3,194,434	1,240,349	3,099,821	48,080	3,191,355	1,223,959	2,690,431	112,789
Samsung Techwin	2,390,100	1,308,833	3,595,145	73,623	1,900,287	873,731	3,243,196	203,209
Samsung SDS	1,796,987	634,455	2,519,425	232,968	1,599,974	646,587	2,164,100	226,179
Samsung Corning Precision Glass	4,946,350	605,129	3,852,299	1,828,627	3,736,683	674,303	2,244,348	974,232
Samsung Thales	558,973	265,033	575,199	37,851	536,827	280,738	480,690	23,847
Siltronic Samsung Wafers	1,189,880	767,931	132,128	(70,064)	588,584	218,946	-	(18,293)
Others	1,910,088	733,441	3,707,142	128,818	1,968,300	794,204	3,446,534	95,146

Market value information of publicly listed investees as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008		2007	
	Market Value of Investee	Recorded Book Value	Market Value of Investee	Recorded Book Value
Samsung SDI	₩ 510,551	₩ 874,079	₩ 617,303	₩ 893,419
Samsung Electro-Mechanics	589,180	445,244	869,615	445,205
Samsung Techwin	558,721	272,833	826,319	258,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Share of equity-method investees' other comprehensive income or loss as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008				2007			
	Balance at January 1, 2008	Valuation Amount	Included in Earnings	Balance at December 31, 2008	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007
Share of equity-method investees' other comprehensive income	₩ 251,591	₩ 5,737	₩ -	₩ 257,328	₩ 141,958	₩ 109,633	₩ -	₩ 251,591
Share of equity-method investees' other comprehensive loss	(8,017)	(6,003)	(579)	(13,441)	(43,887)	33,479	(2,391)	(8,017)
	₩ 243,574	₩ (266)	₩ (579)	₩ 243,887	₩ 98,071	₩ 143,112	₩ (2,391)	₩ 243,574

As of December 31, 2008, share of equity-method investees' other comprehensive income and loss included the tax effect of ₩48,250 million and ₩1,188 million, respectively.

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

Location	Subsidiaries	Percentage of Ownership (%)	Reason
Korea	Samsung Everland ¹	25.64	Absence of significant influence
	Allat ¹	30.00	Absence of significant influence
	International Cyber Marketing ²	45.00	Limited assets
Asia	Samsung Electronic Ticaret A.S. ²	20.00	Limited assets under liquidation
	Future Technology & Service ²	28.60	Limited assets

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

2. These investments are excluded from the application of equity method of accounting either because their total assets at the prior fiscal year end were less than ₩7,000 million, or are in the process of liquidation.

11. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the years ended December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

2008	Land	Buildings and Structures	Machinery and Equipment	Construction-In-Progress/ Machinery-In-Transit	Tools and Vehicles	Total
Balance at January 1, 2008	₩ 3,154,330	₩ 7,800,158	₩ 21,921,021	₩ 3,354,428	₩ 1,150,707	₩ 37,380,644
Acquisition	22,094	265,853	1,062,701	12,269,006	455,975	14,075,629
Transfer	45,986	1,168,031	8,910,681	(10,297,439)	172,741	-
Disposal	(58,705)	(26,327)	(95,609)	-	(65,249)	(245,890)
Depreciation	-	(632,243)	(8,616,476)	-	(606,810)	(9,855,529)
Others ¹	48,387	456,421	845,144	(290,957)	82,462	1,141,457
Balance at December 31, 2008	₩ 3,212,092	₩ 9,031,893	₩ 24,027,462	₩ 5,035,038	₩ 1,189,826	₩ 42,496,311
Acquisition cost	3,212,092	12,507,469	67,190,337	5,035,038	3,917,104	91,862,040
Accumulated depreciation	-	(3,475,576)	(43,162,875)	-	(2,727,278)	(49,365,729)

(In millions of Korean won)

2007	Land	Buildings and Structures	Machinery and Equipment	Construction-In-Progress/ Machinery-In-Transit	Tools and Vehicles	Total
Balance at January 1, 2007	₩ 2,976,819	₩ 6,454,042	₩ 19,141,537	₩ 4,046,119	₩ 1,166,098	₩ 33,784,615
Acquisition	8,863	151,707	604,391	11,194,987	291,589	12,251,537
Transfer	303,629	1,686,516	9,631,007	(11,834,995)	213,843	-
Disposal	(140,090)	(43,424)	(248,975)	-	(36,594)	(469,083)
Depreciation	-	(492,301)	(7,292,619)	-	(516,148)	(8,301,068)
Others ¹	5,109	43,618	85,680	(51,683)	31,919	114,643
Balance at December 31, 2007	₩ 3,154,330	₩ 7,800,158	₩ 21,921,021	₩ 3,354,428	₩ 1,150,707	₩ 37,380,644
Acquisition cost	3,154,330	10,437,714	56,737,095	3,354,428	3,342,031	77,025,598
Accumulated depreciation	-	(2,637,556)	(34,816,074)	-	(2,191,324)	(39,644,954)

1. Others include amounts from changes in scope of consolidation 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 ₩1,208,872 million, net of revaluation tax, credits to deferred foreign currency translation losses and others, were credited to capital surplus, a component of equity. Also, in accordance with the Asset Revaluation Law, on October 1, 2000, Samsung Gwangju Electronics, an SEC subsidiary, revalued a portion of its property, plant and equipment by ₩63,326 million. The remaining revaluation increments amounting to ₩62,145 million, net of revaluation tax, were credited to capital surplus, a component of equity.

As of December 31, 2008 and 2007, a certain portion of overseas subsidiaries' property, plant and equipment amounting to ₩5,766 million equivalent to US\$4,585 thousand and ₩5,251 million equivalent to US\$5,597 thousand, respectively is pledged as collaterals for various loans from financial institutions.

Property, plant, equipment are insured against fire and other casualty losses, and business interruption losses of up to ₩85,564,185 million (2007: ₩69,342,078 million) and ₩22,764,493 million (2007: ₩22,424,885 million), respectively as of December 31, 2008.

The value of land owned by the SEC and its domestic subsidiaries based on the posted price issued by the Korean tax authority amounted to ₩4,675,376 million (2007: ₩4,124,574 million) as of December 31, 2008.

As of December 31, 2008 and 2007, Samsung Card, an SEC subsidiary, recorded ₩690,187 million (2007: ₩626,731 million) of operating lease assets, cancellation lease assets and prepaid finance lease assets acquired through the lease financing business (Note 8).

12. INTANGIBLE ASSETS

Intangible assets as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008	2007
Goodwill	₩ 9,885	₩ 26,644
Intellectual property rights	405,848	314,901
Others	371,516	363,082
	₩ 787,249	₩ 704,627

Amortization expense of the intangible assets for the years ended December 31, 2008 and 2007, is allocated to following accounts:

(In millions of Korean won)

Account	2008	2007
Production costs	₩ 32,801	₩ 30,327
Selling and administrative expenses	123,661	89,774
Research and development expenses	83,200	76,173
	₩ 239,662	₩ 196,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

(In millions of Korean won)

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

The changes in intangible assets for the years ended December 31, 2008 and 2007, are as follows:

1. Acquisitions include amounts transferred from other accounts such as construction-in-progress.
2. Others include amounts from changes in scope of consolidation and changes in foreign currency exchange rates.

The amortization expense of intangible assets for the years ended December 31, 2008 and 2007, is allocated to the following accounts:

(In millions of Korean won)

Account	2008	2007
Production costs	₩ 32,801	₩ 30,327
Selling and administrative expenses	123,661	89,774
Research and development expenses	83,200	76,173
	₩ 239,662	₩ 196,274

13. LONG-TERM DEPOSITS AND OTHER ASSETS

Long-term deposits and other assets as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008	2007
Long-term guarantee deposits	₩ 895,245	₩ 793,737
Long-term trade receivables, net	27,600	42,712
Long-term prepaid expenses	368,875	489,775
Others	363,351	354,370
	₩ 1,655,071	₩ 1,680,594

14. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2008 and 2007 consist of the following:

(In millions of Korean won)

	Annual Interest Rates (%) as of December 31, 2008	2008	2007
General term loans from commercial banks	3.8 ~ 8.4	₩ 1,177,500	₩ 1,616,000
Notes discounted	5.8 ~ 8.7	674,762	567,160
Usance financing, including document against acceptance loans incurred from intercompany transactions	LIBOR +2.0 ~ 3.0	3,065,346	4,391,387
Short-term borrowings of overseas subsidiaries	0.6 ~ 26.0	4,109,022	1,878,552
		₩ 9,026,630	₩ 8,453,099

Certain bank deposits and property, plant and equipment are pledged as collaterals for the above borrowings. As of December 31, 2008 and 2007 overdraft facilities of the Company amount to ₩930,500 million and ₩1,189,000 million. 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, a consumer financing subsidiary, amounting to ₩1,779,762 million (2007: ₩2,127,160 million) and current maturities of long-term debts of ₩2,243,426 million (2007: ₩1,933,885 million) as of December 31, 2008.

15. LONG-TERM DEBTS

Long-term debts as of December 31, 2008 and 2007 consist of the following:

(In millions of Korean won)

	Reference	2008	2007
Korean won loans	(A)	₩ 768,638	₩ 623,663
Foreign currency denominated loans	(B)	1,346,158	569,564
Debentures	(C)	5,916,532	4,633,179
		8,031,328	5,826,406
Less: Current maturities		(2,257,371)	(1,982,678)
		₩ 5,773,957	₩ 3,843,728

As of December 31, 2008, certain bank deposits, and property, plant and equipment are pledged as collaterals for the above long-term debts (Notes 4 and 11). In addition, SEC guarantees repayment of substantially all long-term debt of overseas subsidiaries (Note 19).

Included in the long-term debts are the borrowings of Samsung Card with an aggregate amount of ₩867,119 million (2007: ₩836,498 million) as of December 31, 2008.

(A) Korean won loans as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	Annual Interest Rates (%) as of December 31, 2008	2008	2007
Korea Energy Management Corporation	4.5	₩ 68	₩ 282
Samsung Shinhan 4th Special Purpose Company	-	97,002	151,881
Others	4.7 ~ 10	671,568	471,500
		₩ 768,638	₩ 623,663

(B) Long-term debts denominated in foreign currencies as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	Annual Interest Rates (%) as of December 31, 2008	2008	2007
Shinhan Bank and others	-	₩ -	₩ 56,292
Royal Bank of Scotland and others	2.7 ~ 4.3	383,476	234,550
Foreign financial institutions (Overseas subsidiaries)	1.4 ~ 8.4	962,682	278,722
		₩ 1,346,158	₩ 569,564

(C) Debentures outstanding as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	Annual Interest Rates (%) as of December 31, 2008	2008	2007
Non-guaranteed debentures	4.4 ~ 9.2	₩ 5,920,000	₩ 4,337,000
Subordinated convertible bonds	-	-	265,379
		5,920,000	4,602,379
Add: Premium for non-executed rights		-	43,902
Less: Conversion rights		-	(10,117)
Discounts		(3,468)	(2,985)
		₩ 5,916,532	₩ 4,633,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Maturities of long-term debts outstanding, excluding premiums and discounts on debentures, as of December 31, 2008, are as follows:

(In millions of Korean won)

For the Years Ending December 31	Local Currency Loans	Foreign Currency Loans	Debentures	Total
2009	₩ 9,504	₩ 268,362	₩ 1,980,000	₩ 2,257,866
2010	701,854	230,750	2,200,000	3,132,604
2011	54,850	733,422	1,680,000	2,468,272
2012	2,430	21,164	40,000	63,594
Thereafter	-	92,460	20,000	112,460
	₩ 768,638	₩ 1,346,158	₩ 5,920,000	₩ 8,034,796

16. FOREIGN CURRENCY NOTES AND BONDS

Unsecured foreign currency notes and bonds as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	Reference	Due Date	2008	2007
SEC and domestic subsidiary				
US dollar denominated straight bonds	(A)	October 1, 2027	₩ 119,463	₩ 93,820
US dollar floating rate notes	(B)	August 28, 2010	220,063	98,511
Overseas subsidiaries				
US dollar denominated fixed rate notes	(C)	April 1, 2027	31,438	23,455
US dollar denominated fixed rate notes	(C)	April 1, 2030	31,438	23,455
			402,402	239,241
Less: Discounts			(5,700)	(6,113)
			396,702	233,128
Current maturities			(6,009)	(4,470)
			₩ 390,693	₩ 228,658

(A) US dollar denominated straight bonds

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

(B) US dollar floating rate notes

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

(C) Overseas subsidiaries

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

Maturities of foreign currency notes and bonds, outstanding as of December 31, 2008, are as follows:

(In millions of Korean won)

For the Years Ending December 31	Foreign Currency Notes and Bonds
2009	₩ 6,288
2010	226,352
2011	6,288
2012	6,288
Thereafter	157,186
	₩ 402,402

17. ACCRUED SEVERANCE BENEFITS

Change in accrued severance benefits for the years ended December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008	2007
Balance at the beginning of the year	₩ 2,041,713	₩ 1,769,385
Provision for severance benefits	543,980	615,586
Actual severance payments	(286,875)	(346,803)
Others ¹	14,605	3,545
	2,313,423	2,041,713
Less: Cumulative deposits to the National Pension Fund	(10,190)	(11,467)
Severance insurance deposits	(1,391,194)	(1,239,563)
Retirement pension operating assets	(61,806)	(50,747)
Balance at the end of the year	₩ 850,233	₩ 739,936

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

As of December 31, 2008, the Company funded 60% of severance payable through severance insurance deposits with Samsung Life Insurance and Samsung Fire & Marin Insurance. In addition, Samsung Card, one of SEC's domestic subsidiaries, implemented a defined benefit pension plan with Samsung Life Insurance in accordance with Employee Retirement Benefit Security Act. Retirement pension operating assets as of December 31, 2008 consist mostly of financial instruments.

18. ACCRUED EXPENSE

Changes in main liability provisions for the years ended December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008					
	Reference	January 1, 2008	Increase	Decrease	Others ¹	December 31, 2008
Warranty reserves	(A)	₩ 929,077	₩ 1,756,994	₩ 1,489,231	₩ 146,852	₩ 1,343,692
Royalty expenses	(B)	1,342,932	661,551	691,147	12,903	1,326,239
Long-term incentives	(C)	39,145	178,329	40,587	-	176,887
Point reserves	(D)	146,875	173,573	157,349	-	163,099
Allowance for undrawn commitment	(E)	-	232,880	-	-	232,880

(In millions of Korean won)

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

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

- (A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of guarantees (1 ~ 4 years).
- (B) The Company makes provisions for estimated royalty expenses related to technical assistance agreements that have not been settled. The timing of payment depends on the settlement of agreement.
- (C) The Company introduced long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive cost for the accrued period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

- (D) Samsung Card, a domestic subsidiary, accrues point reserves based on estimated expenses of future service to reward loyal members and expand customer base.
- (E) Samsung Card, a domestic subsidiary, accrues allowance for undrawn commitment based on credit conversion factor and forward-looking criteria according to regulations on supervision of credit-specialized financial business.

19. COMMITMENTS AND CONTINGENCIES

- (A) As of December 31, 2008, SEC is contingently liable for guarantees of indebtedness, principally for related parties, approximating ₩10,312 million in loans and US\$2,297 million on drawn facilities which have a maximum limit of US\$4,323 million.

As of December 31, 2008, SEC is contingently liable for guarantees of indebtedness up to a limit of ₩250,132 million for employees' housing rental deposits.

As of December 31, 2008, SEC is contingently liable for guarantees amounting to US\$21.6 million undertaken by Citibank relating to the guarantees for Samsung Electronics Latinoamerica, one of SEC's foreign subsidiaries.

As of December 31, 2008, SEC is providing a US\$23 million guarantee for Samsung Electronics Hungarian relating to the investment incentive contract with the Hungarian government.

In addition, as of December 31, 2008, the Company's overseas subsidiaries enter into "Cash Pooling Arrangement" contracts and "Banking Facility" agreements with overseas financial institutions to provide mutual guarantees of indebtedness.

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

- (B) As of December 31, 2008, SEC and its domestic subsidiaries have been insured against future contract commitments of up to ₩143,314 million. In addition, Samsung Card has been provided with a guarantee amounting to US\$3 million from Woori Bank, in relation to its payment to AMEX.
- (C) As of December 31, 2008, the Company has technical assistance agreements with certain companies requiring payment for use of the technology or from sales of products manufactured using such technology.
- (D) The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under finance lease agreements are included in property, plant and equipment with a net book value of ₩52,857 million (2007: ₩41,787 million). Depreciation expense for the finance lease assets amounted to ₩5,644 million (2007: ₩2,986 million) for the year ended December 31, 2008.

The minimum lease payments under finance lease agreements and their present value as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008		2007	
	Minimum Lease Payments	Present Values	Minimum Lease Payments	Present Values
Within one year	₩ 10,659	₩ 8,770	₩ 7,837	₩ 6,240
From one year to five years	32,866	25,045	26,678	20,576
More than five years	70,403	38,564	55,297	31,489
	113,928	₩ 72,379	89,812	₩ 58,305
Present value adjustment	(41,549)		(31,507)	
Financing lease liabilities	₩ 72,379		₩ 58,305	

- (E) In accordance with its risk management policy, the Company uses derivative instruments, primarily forward exchange contracts, foreign currency swap and interest rate swap contracts to hedge foreign currency exchange rate risks and floating interest rate exposures. The Company designates the forward exchange contracts as fair value hedges, and the foreign currency swap and interest rate swap contracts as cash flow hedges.

A summary of derivative transactions as of and for the year ended December 31, 2008 and 2007, follows:

(In millions of Korean won)

Type	2008			2007
	Asset (Liability)	Gain (Loss) on Valuation (I/S)	Gain (Loss) on Valuation (Equity)	Asset (Liability)
Forward exchange	₩ 59,105 (62,942)	₩ 58,383 (61,888)	₩ - -	₩ 14,825 (9,417)
Interest rate swap	₩ 502 (39,717)	₩ - -	₩ - (39,216)	₩ 13,898 (3,044)
Currency swap	₩ 122,385 -	₩ 131,832 -	₩ - (14,645)	₩ 2,149 (5,032)

Of the amounts charged to accumulated other comprehensive income in equity from the valuation of derivative instruments, a loss of ₩3,603 million will be realized by December 31, 2009.

- (F) The United States Department of Justice Antitrust Division (the Justice Department), European Commission and other countries' anti-trust authorities initiated an investigation into alleged anti-trust violations by sellers of TFT-LCD, DRAM, SRAM and Flash Memory, including the Company. Following the investigation by the Justice Department, several civil class actions were filed against the Company in the United States. As of balance sheet date, the outcome of the investigation and civil actions is uncertain and accordingly, the ultimate effect of this matter on the financial position of the Company cannot be determined.
- (G) Based on the agreement entered on August 24, 1999, with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, Samsung Motor Inc.'s creditors ("the Creditors") filed a civil action against Mr. Kun Hee Lee, former chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450 billion for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest.

On January 31, 2008, Seoul Administrative Court made the ruling on this case. Under the ruling, Samsung Group affiliates were ordered to pay approximately ₩1,634 billion to the Creditors by disposing 2,334,045 shares of Samsung Life Insurance (the "Shares") donated by Mr. Lee, excluding 1,165,955 shares already sold by the Creditors. If the proceeds from sale of Shares are not sufficient to satisfy their obligations, Samsung Group affiliates were obligated to satisfy the shortfall by either participating in the Creditors' equity offering or purchasing subordinated debentures issued by the Creditors. In addition, Samsung Group affiliates were ordered to pay default interest on ₩1,634 billion at 6% per annum for the period from January 1, 2001, to the date of settlement.

The Company, other Samsung Group affiliates, Mr. Lee, and the Creditors all have appealed the ruling, and currently, the second trial for this case is pending at Seoul High Court. The ultimate outcome of this case can not be determined at this time. Since the amount of Company's obligation is uncertain, the effects of this matter on the Company's financial statements can not be reasonably determined.

- (H) As of December 31, 2008, the Company has been named as a defendant in legal actions filed by 25 overseas companies including Sharp Corporation, and as the plaintiff in legal actions against 4 overseas companies including ON Semiconductor Corporation for alleged patent infringements.

In addition to cases mentioned above, the Company has been involved in various claims and proceedings pending in the normal course of business as of December 31, 2008. 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 financial position of the Company.

- (I) As of December 31, 2008, SEA and eight 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\$1,711 million can be sold. SEC and Living Plaza, one of SEC's domestic subsidiaries, have trade notes receivable discounting facilities with financial institutions, including Shinhan Bank with a combined limit of up to ₩718,000 million and a trade financing agreement with 23 banks including Woori Bank for up to US\$9,774 million. In addition, SEC has a credit sales facility agreement with two banks, including Woori Bank and an accounts receivable factoring agreement with Korea Exchange Bank for up to ₩150,000 million. In relation to the credit sales facility agreement with Woori Bank (up to ₩70,000 million) and Kookmin Bank (up to ₩200,000 million), SEC has recourse obligations on the receivables where the extensions have been granted on the credit periods. The Company also has loan facilities with accounts receivable pledged as collaterals with four banks, including Woori Bank, for up to ₩875,000 million.

In addition, SEMES and two other domestic subsidiaries have credit purchase facility agreements of up to ₩117,000 million with Korean banks, including Hana Bank, and S-LCD and two other domestic subsidiaries have general term loan facilities of up to ₩170,000 million with Korean banks, including Kookmin Bank.

(J) As of December 31, 2008, SEC's domestic subsidiaries have provided a blank note and two notes amounting to ₩30,000 million, to financial institutions as collaterals for bank borrowings and for the fulfillment of certain contracts, which do not have a direct adverse effect on the operations or financial position of the Company.

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

A transfer of the financial assets has been recognized as a sale, and accordingly has been derecognized from the financial statements. Total financial assets transferred amounted to ₩1,575,016 million for the year ended December 31, 2008 (2007: ₩852,750 million). As of December 31, 2008, ₩3,795,418 million (2007: ₩4,037,885 million) remain uncollected and outstanding with the financial institutions.

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 that are non-voting and entitled to a minimum cash dividend at 9% of par value. In addition, SEC is authorized to issue to investors, other than current shareholders, convertible debentures and debentures with warrants with face values up to ₩4,000 billion and ₩2,000 billion, respectively. The convertible debentures amounting to ₩3,000 billion and ₩1,000 billion are assigned to common stock and preferred stock, respectively. While the debentures with warrants amounting to ₩1,500 billion and ₩500 billion are assigned to common stock and preferred stock, respectively.

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

SEC is authorized, subject to the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. As of December 31, 2008, 8,310,000 shares of common stock and 1,060,000 shares of non-voting preferred stock had been retired over three tranches, with the Board of Directors' approval.

As of December 31, 2008, exclusive of retired stocks, 147,299,337 shares of common stock and 22,833,427 shares of preferred stock have been issued. The preferred stock 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.

SEC has issued global depository receipts ("GDR") to overseas capital markets. The number of outstanding GDR as of December 31, 2008 and 2007, are as follows:

	2008		2007	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Outstanding GDR				
- Share of Stock	3,402,937	8,661,570	3,459,872	10,629,358
- Share of GDR	6,805,874	17,323,140	6,919,744	21,258,716

21. RETAINED EARNINGS

Retained earnings as of December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008	2007
Appropriated		
Legal reserve:		
Earned surplus reserve ¹	₩ 450,789	₩ 450,789
Discretionary reserve:		
Reserve for improvement of financial structure	204,815	204,815
Reserve for business rationalization	9,512,101	8,512,101
Reserve for overseas market development	510,750	510,750
Reserve for overseas investment losses	164,982	164,982
Reserve for research and human resource development	26,936,458	22,936,458
Reserve for export losses	167,749	167,749
Reserve for loss on disposal of treasury stock	3,100,000	2,550,000
Reserve for capital expenditure	8,816,905	8,216,439
	49,864,549	43,714,083
Unappropriated	5,555,022	7,351,091
Total	₩ 55,419,571	₩ 51,065,174

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 through a resolution of the Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the shareholders.

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, 2008 and 2007, and as year-end dividends for the years ended December 31, 2008 and 2007.

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

(A) Interim Dividends

(In millions of Korean won and number of shares)

		2008	2007
Number of shares eligible for dividends	Common stock	126,968,200 shares	126,217,610 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate		10%	10%
Dividend amount	Common stock	₩ 63,484	₩ 63,109
	Preferred stock	9,927	9,927
		₩ 73,411	₩ 73,036

(B) Year-end Dividends

(In millions of Korean won and number of shares)

		2008	2007
Number of shares eligible for dividends	Common stock	127,035,908 shares	126,427,076 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate	Common stock	100%	150%
	Preferred stock	101%	151%
Dividend amount	Common stock	₩ 635,180	₩ 948,203
	Preferred stock	100,261	149,896
		₩ 735,441	₩ 1,098,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

(C) Dividend Payout Ratio

(In millions of Korean won)

	2008	2007
Dividends	₩ 808,852	₩ 1,171,135
Net income	5,525,904	7,425,016
Dividend payout ratio	14.64%	15.78%

(D) Dividend Yield Ratio

	2008		2007	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Dividend per share	₩ 5,500	₩ 5,550	₩ 8,000	₩ 8,050
Market price ¹	464,625	278,250	566,600	426,700
Dividend yield ratio	1.18%	1.99%	1.41%	1.89%

1. The average closing price for a week before 2 trading days prior to closing date of shareholders' list.

23. TREASURY STOCK

As of December 31, 2008, the Company holds 20,263,429 common shares and 2,979,693 preferred shares as treasury stocks.

24. STOCK-BASED COMPENSATION

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 and the number of outstanding stock options as of December 31, 2008 is as follows:

	Date of the Grant							
	March 16, 2000	March 9, 2001	February 28, 2002	March 25, 2002	March 7, 2003	April 16, 2004	October 15, 2004	December 20, 2005
Total grants	1,500,000	3,099,500	988,000	121,000	368,100	590,000	10,000	10,000
Forfeitures and exercises prior to 2008	730,644	1,996,796	457,681	38,318	167,978	53,061	2,800	-
Exercised during 2008	247,641	176,889	104,562	25,792	34,680	12,068	7,200	-
Outstanding stock options	521,715	925,815	425,757	56,890	165,442	524,871	-	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 ~10 years	3 ~10 years	2 ~10 years	2 ~10 years	2 ~10 years	2 ~10 years	2 ~ 4 years	2 ~10 years

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

2. All options currently in issue are fully vested.

25. INCOME TAX

Income tax expense for the years ended December 31, 2008 and 2007, consists of the following:

(In millions of Korean won)

	2008	2007
Current income taxes	₩ 1,198,146	₩ 1,833,087
Deferred income taxes	(507,963)	(95,524)
Items charged directly to equity	(2,622)	(27,671)
	₩ 687,561	₩ 1,709,892

The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company for the years ended December 31, 2008 and 2007:

(In millions of Korean won)

	2008	2007
Income before tax	₩ 6,577,775	₩ 9,632,873
Statutory tax rate	32.9%	33.1%
Expected taxes at statutory rate	2,161,473	3,193,028
Tax credit	(1,084,311)	(981,548)
Changes in tax rates	(34,444)	-
Others, net	(355,157)	(501,588)
Actual taxes	₩ 687,561	₩ 1,709,892
Effective tax rate	10.5%	17.8%

Deferred income tax assets and liabilities from tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2008, are as follows:

(In millions of Korean won)

	Temporary Differences			Deferred Income Tax Asset (Liabilities)				
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance	Current	Non-Current
Deferred tax arising from temporary differences								
Special reserves appropriated for tax purposes	₩ (1,455,564)	₩ 173,270	₩ (1,282,294)	₩ (400,280)	₩ 104,151	₩ (296,129)	₩ (154,271)	₩ (141,858)
Equity-method investments and others	(4,097,827)	(1,124,707)	(5,222,534)	(508,715)	(87,415)	(596,130)	-	(596,130)
Depreciation	(369,242)	310,779	(58,463)	(123,485)	68,982	(54,503)	15,995	(70,498)
Capitalized interest expense	(49,718)	5,691	(44,027)	(13,673)	3,988	(9,685)	-	(9,685)
Accrued income	(209,713)	(13,892)	(223,605)	(57,577)	3,513	(54,064)	(54,064)	-
Allowance (technical expense, others)	2,485,219	841,039	3,326,258	691,150	154,903	846,053	754,929	91,124
Deferred foreign exchange gains	20,959	7,443	28,402	5,840	1,680	7,520	5,630	1,890
Foreign currency translation	-	486,833	486,833	-	115,933	115,933	85,224	30,709
Impairment losses on investments	508,150	8,808	516,958	139,541	(25,718)	113,823	-	113,823
Others	1,115,978	734,838	1,850,816	258,692	263,561	522,253	473,480	48,773
	₩ (2,051,758)	₩ 1,430,102	₩ (621,656)	₩ (8,507)	₩ 603,578	595,071	1,126,923	(531,852)
Deferred tax assets arising from the carryforwards								
Undisposed accumulated deficit	₩ 3,226,268	₩ (772,852)	₩ 2,453,416	₩ 306,323	₩ (127,372)	178,951	77,464	101,487
Tax credit carryforwards	₩ 1,240,611	₩ 101,504	₩ 1,342,115	₩ 791,219	₩ 142,325	933,544	931,120	2,424
Deferred tax relating to items charged to equity								
	₩ (3,562,501)	₩ (1,615,393)	₩ (5,177,894)	₩ (755,003)	₩ 72,831	(682,172)	(2,920)	(679,252)
						₩ 1,025,394	₩ 2,132,587	₩ (1,107,193)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

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

(In millions of Korean won)

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

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

Temporary differences, whose deferred tax effects were not recognized due to the uncertainty regarding ultimate realizability such assets, as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008	2007
I. Deductible temporary differences		
Equity-method investments and others ²	₩ 588,783	₩ 422,188
Undisposed accumulated deficit	1,700,465	2,235,756
Tax credit carryforwards	305,227	413,966
Others	50,383	161,308
II. Taxable temporary differences		
Land revaluation ¹	(397,985)	(398,538)
Equity-method investments and others ²	(2,924,351)	(1,807,196)
Others	(201)	(344)

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

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

Deferred income tax assets and liabilities and income tax expense charged directly to equity as of and for the years ended December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008	2007
I . Deferred income tax assets and liabilities		
Gain (Loss) on valuation of available-for-sale securities and others	₩ (682,172)	₩ (755,003)
II . Income tax expense		
Gain on sale of treasury stock and others	₩ (2,622)	₩ (27,671)

26. EARNINGS PER SHARE

Basic earnings per share were computed using the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share include the additional dilutive effect of the Company's potentially dilutive securities including stock options.

Basic earnings per share for the years ended December 31, 2008 and 2007, is calculated as follows:

(In millions, except per share amounts)

	2008	2007
Net income as reported on the statements of income	₩ 5,525,904	₩ 7,420,579
Adjustments:		
Dividends for preferred stock	(110,188)	(159,823)
Undeclared participating preferred stock dividend	(637,556)	(825,162)
Excess payment for preferred shares over carrying value	-	(169,607)
Net income available for common stock	4,778,160	6,265,987
Weighted-average number of common shares outstanding	126,795,572	126,580,267
Basic earnings per share (in Korean won)	₩ 37,684	₩ 49,502

Diluted earnings per share for the years ended December 31, 2008 and 2007, is calculated as follows:

(In millions, except per share amounts)

	2008	2007
Net income available for common stock	₩ 4,778,160	₩ 6,265,987
Adjustment:		
Compensation expense for stock options	-	-
Net income available for common stock and common equivalent shares	4,778,160	6,265,987
Weighted-average number of shares of common stock and common shares equivalent ¹	127,963,702	128,075,176
Diluted earnings per share (in Korean won)	₩ 37,340	₩ 48,924

1. Common shares equivalent

2008	Number of Shares	Weight	Common Stock Equivalent
Stock options	1,168,130	366/366	1,168,130
2007	Number of Shares	Weight	Common Stock Equivalent
Stock options	1,494,909	365/365	1,494,909

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Potential common stock shares that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share for the year ended December 31, 2008, because they are anti-dilutive, are as follows:

	Exercise Period	Quantity	Exercise Price (Per share)
Stock options	April 17, 2006 ~ April 16, 2014	524,871 shares	₩ 580,300
Stock options	December 21, 2007 ~ December 20, 2015	10,000 shares	₩ 606,700

27. CONSOLIDATED COMPREHENSIVE INCOME

Consolidated comprehensive income for the years ended December 31, 2008 and 2007, consist of:

(In millions of Korean won)

	2008	2007
Net income	₩ 5,890,214	₩ 7,922,981
Changes in accumulated gain on valuation of available-for-sale securities, net of related income taxes of ₩371,759 million (2007: ₩338,645 million)	(660,687)	941,648
Changes in accumulated loss on valuation of available-for-sale securities, net of related income taxes of ₩30 million (2007: ₩211 million)	(28,799)	248
Changes in share of equity-method investees' accumulated other comprehensive income, net of related income taxes of ₩12,349 million (2007: ₩60,599 million)	5,737	109,633
Changes in share of equity-method investees' accumulated other comprehensive loss, net of related income taxes of ₩729 million (2007: ₩459 million)	(5,424)	35,870
Foreign currency translation adjustment, net of tax of ₩324,059 million (2007: ₩13,828 million)	2,735,128	525,538
Gain (loss) on valuation of derivative instruments, net of tax of ₩13,802 million (2007: ₩2,202 million)	(46,313)	5,761
Consolidated comprehensive income	₩ 7,889,856	₩ 9,541,679
Attributable to:		
Controlling interests	₩ 7,458,595	₩ 8,763,144
Minority interests	431,261	778,535
	₩ 7,889,856	₩ 9,541,679

28. INTER-COMPANY TRANSACTIONS

(A) Significant transactions between SEC and its consolidated subsidiaries, which have been eliminated during consolidation, for the years ended December 31, 2008 and 2007, and the related receivables and payables as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

Subsidiaries	Sales		Purchases		Receivables ¹		Payables	
	2008	2007	2008	2007	2008	2007	2008	2007
SJC	₩ 4,315,405	₩ 3,878,456	₩ 2,506,250	₩ 1,816,334	₩ 93,210	₩ 266,067	₩ 48,672	₩ 164,459
SLCD	2,056,610	1,272,134	3,879,111	2,401,750	861,718	618,180	295,930	270,395
STA	5,137,179	2,042,880	785,536	490,280	462,437	240,957	329,555	182,683
SET	5,495,042	4,846,588	943,183	749,573	212,309	389,544	5,811	31,958
SSI	6,666,062	6,339,597	48,213	32,249	561,770	537,142	15,458	-
SAPL	1,811,626	1,977,577	999,342	868,209	72,209	166,710	16,833	43,345
SEHK	2,684,351	2,602,602	1,416,165	1,251,867	292,780	305,260	7,130	67,928
SEA	1,090,980	681,968	2,375,123	1,588,155	24,773	136,749	68,949	58,545
SSEG	5,347,442	4,683,872	6,483	16,476	547,879	566,969	-	5,712
SEO	568,112	683,950	55,261	43,322	56,060	210,339	19,413	13,087
SEUK	1,687,522	1,275,001	291,741	128,178	30,794	24,554	100,428	46,473
SEF	1,556,652	1,149,175	99,795	26,613	163,232	100,131	33,204	14,228
SSEL	1,311,566	1,285,898	10,735	1,855	97,717	192,224	574	8
SII	737,947	697,578	5,507	21,106	63,881	81,189	1,141	320
SEI	578,121	478,643	131,800	38,400	10,628	33,078	61,078	26,220
SELS	561,185	361,466	9,393	8,378	123,956	68,825	196	1,466
TSTC	2,432,163	3,039,144	1,122,679	14,179	160,086	259,299	67,646	1,051
SESC	163,915	128,307	529,438	418,026	24,257	25,235	55,793	46,305
Others	14,973,998	12,055,982	11,295,168	5,689,401	2,077,204	1,586,341	1,545,259	926,603
	₩ 59,175,878	₩ 49,480,818	₩ 26,510,923	₩ 15,604,351	₩ 5,936,900	₩ 5,808,793	₩ 2,673,070	₩ 1,900,786

1. Include the sale of subsidiaries' receivables to third party financial institutions as of December 31, 2008 and 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

(B) Significant transactions among subsidiaries for the years ended December 31, 2008 and 2007, and the related receivables as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

Seller	Purchaser	Sales		Receivables	
		2008	2007	2008	2007
SESK	SELS	₩ 4,832,457	₩ 3,832,499	₩ 396,408	₩ 295,821
SII	SEA	5,117,141	3,180,049	8,142	106,428
SEH	SELS	2,656,769	1,800,663	162,888	157,534
TSTC	STA	57,826	1,216,822	66	22,088
SELS	SEUK	1,602,037	1,171,582	11,523	16,292
SELS	SEF	1,427,862	1,147,339	13,414	13,920
SSI	SII	2,087,497	1,017,949	105,602	70,869
SSKMT	STA	383,475	988,373	-	75,713
SSEG	SESK	1,437,963	943,860	159,960	81,362
SET	SESK	1,041,481	917,890	5,536	113,318
TSED	SCIC	556,563	845,589	55,270	63,120
SET	SEH	1,073,728	822,217	9,902	92,878
SELS	SEG	1,203,847	815,416	46,878	32,299
SELS	SEI	1,131,029	784,213	8,986	9,760
SET	TSED	721,469	693,862	16,983	74,450
Others		31,808,159	23,811,663	3,417,233	2,814,220
		₩ 57,139,303	₩ 43,989,986	₩ 4,418,791	₩ 4,040,072

The significant intercompany loans among subsidiaries for the year ended December 31, 2008, amount to ₩3,414,022 million (2007: ₩1,516,374 million).

29. RELATED PARTY TRANSACTIONS

(A) Significant transactions between SEC and equity-method investees for the years ended December 31, 2008 and 2007, and the related receivables and payables as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

Equity-method Investees	Sales		Purchases		Receivables		Payables	
	2008	2007	2008	2007	2008	2007	2008	2007
Samsung SDI	₩ 91,363	₩ 120,793	₩ 569,683	₩ 860,198	₩ 2,831	₩ 9,783	₩ 48,093	₩ 86,296
Samsung SDS	60,166	33,563	933,386	726,661	8,549	12,368	243,765	158,481
Samsung Electro-Mechanics	17,540	32,109	1,172,753	1,126,395	2,281	2,664	62,025	64,529
Samsung Corning Precision Glass	71,940	132,233	1,369,370	865,935	22,248	12,562	126,680	47,330
Samsung Techwin	77,804	66,099	507,263	448,501	24,985	22,520	88,973	31,413
Seoul Commtch	9,488	9,868	137,616	127,668	4,550	5,807	42,809	32,633
Others	126,854	115,354	353,786	252,222	29,534	37,844	86,137	43,650
	₩ 455,155	₩ 510,019	₩ 5,043,857	₩ 4,407,580	₩ 94,978	₩ 103,548	₩ 698,482	₩ 464,332

(B) Significant transactions between SEC subsidiaries and equity-method investees for the years ended December 31, 2008 and 2007, and the related receivables as of December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

Seller	Purchaser	Sales		Receivables	
		2008	2007	2008	2007
Samsung SDI	SII	₩ 300,780	₩ 415,381	₩ 3,209	₩ 14,174
SJC	Samsung SDI	230,836	236,834	52,276	20,248
Samsung SDI	SESK	212,763	292,685	3,398	16,142
SJC	Samsung Electro-Mechanics	141,404	109,669	13,282	11,925
SJC	Samsung Techwin	87,224	87,960	15,409	25,980
Samsung SDI	SDMA	82,969	53,971	4,928	1,434
Samsung Techwin	SELS	81,024	-	2,507	-
Samsung SDI	SESC	79,484	28,824	28,255	10,480
Samsung SDI	SJC	78,506	54,019	-	11,852
Samsung Techwin	SEA	64,845	-	544	-
Others		3,195,064	2,728,863	383,856	302,826
		₩ 4,554,899	₩ 4,008,206	₩ 507,664	₩ 415,061

30. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and expensed for the years ended December 31, 2008 and 2007, consist of the following:

(In millions of Korean won)

	2008	2007
Research expenses	₩ 2,677,815	₩ 2,353,844
Ordinary development expenses	4,380,095	3,720,115
	₩ 7,057,910	₩ 6,073,959

31. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2008 and 2007, assets and liabilities denominated in foreign currencies are as follows:

(In millions of Korean won and foreign currencies)

Account	Foreign Currency	Foreign Companies			Domestic Companies		
		2008		2007	2008		2007
		Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)
Cash and cash equivalent, and financial instruments	USD	1,072	₩ 1,348,191	₩ 827,532	708	₩ 890,384	₩ 684,564
	JPY	3,954	55,110	13,012	10,000	139,389	93,225
	EUR	356	632,326	623,082	-	-	56,967
	Others		1,929,356	1,372,737		-	338
			3,964,983	2,836,363		1,029,773	835,094
Trade accounts and notes receivable	USD	732	920,706	1,368,286	197	247,613	503,871
	JPY	93,541	1,303,857	973,027	2,567	35,778	27,148
	EUR	1,933	3,433,126	2,332,303	83	147,685	30,961
	Others		5,149,734	4,951,467		20,644	2,558
			10,807,423	9,625,083		451,720	564,538
Other assets	USD	389	488,873	261,912	384	482,825	298,564
	JPY	27,402	381,956	251,022	7,604	105,990	20,870
	EUR	92	164,146	150,645	68	120,970	41,253
	Others		916,842	331,463		6,069	6,676
			1,951,817	995,042		715,854	367,363
Total foreign currency assets			₩ 16,724,223	₩ 13,456,488		₩ 2,197,347	₩ 1,766,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Account	Foreign Currency	Foreign Companies			Domestic Companies		
		2008		2007	2008		2007
		Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)
Trade accounts and notes payable	USD	377	₩ 473,898	₩ 863,232	678	₩ 852,338	₩ 431,733
	JPY	66,231	923,185	956,493	18,820	262,333	275,803
	EUR	100	178,380	166,883	6	10,341	3,489
	Others		2,227,443	2,664,612		9,664	468
			3,802,906	4,651,220		1,134,676	711,493
Short-term borrowings (including document against acceptance)			4,109,022	1,878,552		2,990,203	4,323,095
Other current liabilities	USD	822	1,033,153	624,631	2,867	3,605,604	1,367,549
	JPY	11,903	165,918	65,491	21,729	302,878	164,699
	EUR	919	1,632,028	1,180,168	280	496,861	581,541
	Others		2,247,139	1,532,585		148,339	90,843
			5,078,238	3,402,875		4,553,682	2,204,632
Long-term other accounts payable	USD	50	62,876	93,820	253	318,078	293,824
	Others		97,827	102,433		4,608	24,618
			160,703	196,253		322,686	318,442
Foreign currency notes and bonds (including current portions)	USD	50	62,875	46,910	274	344,808	192,331
Long-term debts (including current maturities)	USD	512	644,090	42,943	250	314,375	290,842
	JPY	5,560	77,500	48,533	4,957	69,101	-
	Others		241,091	187,246		-	-
			962,681	278,722		383,476	290,842
Total foreign currency liabilities			₩ 14,176,425	₩ 10,454,532		₩ 9,729,531	₩ 8,040,835

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

Foreign currency translation gains and losses for the year ended December 31, 2008, amounted to ₩447,885 million and ₩1,070,358 million, respectively.

32. SEGMENT INFORMATION

A summary of consolidated financial data by industry as of December 31, 2008 and 2007, and for the years then ended, are follows:

(In millions of Korean won)

	Consolidated Balance Sheets by Industry			
	Non-financial Business		Financial Business	
	2008	2007	2008	2007
Assets				
Current assets	₩ 40,405,529	₩ 35,437,169	₩ 8,562,959	₩ 6,464,785
Investments	7,255,750	7,497,133	5,570,976	5,727,153
Property, plant and equipment	42,448,832	37,336,483	48,364	45,100
Intangible assets	741,346	645,247	45,943	59,429
Other non-current assets	1,465,850	1,394,431	205,393	197,410
Total assets	₩ 92,317,307	₩ 82,310,463	₩ 14,433,635	₩ 12,493,877
Liabilities				
Current liabilities	₩ 27,345,976	₩ 24,976,013	₩ 4,861,094	₩ 4,819,963
Non-current liabilities	4,366,119	3,492,217	5,803,507	4,115,035
Total liabilities	₩ 31,712,095	₩ 28,468,230	₩ 10,664,601	₩ 8,934,998

(In millions of Korean won)

	Consolidated Statements of Income by Industry			
	Non-financial Business		Financial Business	
	2008	2007	2008	2007
Sales	₩ 118,376,276	₩ 96,090,565	₩ 2,926,714	₩ 2,426,287
Cost of sales	88,526,410	69,940,425	1,236,017	939,409
Selling, general and administrative expenses	24,141,296	17,681,817	1,367,467	981,220
Operating profit	5,708,570	8,468,323	323,230	505,658
Non-operating income	10,860,880	4,157,704	68,562	183,424
Non-operating expenses	10,255,568	3,482,316	22,791	3,318
Income before income tax	6,313,882	9,143,711	369,001	685,764
Income tax expense	616,473	1,555,717	71,088	154,175
Net income	₩ 5,697,409	₩ 7,587,994	₩ 297,913	₩ 531,589
Attributable to:				
Controlling interests	5,525,904	7,420,579		
Minority interests	171,505	167,415		
	₩ 5,697,409	₩ 7,587,994		

The Company has following major business segments:

- Semiconductor - memory, system LSI and HDD;
- Telecommunications - handsets, network system and computers;
- LCD - liquid crystal display panel;
- Digital Media - TV, monitors, printers and digital appliances; and
- Others - financing, software, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating data according to business segment as of and for the year ended December 31, 2008:

(In millions of Korean won)

	2008 Summary of Business by Segment						
	Digital Media	Telecommunications	Semi-Conductor	LCD	Others	Elimination	Consolidated
Gross sales	₩ 90,443,226	₩ 64,676,221	₩ 41,760,580	₩ 42,707,995	₩ 26,465,381	₩ (144,759,084)	₩ 121,294,319
Intersegment sales	(48,251,458)	(30,107,544)	(19,407,221)	(21,190,427)	(16,965,796)	135,922,446	-
Net sales¹	₩ 42,191,768	₩ 34,568,677	₩ 22,353,359	₩ 21,517,568	₩ 9,499,585	₩ (8,836,638)	₩ 121,294,319
Operating profit²	₩ 396,183	₩ 2,976,174	₩ (1,970)	₩ 2,346,047	₩ 315,429	₩ -	₩ 6,031,863
Total assets	₩ 32,469,248	₩ 24,536,835	₩ 38,054,435	₩ 22,112,165	₩ 26,035,808	₩ (37,907,841)	₩ 105,300,650

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

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

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

(In millions of Korean won)

	2007 Summary of Business by Segment						
	Digital Media	Telecommunications	Semi-Conductor	LCD	Others	Elimination	Consolidated
Gross sales	₩ 66,207,662	₩ 47,293,364	₩ 41,765,150	₩ 32,500,801	₩ 20,824,646	₩ (110,083,806)	₩ 98,507,817
Intersegment sales	(35,687,457)	(20,599,036)	(19,433,649)	(15,438,278)	(12,840,379)	103,998,799	-
Net sales¹	₩ 30,520,205	₩ 26,694,328	₩ 22,331,501	₩ 17,062,523	₩ 7,984,267	₩ (6,085,007)	₩ 98,507,817
Operating profit²	₩ 1,094,989	₩ 2,892,246	₩ 2,347,239	₩ 2,115,629	₩ 523,183	₩ -	₩ 8,973,286
Total assets	₩ 23,605,531	₩ 25,954,291	₩ 35,051,679	₩ 17,750,581	₩ 16,380,645	₩ (25,367,591)	₩ 93,375,136

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

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

The presentation and classification of 2007 was revised for comparability with 2008 presentation.

Operating data of entities classified according to geographic area as of and for the year ended December 31, 2008:

(In millions of Korean won)

	2008 Summary of Business by Geographic Area							
	Korea		Americas	Europe	Asia	China	Elimination	Consolidated
	Domestic	Export						
Gross sales	₩ 21,398,073	₩ 69,074,728	₩ 45,246,448	₩ 54,416,816	₩ 29,242,661	₩ 46,674,677	₩ (144,759,084)	₩ 121,294,319
Intersegment sales	(5,935,230)	(60,976,594)	(19,804,936)	(20,186,680)	(10,053,631)	(27,802,013)	144,759,084	-
Net sales	₩ 15,462,843	₩ 8,098,134	₩ 25,441,512	₩ 34,230,136	₩ 19,189,030	₩ 18,872,664	₩ -	₩ 121,294,319
Operating profit	₩ 4,648,865		₩ 90,559	₩ 261,827	₩ 301,440	₩ 404,699	₩ 324,473	₩ 6,031,863
Total assets	₩ 94,013,961		₩ 18,887,777	₩ 13,927,357	₩ 7,218,168	₩ 9,161,228	₩ (37,907,841)	₩ 105,300,650

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

(In millions of Korean won)

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

The presentation and classification of 2007 was revised for comparability with 2008 presentation.

33. TRANSACTION NOT AFFECTING CASH FLOWS

Significant transactions not affecting cash flows for the years ended December 31, 2008 and 2007, are as follows:

(In millions of Korean won)

	2008	2007
Write-off of accounts receivables and others	₩ 502,243	₩ 483,841
Increase (decrease) in gain on valuation of available-for-sale securities	656,703	956,298
Increase in loss on valuation of available-for-sale securities	28,656	1,139
Decrease in gain on valuation of available-for-sale securities due to disposal	3,983	14,650
Decrease in loss on valuation of available-for-sale securities due to disposal	143	1,387
Increase in share of equity-method investees' accumulated other comprehensive income	7,111	109,633
Decrease in share of equity-method investees' accumulated other comprehensive loss	6,309	35,870
Current maturities of long-term prepaid expenses	217,812	168,268
Current maturities of long-term debts	71,465	72,520
Reclassification of construction-in-progress and machinery-in-transit to other property, plant and equipment accounts	10,297,439	11,834,995
Current maturities of other long-term liabilities	303,914	304,374
Current maturities of long-term advances received	168,650	171,383
Current maturities of long-term accrued expenses	270,702	433,943

34. SUBSEQUENT EVENT

Subsequent to December 31, 2008, Samsung Card, one of SEC domestic subsidiary issued unguaranteed bonds amounting to ₩310,000 million(bond issue number 1811 through 1820) as of the date of this report.

SHARES

Our shares are traded on the Korea Exchange under the symbol 005930 for common stock and 005935 for preferred stock. As of December 31, 2008, we had a total of 147,299,337 common and 22,833,427 preferred shares issued and outstanding. All shares have a par value of KRW 5,000. For the convenience of international investors, we have also issued global depository receipts. Our common and preferred GDRs are traded on the London Stock Exchange under the symbols SMSN LI and SMSD, respectively. Our preferred GDRs are also traded on the Luxemburg Stock Exchange under the symbol SAMDR. We currently have a total of 17,323,140 GDRs outstanding, representing 8,661,570 common shares.

DIVIDENDS

In 2008, we declared a common share dividend of KRW 5,500 and a preferred share dividend of KRW 5,550. The total dividend payout was KRW 808.9 billion, representing a dividend payout ratio of 14.64%. In light of slowing revenues and growing uncertainty brought on by the global economic downturn, we made the decision to suspend our ongoing share repurchase program. Accordingly, we repurchased no shares during the year.

INVESTING IN SAMSUNG

Investors residing outside of Korea have the option of investing in us through any Korean securities firm or by purchasing global depository receipts on major international markets. For more information about our GDRs, please contact Citibank Shareholder Services in the US at 877-248-4237 (inside the US), 1-781-575-4555 (outside the US), or by e-mail at Citibank@shareholders-online.com.

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INVESTMENT DISCLAIMER

This report may contain certain forward-looking statements that reflect our current views and expectations with respect to our 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 we express in this annual report. In no event will we or any of our subsidiaries, affiliates, directors, officers, agents, or employees be liable before any third party, including investors, for any investment or business decision made or action taken based on information and statements contained in this annual report or for any consequential, special, or similar damages.

ADDITIONAL INFORMATION

We invite you to visit www.samsung.com for the latest Samsung product information and news. Our investor relations site at www.samsung.com/ir has all the latest investor news and information. If you have additional inquiries, please contact us via the online form at our site.

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