

SAMSUNG ELECTRONICS

ANNUAL REPORT 2006



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

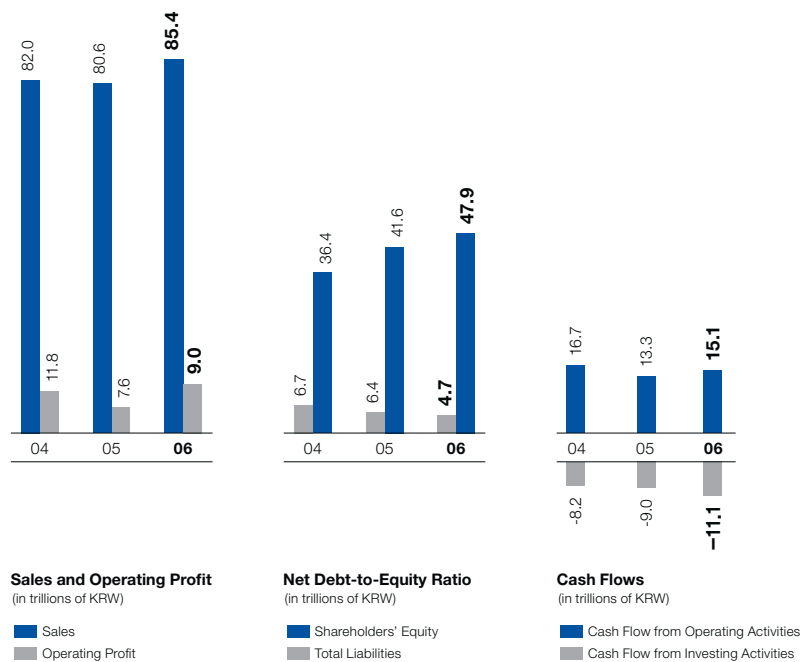
This annual report includes "forward-looking statements" which relate to future events, and can be generally identified by phrases containing words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," or other words or phrases of similar meaning. These forward-looking statements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

Please understand that although SEC has made careful efforts regarding the accuracy of the contents contained in this annual report, these statements are subject to a number of risks, uncertainties, and assumptions, any of which could cause actual results to materially differ from the plans, objectives, expectations, estimates, and intentions expressed in this annual report as described above. Therefore, no SEC and any of its subsidiaries, affiliates, directors, officers, agents, or employees assumes any liability caused by these forward-looking statements, and shall be liable to any third party, including investors, for any damages resulted from an investment or business decision made based on the information contained in forward-looking statements of this annual report. All risks in making an investment or business decision based on the information contained in the forward-looking statements shall be entirely assumed by you. All the financial data in this report are from the consolidated financial statements.

2006 Financial Highlights

Samsung Electronics and Consolidated Subsidiaries

	2004	2005	2006
Income Statement			
	(in billions of KRW)		
Sales	81,963	80,630	85,426
Operating Profit	11,761	7,575	9,008
Net Income	10,790	7,640	7,926
Balance Sheet			
Total Assets	69,005	74,462	81,366
Total Liabilities	32,604	32,854	33,426
Shareholders' Equity	36,400	41,607	47,940
Cash Flows			
Cash Flow from Operating Activities	16,744	13,329	15,081
Cash Flow from Investing Activities	(8,183)	(9,046)	(11,098)
Cash Flow from Financing Activities	(9,639)	(3,266)	(3,889)



Performance Summary by Business

Business



Digital Media



Telecommunication Networks

Net Sales and Operating Profit

(in trillions of KRW)

■ Net sales
□ Operating profit (loss)



Description of Business

Our Digital Media business holds the top share of the world digital TV market. We also produce color monitors, DVD and Blu-ray disc players, notebook PCs, printers and portable entertainment devices such as digital camcorders and MP3 players.

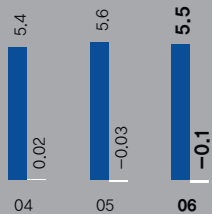
Our Telecommunication Networks category includes both mobile phones and telecommunication systems.

A premium brand image and distinctive designs have elevated Samsung to one of the world market leaders. We have also led the standardization of next-generation mobile phone technologies such as Mobile WiMAX.

2006 Highlights

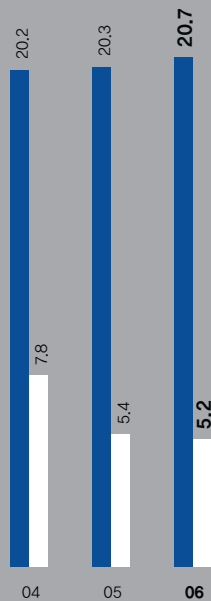
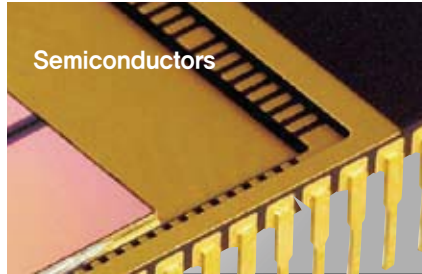
We achieved the top global market share (in terms of both revenue and units sold) for digital TVs for the year. Overall TV sales broke US\$10 billion, an industry record. Our new-style LCD TVs line, which have been hugely successful since their March launch, were followed by a new line of full-HD LCD TVs in the second half. Our plasma TVs have also been very well received in the marketplace.

We sold 118 million mobile phones in 2006, reaching a new record. Our market position has been bolstered by the very popular Ultra Edition series of ultra-slim mobiles as well as by our phones with mega-pixel camera, mobile TV and multimedia phones models that support WCDMA or HSDPA. As for telecommunication systems, we have commercialized Mobile WiMAX technologies for broadband mobile services.



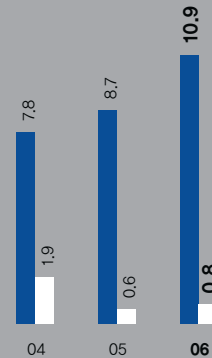
Our Digital Appliance business makes premium refrigerators, air conditioners, washers, ovens, vacuum cleaners and other appliances that are indispensable for modern homes. Distinctive designs and innovative technologies are leveraged to create new kinds of added value, offer products that meet customer needs and make Samsung a market leader.

We made significant progress at the high end of the appliance market in 2006. J.D. Power and Associates ranked Samsung side-by-side refrigerators first on its customer satisfaction survey for the second straight year. The Samsung Quatro (4-door refrigerator) won a "Best of Innovations" Award at CES 2006, was named a "Cool Must-have Gadget" by *Time* magazine, and received the Good Buy Award from *Good Housekeeping* magazine.



Our Semiconductor business consists of three major divisions: Memory, System LSI and Storage. We boast the world's most advanced DRAMs, SRAMs, NAND flash memory chips and display driver ICs. We have been the world's foremost maker of DRAMs for 15 years and continue to be first to introduce the next generation of semiconductor chips.

Sales of high-capacity devices grew from the application of 90nm and 80nm processing to our DRAM lineup and 60nm processing to our NAND flash memory products. We also maintained solid profitability by diversifying the portfolio with unique DRAM versions for mobile, game and graphics applications as well as with NAND flash memory devices and multichip packages. In the system LSI segment, we grabbed the top share of the market for smart card ICs used in European mobile phones and for CPUs used in automobile navigation systems.



Our portfolio includes LCD panels for TVs and desktop monitors as well as various display panels for mobile products. By investing in next-generation production facilities ahead of the competition, we have remained the world's top LCD producer for the past five years. Our position is particularly dominant in the segment for LCD TVs of 40" or larger.

We became the first to commercially mass-produce a 70" LCD panel and operate the world most advanced, 7th-generation LCD production lines. Moreover, we have announced plans to establish an 8G LCD line at our joint venture, S-LCD.



Moving forward with creative innovations and a challenging spirit.

Samsung Electronics is now firmly established as a leader of the digital convergence revolution, and we are happy to report our performance in 2006. Our sales topped KRW85 trillion, with net profit reaching KRW7.9 trillion. We have also maintained a solid financial structure, with 17.7% ROE on a consolidated basis. Importantly, we returned about 33% of net profit to shareholders, paying out a dividend of KRW5,500 a share and buying back about KRW2 trillion of company stock.

We continue to engage in diverse marketing activities to elevate brand value and position ourselves in the premium product segment. As a result, our global stature has continued to rise. For example, value of the Samsung brand rose from US\$15 billion in 2005 to US\$16.1 billion in 2006 in the Brand Value Survey conducted by *Businessweek* magazine and Interbrand. That means our brand is now placed 20th among all corporations in the world and 7th in the IT sector. Samsung Electronics is also ranked 27th in the world on *Fortune* magazine's list of Global Most Admired Companies.



We organized our first Analyst Day in Seoul in 2005 and the Samsung Tech Forum in Singapore in 2006. These highly successful events—the first of their kind in Asia—help our investors and shareholders to better understand the core competencies of each business division and the direction in which our technology development is heading over the mid-/long term. Moreover, the market as a whole now has greater confidence in our potential for steady growth. As a result, leading business journals such as *Finance Asia* and *Asia Money* have rated Samsung among the very best in terms of investor relations and corporate governance.

However, the challenges and changes we face domestically and overseas grow ever greater, and we are well aware that no company has remained at the apex forever. We also understand that Samsung Electronics is no exception.

Therefore, we are not complacently satisfied with today's achievements and continue to take on challenges and implement creative innovations to reap greater results tomorrow. We must harbor great ambitious and vision to qualify as one of the world's truly leading companies. We now sit at the top of our industry, and our competitors around the world watch our every move. As we fend them off, we continue to develop our own technologies and management systems to maintain a unique competitive edge. We are taking on the challenge of the future with creative ideas and innovation. Moreover, we work tirelessly to enhance your future, as Samsung Electronics shareholders.

We are reinventing ourselves as a world leader through conviction and enthusiasm for the future, creative innovation and the willingness to take on any challenge. Keep your eye on us and you will not be disappointed.

Strengthening our foundation
as a world-leading company
with creative innovation and
financial soundness.

To Our Customers, Business Partners and Shareholders :

The global economy had been growing solidly for several years but has showed signs of a steady slowdown since the second half of 2006, particularly in the US. The Korean economy has been plagued by destabilizing factors internally and externally.

Samsung Electronics has responded to the adverse conditions with the ultimate cost competitiveness and management innovations aimed at enhancing speed and efficiency. As a result, we managed to achieve KRW7.9 trillion in net profit on sales of KRW85 trillion. We have proven once again our ability to generate a profit with unique products, technologies and marketing approaches, and I thank you, all the customers, business partners and shareholders, for your support and faith in us.

2006 Results and Analysis

Realizing substantial returns from ongoing investments in strategic businesses

Our semiconductor operations have been boosted by robust DRAM sales. Despite plummeting prices for NAND flash memory chips, we have continued to cut production costs and have maintained the highest profitability among the world's chip makers. In the mobile phone segment, meanwhile, our new Ultra Edition series has led the trend toward ultra-slim models and further solidified our premium brand status. Competition in the LCD segment is intense, but our ongoing investments showed tangible results in 2006. Though the overall LCD industry has been in a bitter struggle as LCD panel prices plummet, we managed to realize excellent profits and maintain our lead in the over 40" LCD panel market for use in TVs.

At the same time, we became the world market leader in flat panel TVs, comprising both LCD and plasma TVs, and we also had the highest share of the overall TV market. Our new Bordeaux LCD TV line has been very well received globally and has significantly boosted our position as one of the world's top brands.



Strengthening core competitiveness for the future

We continue to hire and cultivate topnotch R&D engineers to be ready for the future, and 26% of our entire workforce is engaged in research and development activities. Our emphasis on research allowed us to register more than 2,400 new patents in the US during 2006, rising three notches from the fifth most US patents in 2005 to second place in 2006.

We also demonstrated our world-class status in the IT sector during 2006. Our next-generation technology was applied to develop the world's first 1GB DRAM using 50-nanometer production processes and 32Gb NAND flash memory with 40nm processing. In addition, we commercialized Mobile WiMAX, a next-generation wireless communication system.

2007 Business Environment and Management Strategies

The economic outlook for 2007 is not very encouraging. Many are concerned about a global market slowdown because the US economy appears sluggish and local wars around the globe continue. Meanwhile, the Korean market situation is likely to be just as difficult in 2007 as it was in 2006. Samsung took advantage of the transition from analog technology to digital ahead of its rivals to rise in the ranks as a global player. However, many challenges lie ahead. For example, growth has slowed in recent years; revenue has been mainly concentrated in certain business areas, and performance can be adversely affected by external circumstances. Amid such conditions, competition over market leadership has intensified and market latecomers in China and elsewhere are now in hot pursuit of the leaders. Ever alert for a possible challenge, we are focused on strengthening the financial soundness of Samsung Electronics. We are also going all out to secure creative leadership in technologies, markets, and products in order to maintain our growth momentum.

All our people are working in solidarity to make the impossible possible and to turn crisis into opportunity. We are using our creative ideas and innovations to further strengthen our foundation as a world-leading company.

Creating innovative products to lead the market

Creating innovative products that can lead the market starts by understanding markets and customer needs ahead of the competition and by shifting paradigms of conception. Samsung Electronics has led the development of new markets by coming up with unique products and technologies such as the Bordeaux TV line, next-generation NAND flash devices and Mobile WiMAX. We will continue to devise product innovations and develop market-leading, premium concepts that cannot be imitated. We are bolstering our abilities to create new markets and to differentiate ourselves fundamentally so that we can pioneer new businesses that lead future growth. Finally, we are generating added value through synergy among our organizational units.

We are strengthening our abilities to "sense" the right technologies for the future and to secure new technologies systematically. We are also upgrading our expertise in developing designs, user interfaces and solutions to project a unique Samsung identity, bolster patent competitiveness and establish new technology standards. In this way we will endeavor to fundamentally stand out from the competition.

We are creating new product value by discovering latent market needs and emotional factors linked to products. At the same time, our intangibles (brand, design, and marketing) are improving to make customers more deeply impressed with and prouder to own our products. We are elevating our status as a premium brand so that we can lead new market segments. We are also leading competitiveness in convergence products with close cooperation among our businesses.

Building a platform for sustainable growth

We will maintain our creative leadership to maximize profits in 2007. In our mainstay product lines (memory chips, LCDs, mobile phones, flat panel TVs), we will remain the most competitive and develop our competitiveness further by introducing new concepts first in the market and by controlling costs. In addition, our printers, Mobile WiMAX and other future growth engines will be made competitive as quickly as possible, while our next-generation Blu-ray products and system-on-a-chip devices will be fully established in the marketplace. In home appliances, we are also bolstering our competencies in premium products and securing quality competitiveness in this area.

Internalizing operational efficiency

Competition among companies is both severe and relentless today, while falling retail prices and an appreciating Won currency weaken our competitiveness. This is a major problem that simply must be overcome for Samsung Electronics. Therefore, now is the time for us to secure the ultimate cost competitiveness and the speed to address changes in the business environment ahead of everyone else. Our price structure is being streamlined so that we can turn a profit under any condition, and highly efficient work processes are being adopted. We are also building a superior supply chain management system that cannot be imitated by our competitors.

Our R&D effectiveness and speed are being raised through joint research with external institutions, and we aim to secure technological leadership by being the first to develop core technologies. We are fostering a work atmosphere built on trust and harmony. Our organizational culture encourages employees to take on challenges without the fear of failure, while changing and improving constantly. The group of core personnel continues to expand and specialists are being trained for each area of business. The speed of decision making continues to accelerate as well.

We understand that the trust and loyalty of customers, business partners and shareholders alike are the greatest force that can transform us from being a world-class company to one of the world-leading companies. Aware that generating maximum profits is the only way to increase shareholder value, we pledge to work hard in order to be financially strong in 2007 and fulfill our social obligations as a corporate citizen.



Jong-Yong Yun

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

WIDE+SLIM

Get a wider view of the world from a slimmer device: Say good bye to the bulging pockets that cramp your style. Slimness is not only good for waistlines. You don't have to go to the stadium to enjoy your favorite football. Just switch on your TV. "Wider is better" does not only pertain to living rooms.



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The wider the screen, the greater the impact will be. Wide screens provide a more realistic experience and give you more information at a glance. Slimmer products are easier to carry around. Samsung Electronics helps you communicate with the world on wider displays and the world's slimmest mobile phones.

Ultra Edition 5.9

At 5.9mm, the Ultra Edition 5.9 is the world's slimmest phone, yet it is surprisingly durable thanks to the magnesium and fiberglass casing. The impressive design and ease of use make this phone a favorite of customers everywhere.

102" Plasma TV

This incredibly large TV screen boasts true high-definition image quality. Progressive scan delivers a brighter screen, lifelike images and very high contrast ratio. Samsung's proprietary Digital Natural Image engine (DNIe™) can reproduce a color gamut of 68.7 billion.



Blackjack

Samsung's Blackjack is the first HSDPA smartphone launched in the US. Despite the ultra-slim (11.8mm) profile, you get an impressive suite of advanced functions and features, including QWERTY keypads, 2.3" LCD, 1.3M-pixel camera with camcorder capability, MP3 player, external memory slot and Bluetooth wireless connectivity.



SMART+SIMPLE

Do more with less: If you are a professional, you need to carry professional electronic gadgets. You can now vacation in the South Pacific and still take care of all the urgent business as handily as if you were in the office. Now, isn't that something?



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Wouldn't it be great to have a single gadget that can do everything you want?
Would it be even better if that gadget were highly portable?
Samsung Electronics is leading the market by introducing state-of-the-art
convergence products that are easy to use by anyone at any time, anyplace.



Q1 Ultra
The light and compact Ultra Mobile PC comes with split-QWERTY keypads and stylus pens to facilitate composing email or inputting data. The lithium-ion battery lasts 4.5 hours on a single charge, and the device supports 3.5G communications.

BIG + SMALL

More memory with greater efficiency: The small human brain possesses an unlimited world of creativity. We continue to advance our technology to store more data in less space. These efforts are changing the world at a dizzying pace.

40nm 32Gb NAND Flash Memory

When circuit density drops below 50 nanometers, noise among transistors will cause operational errors. We have solved the problem with our revolutionary charge trap flash (CTF) architecture, which stores the electric charge in a non-conductive layer of flash memory. With 40nm processing technology, we have opened a new chapter in the history of semiconductor manufacture.



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Samsung Electronics continues to lead the semiconductor industry. Our 40nm 32Gb NAND flash memory chip packs 32.8 billion transistors, about five times the number of people in the world, into an area the size of your thumbnail. One 32GB memory card using eight 32Gb NAND flash memory chips can store over 32 hours of DVD quality video.

* 1 nanometer equals one billionth of a meter

COOL+CLEVER

Smart looks and intelligent operation: Our homes are undergoing some amazing changes, with appliances getting more stylish and more capable of making their own decisions. Indeed, appliances are replacing wallpaper and furniture as the centerpiece of interior décor. Their functions are starting to rival that of computers.





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Creative and innovative technologies are changing how people live. Our premium appliances are making life more pleasant for customers and receiving high marks for performance, ease of use, attractive designs and quality.

VRT™ Front Loading Washer
Samsung combines style, stealth and substance with its new VRT™ (Vibration Reduction Technology) front loading washing machine. Our breakthrough technology reduces the vibration and noise from unbalanced loads during the spin cycle.

French Door Refrigerator
Customers are in love with this premium model for its roomier interior and enhanced energy conservation. The freezer is large enough to store giant pizzas, and the exterior will grace any kitchen.



JAN

- **The world's fastest HSDPA phones and system developed.**
Downloads at 3.6Mbps
- Super Music Phone named the "Best GSM Phone of the Year" by the UK press.
- "Super-reflective (SR)" LCD with transfective panel completed.

FEB

- A single LCD TV line breaks 1 million in units shipped.
- Industry's first Nemko RoHS certification acquired.
- 1GB MMCmicro (multimedia card) developed.
- **SGH-Z150, world's slimmest 3G phone, introduced.**
Only 9.8mm thick
Supports conference calls, VOD streaming and multimedia messaging services
- First terrestrial DMB phone launched in Europe.
- **512Mb GDDR4, the world's fastest DRAM, completed.**
Boasts 80nm circuitry and processes data at 12.8GBps.
- World's first ultrasound tablet monitor launched.

MAY

- Bordeaux named "Super TV" in Europe and "Best TV" in US.
- Next-generation HSDPA phone launched.
- Mobile WiMAX awarded at World Forum.

JUN

- **BD-P1000, world's first Blu-ray disc player, launched.**
Plays BDs, CDs and DVDs.
- Ultra Edition, a premium mobile phone series, launched.
- First HSDPA phones released in US.
- Samsung honored as "Top TV Brand" in US.

SEP

- **World's first "intelligent" DDI completed.**
Features image improvement algorithm, automatically measures ambient light and adjusts backlight brightness
- **New-concept CTF technology developed for NAND flash memory.**
Lower production cost by 20% reduction in manufacture processes.

OCT

- World's first mobile phone with 10M-pixel camera released.
- 3GPP conference on global standards held.

MAR

- World's smallest multifunction laser printer released.
- First WCDMA phones released in N. America.
- Super Music Phone II, world's first with 8GB hard drive, introduced.
- **First DRAMs mass-produced with 80nm processing.**
80nm design rule applied to 512Mb DDR2 DRAM
Yield about 50% better than 90nm processing provides.
- **Sens Q35, world's smallest notebook PC with dual core processor, released.**
Powered by Intel 1.66GHz Core 2 Duo
Features 12.1" wide LCD, weighs only 1.89kg.

APR

- World's first UMTS/mediaFLO mobile phone successfully demonstrated.
- Premium Bordeaux LCD TV series launched.
- Ultra-slim mobile phone named "Best Cellphone" at CTIA 2006.
- First 3G DVB-H-enabled phones released in Europe.

JUL

- Phone with Braille keypad and display received Gold Award at IDEA 2006.
- World's slimmest satellite DMB mobile phone released.
- **World's fastest memory card completed.**
Uses NAND flash memory
Reads at 40MB/s, writes at 25MB/s

AUG

- **World's smallest 1Gb DRAMs mass-produced.**
1Gb DDR2 DRAM with 80nm processing
11 x 11.5mm package half the size of 1Gb DDR2 using 90nm processing
- Mobile WiMAX contract signed with Sprint in US.
- 4G Forum held.

NOV

- **CLX-3160FN, world's smallest 4-in-1 color laser printer, released.**
Smallest form factor, quietest operation
- World's first 16-chip multi-stack package technology developed.
- World's largest-capacity SIM card released.
- **Industry's slimmest (0.82mm) LCD completed.**
Proprietary i-Lens technology for enhanced readability and impact resistance.
- Ultra Terrestrial DMB Phone released
- Blackjack released in US.

DEC

- World's first touch-screen display driver IC developed.
- Samsung's unique OneDRAM™ fusion memory chip completed.
- **Quatro received Good Housekeeping's Good Buy Award in US.**
4-door, side-by-side refrigerator with separately controlled cooling for all four compartments
- World's first 1Gb mobile DRAM developed.
- Ultra Edition HSDPA Phone released.



We are ready for the future with our creative innovations.

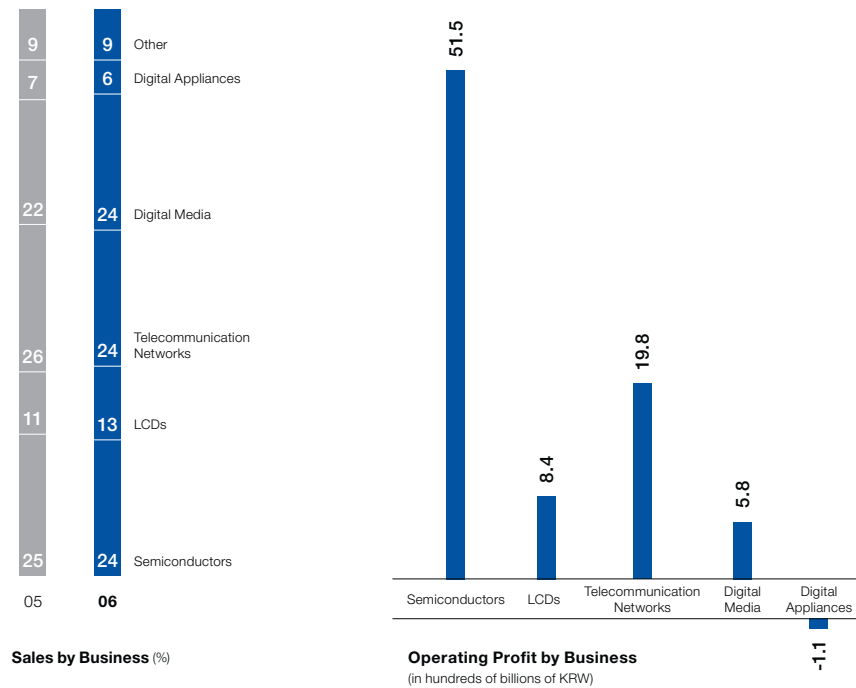


Creative innovations and a challenging spirit are powerful tools. We are emerging as a global leader by taking on every challenge, remaining passionate and creating new concepts for the future.

The latest products on display at M Zone in Seoul: We constantly study customer needs and sentiments to create new value.

Business Overview

(a consolidated basis)



Emerging as an industry leader

Samsung Electronics is organized into five major businesses: Semiconductors (memory chips, system LSI devices and hard disc drives), LCDs (TFT-LCD products in various applications), Telecommunication Networks (mobile phones, telecommunication systems), Digital Appliances (washing machines, refrigerators, air conditioners and system cooking) and Digital Media (TVs, audio/video products, PCs and computer peripherals). To pursue excellence, each business unit is responsible for its own performance and every effort is being made to bolster the synergy among these businesses.

We performed well in 2006, thanks to strong results from our mainstay product lines.

The Semiconductor business remained unchallenged as the world's largest memory chip maker.

The LCD business was the most profitable among the world's LCD makers, increasing its dominance of the TV panel segment. The Telecommunication Network business successfully promoted the global spread of Mobile WiMAX (wireless broadband) technology. We also became the first company ever to break US\$10 billion in annual TV sales and now hold the top share of the world TV market in terms of units sold as well as sales revenue.

In the future, our people will apply creative thinking and a challenging spirit to break into new business areas. We will leverage industry leading technologies and differentiated products to cultivate a world-leading brand that generates value.

Creative products to lead digital convergence

The days are gone when a product had just one function. Convergence was sparked by digital technology but is now a trend, moving beyond technology to penetrate people's daily lives in many ways. Samsung Electronics has been directing the spread of digital convergence by developing innovative products that shape new lifestyles and by providing the cutting-edge technology to accelerate the convergence trend. We are now emerging as the maker of the world's most competitive digital products for home, mobile and office applications.



Samsung LCD TV

The world's premiere digital media brand

Our Digital Media business is well established in both the audio/video and IT sectors and consists of four major divisions: Visual Displays, Digital Audio-Video, Printing and Computer Systems. We are the world's top seller of TVs, and our distinctive product selection ranges from LCD monitors, printers, DVD and Blu-ray disc players, digital camcorders, home theater systems and MP3 players to personal computers.

Competitiveness in products, solutions and services

Samsung Electronics enjoys a competitive edge in products, solutions and services—the three key factors to success in the IT sector and a prerequisite for breaking into the corporate market. We continue to elevate our brand name in the IT segment as we contribute to the advancement of TVs and mobile phones. At the same time, we are introducing a steady stream of creative and innovative printers, PCs and LCD monitors. Now we are also entering into the B2B market, boosting sales volume and profitability at the same time.

The top market share in TVs amid intense competition

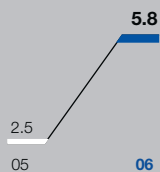
TVs are one of the most important segments of the electronics industry, with global demand reaching 194 million sets in 2006. The Korean TV market penetration rate reached 100% (i.e. at least one TV in every household) in 2000, and the penetration rate in other developed markets exceeds 90%. However, rapid growth momentum has returned with the introduction of digital broadcasting as well as demand for large-screen TVs with higher image quality.

The arrival of the flat panel TV has taken away market share from the conventional TV models, and customers now have a wide range of choices. Price competition is severe as rival TV brands vie for market share, while smaller players from China and non-brand TVs are also making their presence in the market.

As all TV makers struggle for survival by securing market share, we apply our distinctive technologies, designs and marketing approaches to strengthen our preeminent position in flat screen TVs. We will continue to widen the lead over our competitors in 2007 to become the world's undisputed top TV brand.



Net Sales (in trillions of KRW)



Operating Profit
(in hundreds of billions of KRW)

Our premium LCD TVs, full-HD LCD TVs and plasma TVs have been enthusiastically received, cementing our market position.

US\$10B in TV sales for the first time ever

The flat panel TV market, where both LCD and plasma TVs are major segments, is experiencing explosive growth, and TV makers are engaged in an unprecedented price war. Yet, we have managed to lead the global TV market by responding to diverse customer needs with a portfolio that includes LCD, plasma, projection and cathode ray tube (CRT) TVs.

In 2006, our TV operation reached new heights as we secured the top share of the world TV market in both sales revenue and units sold. This was our best performance since we began making TVs thirty-four years ago. Also in 2006, Samsung became the world's first to break the US\$10 billion mark in annual TV sales, a record that is more than 60% higher than the US\$6.5 billion figure we posted in 2005. This averages out to US\$27 million worth of Samsung TVs being sold each day throughout the year.

In March 2006, we introduced our new-style LCD TVs, which became a mega-hit with 3 million units sold over 12 months. We also launched full-HD LCD TVs and new plasma TVs during the second half, and their enthusiastic reception in the marketplace has elevated our global leadership still further.

Samsung Electronics launched diverse AV and IT products that were either the world's first or world's best in 2006. Our lineup of innovative products, including the world's first Blu-ray disc (BD) player, referred to as the "next-generation DVD player," can lead to exciting lifestyle changes for customers. We also came out with the new-concept K5 MP3 player with a "slide and tilt" speaker, the world's smallest color laser and multifunctional printers, and the Q1, the world's first ultra-mobile personal computer (UMPC).

Importantly, the printer business has emerged as one of our new growth engines. We secured the top share with 6.5% in the global market for all-in-one mono laser flatbed printers. By 2010, we aim to be among the top-tier players in the world printer market, with a market share of 10 to 20%.

Stronger competitiveness to lead the global market

Having achieved the highest share of the world TV market in 2006, we plan to strengthen our position by widening our lead over the second-place TV maker in 2007. To this end, we will continue to apply differentiated technology, design and marketing approaches. We will also maintain our leading position in the flat panel TV market, expanding our lineup of full-HD TVs with screen sizes of 40" or larger.

Samsung Electronics regained the top spot in the Korean MP3 player market in 2006 and will extend our lead in 2007 by introducing differentiated products. At the same time, we plan to increase the number of countries in which we hold the highest share of the MP3 player market. An upgraded BD player will also be launched with improved functions at a more affordable price, helping us to solidify our leadership in the next-generation DVD player market.

We are planning to pursue the B2B market aggressively in 2007. The B2B business currently accounts for only 30% of our total sales. The IT market consists of PCs, printers, servers, monitors, storage devices and network hardware, and is estimated to be worth US\$124 billion in 2007. About 90% of this total is transacted B2B, which means that the growth potential is huge for Samsung.

We will step up our involvement in the B2B IT market by improving product competitiveness, acquiring the solutions that corporate customers need, and enhancing the quality of related services. We will substantially increase investment to enhance the Samsung brand in the IT product segment and plan to make Samsung IT products one of three main drivers of brand value, along with TVs and mobile phones. We plan to make Samsung IT products become one of three main drivers elevating brand value of Samsung Electronics.

The Digital Media business broke KRW20 trillion in sales on a consolidated basis for the first time in 2006. We expect 2007 to become the first year that this business reaps a profit of more than KRW1 trillion.

Premium LCD TV for 2007

The aesthetic design of our latest LCD TV is inspired by the shape of a wine glass, and the 2007 edition is more beautiful than ever. The soft and transparent lines of the lower bezel and the blue LED illumination will enhance the interior décor of any home.

The contrast ratio is increased 60% over the 2006 model to 8000:1, and the wide color control feature expands the range of blue and green tones for more realistic color to enhance the overall image clarity.

The premium LCD TV series swept the market in 2006, and the improved 2007 models will make Samsung the slim LCD TV of choice.



BD-P1200 Blu-ray Disc Player

We were the first to offer the Blu-ray disc player. The BD-P1200 is a 2nd-generation model that boasts improved features at an affordable price tag. The Hollywood Quality video (HQV) processing and HDMI 1.3 output provide better image and sound quality. The remote control unit features Anynet+ technology that allows it to operate the BD-P1200 as well as all other audio/video products.



YP-K3 MP3 Player

This slim (6.95mm) MP3 player comes in a sleek, high-gloss casing. The soft-touch keypad; smooth, glass-like front surface; simple and aesthetic blue dot graphic user interface and 1.8" OLED LCD are setting a new trend in MP3 player design.



Wide Monitor for Windows Vista

The 16:10 aspect ratio is the optimal screen size for Windows Vista. The sleek and simple design is attractive, while the 2ms (grey to grey) response time and 300:1 dynamic contrast ratio (DCR) provide a clean picture that is virtually free of ghosting.



Q1 Ultra UMPC

This is the 2nd-generation model to the Q1, the world's first ultra mobile PC released in 2006. It has the Windows Vista Home Premium version on board to satisfy user requirements. In addition, 3.5G communication functions have been reinforced to provide internet access anytime and anywhere.



CLX-2160N, the World's Smallest Color Laser All-in-One Printer

The color laser multifunctional printer no longer has to be heavy and bulky. The Samsung CLX-2160N fits neatly on a desktop, and our proprietary NO-NOIS™ technology allows it operate at a whisper.

The USB Direct function enables documents to be scanned or photocopied without having to first be downloaded into a computer. The ID Copy feature will photocopy both sides of an identification card quickly and easily.





Creative technologies and innovative services put the world into your palm.

The IT industry is undergoing three kinds of convergence simultaneously.

The first is in services, where telecommunications and broadcasting as well as wireless and wired are becoming accessible via the same channels.

The various networks, meanwhile, are evolving into all-IP-based systems, and devices are taking on multiple functions. Indeed, the mobile phone is at the heart of this convergence trend; this is where technologies and people interface. Samsung Electronics is offering customers access to a vast world.

Hubs for ubiquitous access, linking people heart to heart

In the era of ubiquitous connectivity, the mobile phone today can serve as the hub for communicating with all the other digital devices and products on the network. In addition to their capability to handle voice, text and video data, today's mobile phones can take digital photos, receive TV broadcasts, complete credit card transactions and even monitor the user's physical condition. Our premium brand and distinctive designs make Samsung one of the global leaders in mobile phones. We sold a record 118 million units in 2006 and our Mobile WiMAX technology is establishing a new global standard for next-generation wireless communications.

Creative thinking for setting the next-generation standards

Mobile phones no longer are limited to making phone calls. In today's world, the purpose envisioned in the designer's mind becomes more important. Our collective creativity at Samsung Electronics is giving rise to innovative mobile phone designs and new models that will create "blue oceans" of uncontested market space. We will continue to develop cutting-edge technologies and services based on the mobile phone to allow users access to a wealth of information, provided at affordable prices anytime and anywhere.

The advent of a new generation in communications

Mobile phones are sophisticated devices that are not shared by multiple users, and their replacement cycle is shorter than that of other IT products. For these reasons, the size of the global mobile phone market continues to grow. Just 41 million mobile phones were sold worldwide in 1995, and annual growth in the advanced markets never exceeded 10%. However, growth in the emerging markets has continued to rise, and global sales surpassed 950 million units in 2006.

The area of telecommunication systems, meanwhile, now has an upgrade demand for next-generation networks such as wideband code division multiple access (WCDMA) and high-speed downlink packet access (HSDPA). Next-generation mobile communications services were launched in Korea in June 2006, prompting the spread of wired/wireless integration, wireless internet service, and broadcasting/communication convergence. Such new services are forecasted to increase the demand for system upgrades.

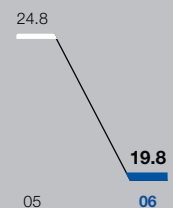
Industry experts predict steadily rising demand for multimedia phones as well as rapid growth of phones supporting WCDMA and HSDPA. Meanwhile, standardization of 4G technology and other next-generation wired/wireless convergence technologies is proceeding rapidly. The standards for integrating wired and wireless communication technologies is expected to proceed steadily, with all-IP network architecture (on an internet basis), 4G technology, next-generation networks (NGN) encompassing the traditional wireline phone, mobile phone and internet.

Market leadership with a premium brand and standout products

We sold more than 103 million mobile phones in 2005. Annual sales broke a new record of 118 million units in 2006, thanks to our stronger hold on the slim phone, high-resolution camera phone, mobile TV phone and 3G multimedia phone (WCDMA/HSDPA) segments. We launched our Ultra Edition series in Europe in June 2006. The hugely popular ultra-slim phones were made available worldwide within months, and a 3G version was released in August. Sales of this series have surpassed 10 million units.



Net Sales (in trillions of KRW)



Operating Profit (in hundreds of billions of KRW)

We launched our Ultra Edition series of ultra-slim mobile phones worldwide in the second half of 2006. We also bolstered our hold on the multimedia phone market while achieving a new record in overall mobile phone sales.

In addition, Samsung has been setting new trends in the mobile phone industry with models that are either the first or the best of their kind. These include the world's first mobile phone with 10-megapixel camera, a "super music phone" model with 8GB hard drive onboard, a MediaFLO phone (for digital TV reception), an unlicensed media access (UMA) phone that links cellular with WiFi for VoIP calls, and the "Global Roaming Phone" that supports CDMA, GSM and JCDMA for automatic roaming in 90 countries.

In telecommunication systems, we have developed and commercialized Mobile WiMAX (mobile broadband internet) technology through services provided by Korea Telecom and SK Telecom in Korea. We are now working on Mobile WiMAX projects with more than 60 service providers outside Korea. The Mobile WiMAX service wirelessly links diverse terminals—mobile phones, notebook PCs, PDAs or smartphones to the internet. Mobile WiMAX provides fast and uninterrupted wireless broadband connection in nomadic and mobile circumstances.

Samsung has helped to spark global interest in Mobile WiMAX through international events and forums such as the Turin Winter Olympics, Samsung 4G Forum and Mobile WiMAX Summit. We have also developed the Deluxe MIT (for "mobile intelligent terminal"), which uses Mobile WiMAX services and functions as an all-in-one device for mobile phone, PDA and tablet PC. The emergence of diverse Mobile WiMAX terminals bodes well for the future growth of the service worldwide.

We continue to develop mobile phones that apply the latest technologies available. Samsung Electronics has been at the forefront of terminals and systems for 3G mobile communications services, and is now taking the lead in the HSDPA segment, known in the industry as a 3.5G technology. We put the world's first HSDPA phone on the market, followed by a phone that supports both HSDPA and DMB as well as various smartphone models.

We are also a leader in the global standardization of next-generation mobile communications such as 4G. We demonstrated the world's first prototype 4G system and terminals at the Samsung 4G Forum, held in August 2006. The demonstration achieved wireless connections at 1Gbps in nomadic circumstances and 100Mbps in mobile circumstances.

Expanded use of 3G models in advanced markets will drive the growth of the mobile phone industry. Samsung Electronics will be leading the way in 3G phones (including WCDMA and HSDPA) and in multimedia products such as music phones, mobile TV phones and smartphones. We expect our influence in the premium segment to continue rising in 2007 as well.

Samsung Electronics is achieving competitiveness in the next-generation mobile market by remaining at the forefront of R&D and standardization efforts. Our work on Mobile WiMAX and 4G technologies is breaking new ground in next-generation communications. In the future, we will introduce a wide range of mobile phones and competitive infrastructure at the right time as part of the ongoing drive to spread Mobile WiMAX worldwide. Ultimately, this drive is expected to spark a "2nd wireless internet revolution."



SGH-U600, the Ultra Edition II 10.9

The Ultra Edition 10.9 is the epitome of our sophisticated design and advanced technology capabilities. This premium phone is reminiscent of a fine jewel—elegant and flashy, yet simple.



The Ultra Messaging SGH-i600

This HSDPA smartphone is equipped with Microsoft Windows Mobile 5.0. Advanced features such as QWERTY keypads, push email (email forwarded to the mobile device immediately after reaching the server) abound, despite the ultra-slim (11.8mm) profile.



SGH-D900, the Ultra Edition 12.9

The Ultra Edition 12.9 boasts an ultra-slim (12.9mm), ultra-light (85g) design. This representative model of the Ultra Edition series has been enthusiastically received by customers around the globe.



The Ultra Music SGH-F300

The highly portable (9.4mm profile) SGH-F300 is a combination of mobile phone and MP3 player in a breakthrough dual-face design (phone on one side, music player on the other). It also comes equipped with a 2-megapixel camera, Bluetooth Stereo Music Profile (A2DP) and microSD slot for memory expansion.

New life shapers, lifestyle innovation leader

Technological advancements give people greater freedom and enjoyment. The superior functions made possible by advanced technology are transforming home appliances into artistic creations with more convenience. Samsung Electronics has applied some of the world's most advanced technology to a full range of digital appliances. Our innovative and impressive technologies are redefining customer value, while the distinctive products with their beautiful designs are bringing new quality to people's lives.



VRT™ Front Loading Washer

Enriched lifestyles from products delivering emotional appeal

We produce premium refrigerators, air conditioners, washing machines, ovens, vacuum cleaners and other appliances that play essential roles in the modern home. The evolution of these items continues to enrich life and add new value. In the future, we aim to lead the appliance market by offering products with the standout designs and innovative technologies to satisfy customer needs.

Premium products to change the appliance paradigm

We are applying unique technologies to win customers the world over to premium appliances. We are hiring more R&D people, expanding the premium product line and reorganizing the production network to bolster competitiveness steadily. Our competencies are being focused on boosting sales and developing innovative products.

Massive growth in the premium segment

Western Europe, North America, Japan and China represent 75% of the global appliance market. The advanced countries represent highly mature markets, where 90% of demand is in replacement, while new demand from first-time buyers is rapidly rising in China, India, Eastern Europe and the former CIS. This demand for appliances is being driven by higher income levels and increasing urban populations in Asia and other emerging markets.

Appliance manufacturers' production costs are rising along with the prices for oil and other raw materials, while intensive market competition is lowering the profit margin. Countering these trends is now a top priority in the appliance business, and companies are relocating their plants to Eastern Europe, Mexico, China and other regions where labor costs are still low. At the same time, every effort is being made to raise operational efficiency, develop value-added products and cut operating costs.

Demand, meanwhile, has clearly segmented into the high and low ends. Replacement buyers are mainly looking at the larger and more elegant premium models, and demand in this segment is rising fast.

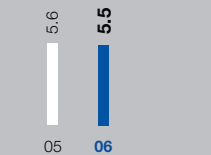
Products featuring innovative technologies to lead the premium market

In 2006, the Digital Appliance business introduced innovative products under the "lifestyle innovator" banner. The superior quality of Samsung air conditioners was confirmed by domestic customers, who ranked them first on the Korea Customer Satisfaction Index. In the US, meanwhile, J.D. Power and Associates gave Samsung's side-by-side refrigerators its "Highest Customer Satisfaction" rating for the second straight year in 2006.

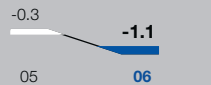
Only 20,000 Samsung side-by-side refrigerators were sold—all in Korea—during 1997, but annual global sales broke the one million mark in 2006, a fifty-fold increase in 10 years. Aggregate sales have now reached five million units.

In April 2006, we set a new industry trend by introducing the novel Quatro Cooling Refrigerator, featuring four separate compartments that are controlled and cooled independently. The Quatro has received tremendous global praise and recognition, including the "Best of Innovations" award at the 2006 International CES and *Time* magazine's "Cool Must-have Gadgets" designation. *Good Housekeeping* magazine conferred its "Good Buy Award" on the Quatro as well.

In the first half of 2006, we broke into the electric range segment, which represents 15% of the world appliance market. We also introduced a unique line of robot vacuum cleaners to lead the Korean market.



Net Sales (in trillions of KRW)



Operating Profit (in hundreds of billions of KRW)

We apply distinctive designs and innovative technologies to create products that customers crave, and we are making noteworthy progress in the premium appliance segment.

Consistent product leadership for greater inroads into advanced markets

In 2007, we will maintain our leadership in new product development and tighten relations with retail partners in order to accelerate its penetration of the North American and European markets. Activities will be stepped up at the appliance research laboratories established in the US and Europe in 2006. Core competencies will continuously be acquired so that our premium product-centered strategy can become increasingly effective in the future.

Sales targets in 2007 include 1.5 million premium refrigerators for a top share of the global market. We will also come out with the "smart oven" and various other new ovens and ranges to boost annual sales in this product segment to US\$1.5 billion in 2008 and US\$2 billion by 2010.



Stealth Vacuum Cleaner

The Stealth is the quietest bag-less (no paper filter) vacuum cleaner on the market today. In operation it generates a mere 59dB, or 90% quieter than conventional vacuums, so as not to disturb TV viewing or phone conversations. The Samsung Stealth received the Red Dot Design Award in Germany.



Smart Oven

All the user has to do is swipe the Smart Code (like a bar code) cooking instructions on the food package through the scanner on the oven. The Smart Oven will then do the rest. Our new-concept product has received the iF Communication and Red Dot Design Awards in Germany, and the Good Design Award in Japan.



Smart Inverter Air Conditioner for the Home

This air conditioner system individually operates each of several indoor units linked to a single outdoor unit. Our sophisticated inverter technology is applied to maintain precisely the room temperature and operation settings for each indoor unit. Improved air conditioning efficiency results in at least 20% less power consumption than other air conditioning systems require. The surrounding air flow control also reduces the time needed to cool down a room by more than half.



French Door Refrigerator

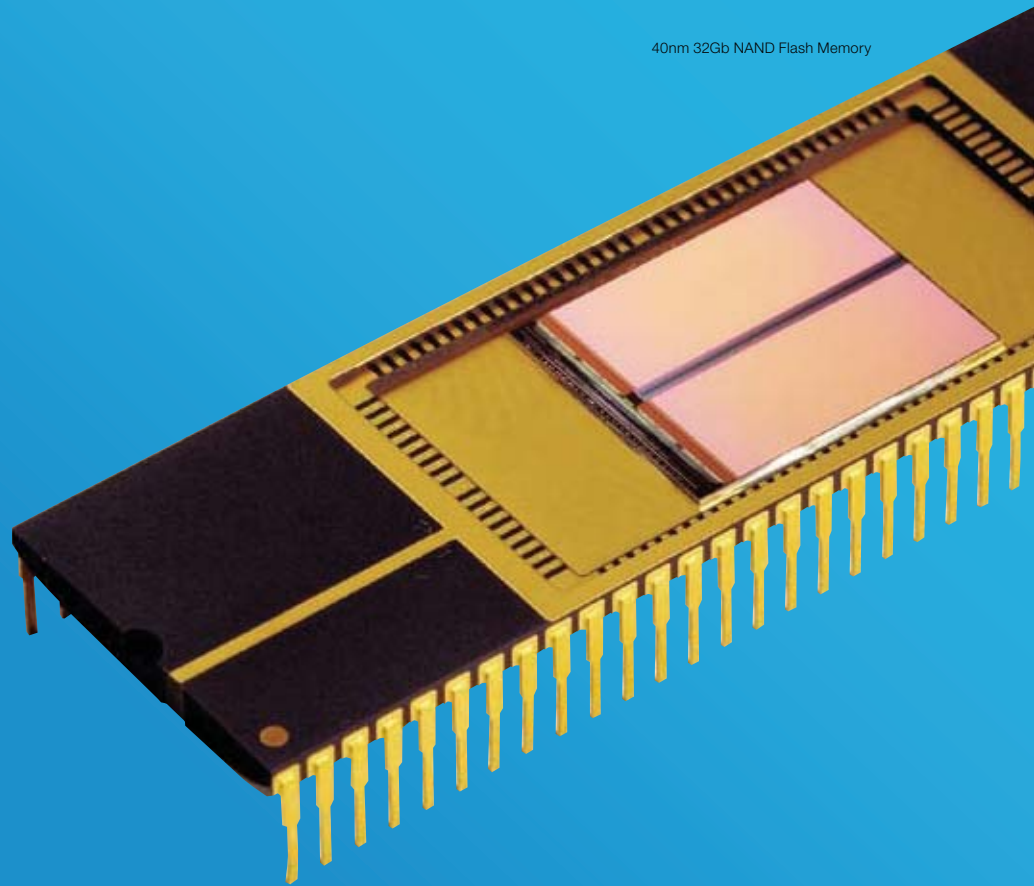
We release our first French door models (side-by-side refrigerator on top, single-door freezer on bottom) in 2007. The freezer space has been almost doubled to cater to customers who want to store a large frozen pizza or large rack of pork ribs with ease.



VRT™ Front Loading Washer

We have applied our Vibration Reduction Technology (VRT™) to greatly lower vibration when unbalanced loads are in the spin dry cycle. Vibration and noise are particularly high when washing machines operate on wooden floors, but our new technology eliminates the problem no matter where the washing machine is installed. This feature is expected to boost sales of Samsung's front loading washers in the US and Europe. Our newest washing machine model has been widely praised at trade shows and won an Innovation Award at the 2007 International CES.

40nm 32Gb NAND Flash Memory



Cutting-edge semiconductor technology drives the new mobile wave

The global IT industry today is experiencing a “new mobile wave,” which is being ushered in by two simultaneous trends. The first trend is convergence, where individual mobile products take on a combination of diverse functions. The second is divergence, where a wide range of new product lines branch off from traditional mobile devices. Samsung Electronics offers total mobile solutions to satisfy changing customer needs for digital products with more functionality and higher performance. World-leading technologies enable us to serve as a highly innovative “digital partner,” offering our customers the best in product value.

The cornerstone of performance

The Semiconductor business is one of Samsung's mainstay operations and consists of three major divisions: Memory, System LSI and Storage. Memory chips are used to store data, while system LSI (for Large-Scale Integration) products are essentially integrated circuit devices that process user applications. We have pioneered the development of numerous advancements in chip technology that are now widely used in mobile, desktop and other digital products. Today, we produce the world's most advanced DRAM, SRAM, flash memory and DDI (display driver IC) products.

The Storage Division offers an extensive range of hard drives, from 2.5" and 3.5" versions for notebook PCs, desktop PCs and consumer electronics, to the new 1.8" drive for mobile applications.

Stable growth amid rapid change

The DDR2 assumed the mainstream position in the DRAM market in 2006, at a time when some chipmakers were having difficulties in transitioning to next-generation processing technologies. The ensuing supply shortage helped to stabilize falling prices while spotlighting the vulnerability inherent in excessive dependence upon a single product for driving growth. Major growth drivers have expanded from PC-based DRAMs to include the flash memory critical to the success of high-capacity mobile products.

In the NAND flash memory market, inventories rose during the first half of 2006, leading to an oversupply. Supply and demand regained their balance in the second half of the year after the first MP3 players with 8GB of onboard flash memory were shipped. Increased demand for external flash memory cards in digital cameras and mobile phones also contributed to the rebalancing act.

The system LSI, or logic, market also witnessed a steady growth in demand, but downward pressure on prices for LCDs and mobile phones caused logic prices to fall as well. On the other hand, growing global demand for camera-equipped phones drove up sales of image sensors. The hard drive industry experienced further erosion in prices in 2006 due to weak seasonal demand and severe competition in the industry.

The world's most profitable chipmaker

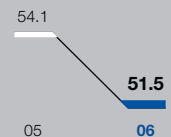
The Semiconductor business of Samsung Electronics achieved the highest profit margin of any chipmaker in the world. This performance was bolstered by the booming DRAM market in 2006 and a concerted effort to cut NAND flash memory production costs. Semiconductor sales reached KRW19.8 trillion, or 32% of total corporate sales for the year.

We have steadfastly maintained the top global position in the growing DRAM market while also staying in front technologically in flash memory by developing the world's first 32Gb NAND memory chip. In addition, we were the first to apply 80nm design technology to the mass production of the 512Mb DDR2 DRAM.

We are set to increase sales of high-capacity DRAM devices using 90nm and 80nm processing, and further market penetration of NAND flash memory using 60nm processing. We also achieved steady sales growth and profitability by being the first to introduce such differentiated products for mobile devices and game consoles as graphics DRAM, the proprietary OneNAND™ (flash memory combining NOR's fast reading capability with NAND's capacity and fast writing), and distinctive multi-chip packages (MCPs).



Net Sales (in trillions of KRW)



Operating Profit (in hundreds of billions of KRW)

Samsung's sales of high-capacity memory chips increased in 2006. High profitability was also maintained through the introduction of unique DRAM products for mobile devices, game consoles and graphics, as well as through the launch of its premium OneNAND™ fusion memory and other distinctive multi-chip package (MCP) devices.

Substantial quantitative gains in memory chip production were accompanied by significant qualitative improvements in design and performance, which underscored our preeminence in the semiconductor industry. In 2006, we began mass producing the world's fastest DRAM, capable of processing data at 12.8Gb per second. We also introduced the industry's first 50nm 1Gb chip and developed 32Gb flash memory using 40nm process technology. Another milestone for us in 2006 was the development of a NAND-based solid-state drive (SSD) for mobile PCs, greatly expanding the potential market for flash memory.

In 2006, the System LSI Division solidified a strong base for further growth. First, we grew our industry-leading market share for display driver ICs, a market we has dominated for the past five years, by offering DDI products for large-screen flat panels as well as mobile phones and PDAs. We also secured the top position in the application processor (AP) market for automobile navigation systems and in smart card ICs for the subscriber identity module (SIM) used in European mobile phones.

Award-winning hard drive products

As in previous years, we received over 500 IT magazine awards in 2006 for the superior performance and reliability of our hard drive products. Samsung was also first to announce development of the 3.5" 1-terabyte hard drive and first to market with 2.5" 250GB and 1.8" 80GB hard drives.

Proactive response to new market demand

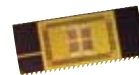
Demand for DRAMs is expected to grow in 2007 and 2008 with the launch of Windows Vista and the greater use of onboard memory chips in mobile phones and game consoles. A temporary 2007 oversupply is expected in the NAND flash memory segment as manufacturers increase their output. However, the release of new music-player phones in the second half of 2007 should help drive up demand.

Samsung Electronics leads the industry in the production of high-capacity, high-performance DRAMs and is expected to increase market share, as well as profitability, by starting mass production of DRAM chips with 60nm processing. At the same time, we will introduce NAND flash memory chips with 50nm processing technology to make inroads into new memory markets. We also aim to secure the top position in the markets for chips used in camera-equipped phones, image sensors and MP3 players. We will continue to focus on R&D and production line expansion in 2007 to maintain our competitive edge.



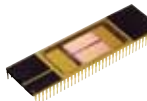
DRAM with 80nm Process Technology

We became the first to apply the 90nm design rule to DRAM mass production in 2004 and was again first with 80nm processing in 2006, thereby continuing our industry leadership in DRAM-related nano-technology. Use of the 80nm design rule increases productivity 50% higher than 90nm processing can provide, while additional facilities investment is kept to a minimum. This production efficiency is expected to give us leadership in the production of next-generation DRAMs (the DDR3) as well.



OneDRAM™, a Fusion Memory Solution

In 2004, we introduced our widely popular OneNAND™, a unique fusion of NOR and NAND flash memory, and now we are offering OneDRAM™, a new-concept mobile DRAM/SRAM that increases the data processing speed between processors and reduces power consumption.



32Mb NAND Flash Memory with 40nm Processing

During the second half of 2006, we completed a unique CTF (charge trap flash) technology and commercialized it in the fabrication of the world's first 32Gb NAND flash memory with 40nm processing. Nonvolatile memory devices were first developed in 1971 with the introduction of the floating gate, a structure that has been used ever since. Our revolutionary CTF architecture overcomes the shortcomings of the floating gate, allowing us to break the 50nm processing barrier. It will eventually lead to design rules of 30nm and smaller. The CTF research breakthrough already has netted us 155 patents covering original and improved CTF-related technologies.



"Intelligent" DDI (Display Driver IC)

Samsung's first-ever "intelligent" DDI monitors ambient light intensity and automatically adjusts the on-screen brightness of displays on mobile devices for optimal legibility. Power consumption is reduced by at least 30% when the display is used indoors.



1GB S-SIM Card

This next-generation card solution incorporates NAND flash memory in a smart card chip package. The SIM card function has been upgraded and the ability to store multimedia data has been added.



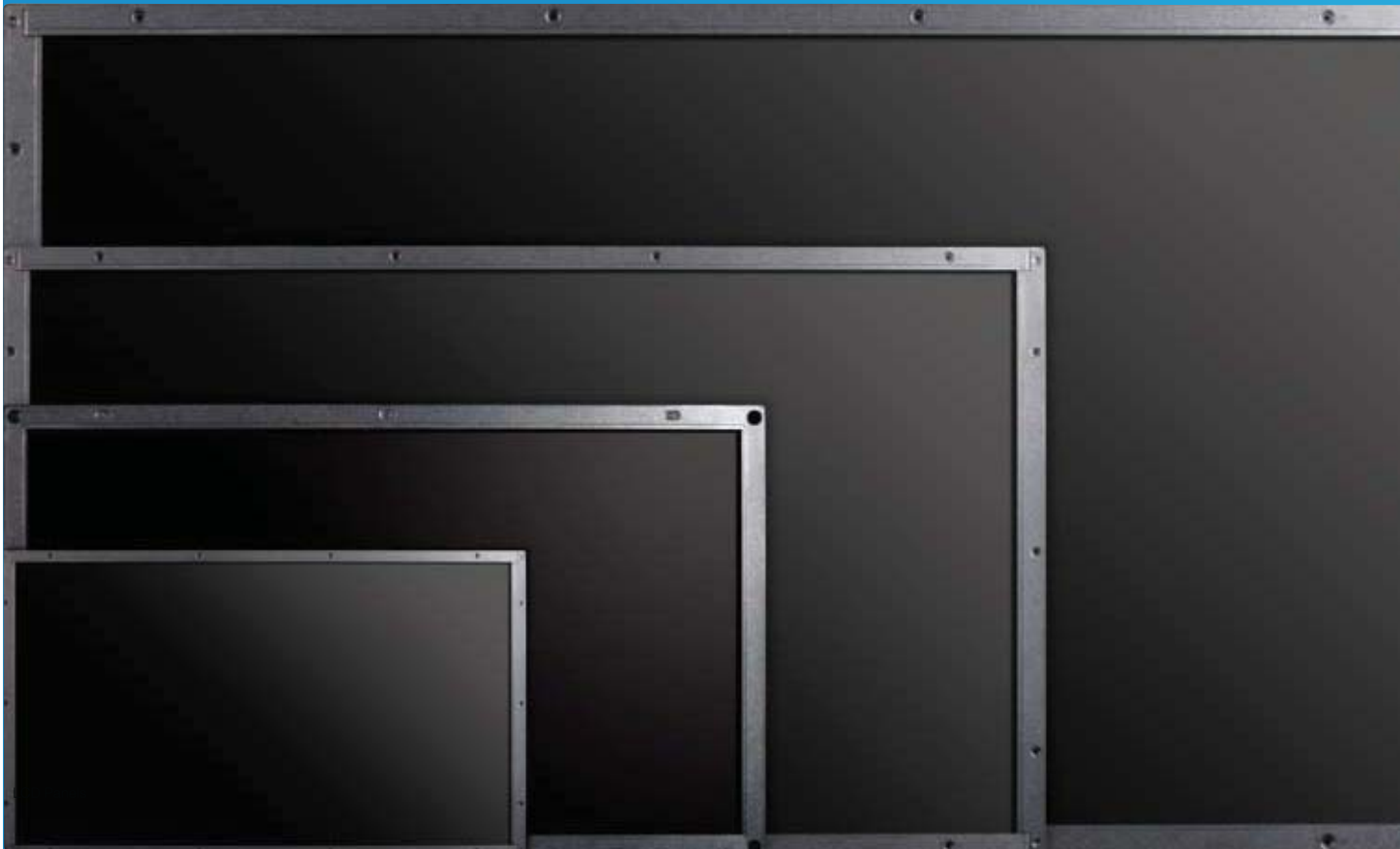
Solid State Drive

This new-concept data storage device uses flash memory in place of the conventional hard disk, expanding the application of NAND flash memory far beyond small-size mobile and digital consumer applications. The drive also improves the stability and performance of any system in which it is used.

Innovative displays to lead the 4th Wave

What used to be fiction is now becoming reality, as the display business advances faster and more innovatively. Starting with notebook PCs, the LCD business has already evolved into two completely new areas—desktop monitors and LCD TVs—and it is about to enter its so-called “fourth wave” of transition. In addition to the conventional forms, innovations such as the digital information display are affecting how people interact with their environment. Future displays will no longer be simple windows for peering at images or text data. Instead, they will become an integral part of life to enjoy anytime and anyplace.

LCD Panels



New growth drivers for steady expansion

We were mainly involved in the production of LCD panels for use in notebook PCs in the 1990s. After the turn of the 21st century, Samsung expanded into display panels for desktop monitors. Growing demand for various mobile products (mobile phones, game consoles, PDAs, MP3 players and so on) prompted us to branch out into the development, production and sale of various small and medium-sized displays starting in 2001. In the future, the display business is predicted to see steady growth with the full-blown market for large-screen LCD TVs, IT business expansion and mobile product diversification.

A top LCD producer

We are the world's largest maker of LCD panels used in IT products (mainly notebook PCs and desktop monitors) and flat panel TVs. Our aggregate production of TV panels broke the 10 million mark just 17 months after the first 7th-generation production line (processing the world's largest motherglasses to date) went into operation. We have led the standardization of flat panel TV market as well as the trend toward larger screen sizes. Today, Samsung is unrivalled as the top maker of LCD TV panels 40" and larger.

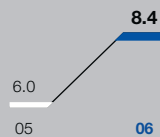
Exhibiting leadership as the undisputed LCD market champion

The LCD business undergoes cyclical price fluctuations as the supply and demand go in and out of balance. For the near future, steady growth is forecasted for LCDs used in IT products (mainly notebook PCs and desktop monitors). The spread of digital broadcasting and development of full-HD technology are also expected to drive the growth of the LCD TV market.

The LCD market continues to spread beyond IT applications, with increasing sales of LCDs used in mobile products such as mobile phones, game consoles and PDAs. The supply base for LCD TV panels is also expanding, led by Samsung Electronics, and we continue to upgrade the performance of our products in this segment.



Net Sales (in trillions of KRW)



Operating Profit
(in hundreds of billions of KRW)

We have taken advantage of our 7th-generation lines to secure an unrivalled position at the top of the market for LCD TVs with screen sizes of 40" or more. In 2006, we continued to achieve the highest sales revenue among the world's LCD makers.

The world's highest sales revenue in large-screen TVs for five consecutive years

In 2006 we began mass producing the largest (70") commercialized LCD to date. We have also leveraged our 7th-generation production capability to maintain our leadership in large-sized (at least 40") LCD TV panels. We have maintained the highest global share of this product segment since 2002.

LCD panel sales reached KRW25.4 trillion in 2006, more than any other manufacturer. According to DisplaySearch, the world's top seven display makers averaged around 20% year-on-year sales growth in 2006, while our sales rose by 33% during the same period. Moreover, the gap between first and second place in global LCD sales more than doubled from some US\$1.27 billion in 2005 to US\$3.67 billion a year later.

We completed test runs at our second 7th-generation LCD production line (L7-2) in November 2005 and started up full operation in 2006. This line is dedicated to producing panels for large-screen (mostly 40" and 46") TVs. Meanwhile, we continue to develop high-performance LCDs of ever-larger panel sizes. We completed the world's first 70" full-HD LCD with 120Hz operating speed in 2006, and commercialization is set for the first half of 2007.

On the other end of the spectrum, we have developed and are now mass-producing a 7" amorphous silicon LCD with wide video graphics array (WVGA) resolution and a single-chip driver. We expect this breakthrough to make Samsung a leading producer of displays for such mobile applications as digital multimedia broadcasting (DMB) terminals, portable multimedia players (PMPs) and automotive navigation systems.

New production lines to lead the standardization of the LCD TV segment

We are expanding capacity to bolster our position in the rapidly-expanding large-screen LCD TV market. Samsung is already operating two 7th-generation (motherglass measuring 1,870 by 2,200mm) lines and will start up an 8th-generation (motherglass of 2,200 by 2,500mm) line in a joint venture with Sony in the second half of 2007. This industry-leading production capacity will be leveraged to standardize and popularize LCD TVs with panel sizes in both the 40" and 50" ranges. The 8th-generation line cost approximately US\$2 billion to build and can process 50,000 motherglasses a month into 300,000 LCD panels (based on 52" panels).

With plummeting LCD prices, investment in 8th-generation lines has been delayed within the industry. However, we have remained on schedule with our facility expansion plans, extending its lead over the competition. We are now confident that we can secure a preeminent position in the market for LCDs in the 50" range.

At the same time, we continue to diversify into new display market segments. We have applied new technologies to expand our product lines beyond the conventional notebook PC, monitor and LCD TV models to include digital information displays (DIDs), high-end monitors and premium notebook PCs.



70" Full-HD LCD (DID)

This 70" model is the world's largest LCD commercially available, measuring 5" more than next-biggest product currently in mass production. The full high definition resolution delivers superior performance. We continue to extend our product range, from the outdoor digital signboard market to the ultra-large-screen TV market.



52" Full-HD LCD (TV)

This LCD panel for home theaters will be the main item produced on the 8th-generation line at Tangeong, Korea, when full operation begins in the second half of 2007. The LCD features full-HD resolution and operates at 120Hz for sharp and clean video images. When they see it in action, many LCD TV buyers will opt for LCDs larger than 40".



46" Full-HD LCD (TV)

The 46" panel is currently our most popular size for use in home living rooms. The full-HD resolution offers clear and natural images that cannot be provided by plasma models in the 40" range.



24" LCD (Monitor)

This premium LCD panel for monitors is equipped with an advanced LED backlight. The industry-best 111% true color saturation delivers the ideal work environment for professional photographers and graphics designers. The screen size is optimal for Windows Vista, and multitasking performance is superb.



15.4" LCD (Notebook PC)

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



7" LCD with Single Driver Chip (Mobile)

The 7" display boasts WVGA (800 x 480 pixels) resolution and features a single driver chip, making it well suited for such premium mobile multimedia products as personal navigation devices (PNDs), automotive navigation systems, digital multimedia broadcasting (DMB) phones and portable multimedia players (PMPs). Our proprietary amorphous silicon gate technology has been applied to reduce the circuitry footprint and number of parts by one-third.



0.82mm LCD (Mobile)

We have developed an LCD panel 0.82mm thick, the same as a credit card, helping to accelerate the transition to ultra-slim mobile products. Our breakthrough i-Lens technology has been applied to make the panel more shock resistant and easier to read.



We have special technology for adding value to life.



The brand is a value and a way of life. We engage in diverse marketing approaches to continue elevating our status as a premium brand.

In Milan, a city of great culture and aesthetics: Samsung's cutting-edge products are on a par with the world's most exclusive brands.

Global expansion driven by superior product designs

Design has become a crucial component in driving the business performance of consumer electronics. The importance of design at Samsung Electronics is growing and we operate 7 design centers: the Corporate Design Center in Seoul along with centers in London, Los Angeles, San Francisco, Shanghai, Tokyo and Milan. The experts at each location analyze local culture, lifestyles and industry trends, and their input is strategically important for the Corporate Design Center, which conducts global research projects in cooperation with the six other design centers, enabling us to build what people around the world want into our product functions and designs.



1. K5 MP3 Player

The K5 is easy for anyone to use. The MP3 player and a speaker form a single unit, while we have created a unique "slide and tilt" structure to add a new dimension to the MP3 player experience.

2. SGH-U600 Mobile Phone

The design concept for this ultra-slim, semi-automatic slider emphasizes the "minimal modern" with sleek soft lines. The motif is inspired by the smoothly connected joints of a bamboo stalk. Our engineers have used magnesium to craft a phone that is thin, light and sturdy.

3. SynchMaster 971P Monitor

The triple-hinge stand allows the user to adjust the screen angle freely, while the overall shape is simple and intuitive. The stand can be folded to minimize the package size and facilitate logistics.

4. Graphic User Interface for Mobile Phone

This screen garnered a 2006 IF Communication Design Award in the Interface category for its user-friendliness and intuitive display of the mobile phone functions. In addition, we have won design awards for PC screen savers, home gateway interfaces, audio-video network solutions, and exhibit promotion sites.

5. Touch Messenger Braille Mobile Phone

This concept design created by designers from Samsung Design China (in Shanghai) won an IDEA Gold Award, one of the world's most prestigious honors, in 2006. Touch Messenger enables the visually impaired users to send and receive Braille text messages. The 3x4 button layout on the mobile phone is used as two Braille keypads, while text messages and the phone operating status can be checked through the Braille display screen beneath the keypad.

6. Bordeaux Plus LCD TV

More than a display, the Bordeaux Plus 32" LCD TV is a work of art that will enhance any interior. Subtle lines project a feeling of clear and transparent sound. The use of lacquer on the exterior harmonizes the black and opaque materials.



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Leadership in user-centric designs appealing to the senses

The Samsung corporate philosophy now stresses that true innovation starts with an accurate understanding of user needs. We have gotten away from the age-old emphasis on what manufacturers or sellers want and is now focusing on user-centric designs.

The User Interface (UI) Laboratory has been established to discover ways to provide users with new and intuitive experiences. The laboratory enables us to stay a step ahead of the changes in the UI environment made possible by technology advancements. Our UI designers develop physical, auditory and graphic user interfaces, which are then used to clearly distinguish Samsung products in the era of digital convergence.

We approach design as a means of providing product users with pleasing experiences of the senses. Importantly, improvements to product color, materials and finishing add a premium feel.

Design excellence presented by numerous awards

Our outstanding design capabilities are confirmed by the industry's prestigious design awards. We won 80 awards in 2006 alone, firmly establishing the Samsung brand in the hearts of design enthusiasts all over the world. The Industrial Designers Society of America honored three Samsung products with its Industrial Design Excellence Award (IDEA) in 2006, again making us the most frequent IDEA winner during the past five years. We also won 24 iF Product Design Awards from International Forum Design Hanover during the year, and seven IF Communication Design Awards for software.

In Asia we received 24 prizes at Japan's Good Design Awards, including the first Gold Prize for a Korean company as well as a Special Prize. Samsung also won the Design for Asia Grand Prize, in recognition for outstanding contributions to lifestyle improvement in the region.

Standout programs for cultivating design expertise

We offer a broad range of design-related training in order to improve design competitiveness. The Samsung Design Membership program was established in 1993 to cultivate designer talent in Korea.

In 2006, the program was expanded globally, enabling select design students from around the world to share their ideas, work together on projects and grow as professionals. The program's contributions to designer development and creativity were recognized with a Special Prize of the Chairman of the Jury at the 2006 Good Design Awards in Japan.

The Samsung Art & Design Institute (SADI), established in 1995, is changing the design education paradigm with one of the world's most advanced curricula and an emphasis on practical applications. The design philosophy at Samsung Electronics stresses that design and other such creative strengths are now at the heart of corporate competitiveness. SADI classes are reserved for a limited group of top designer talent, and graduates work in many areas inside and outside Samsung.

Creating a premium brand

Samsung Electronics has entered new territory as a premium brand, outshining many of the biggest names in the business.



Brand Value (in billions of USD)



(source: Businessweek / Interbrand)



Samsung Experience in New York

Global brand campaign

The core value of Samsung Electronics involves benefitting people's lives through emotional and innovative technologies and design. We are getting this message out via multifaceted advertising campaigns in 60 countries that encompasses the four main media as well as the internet. The campaign presents lifestyle stories in which mainstay Samsung products play the hero. The goal is to emphasize the emotional aspects of the products and the brand.

Endeavors to become a premium brand

Customers' purchase decisions are increasingly swayed by emotional factors in addition to product features. People who buy premium products express their own style through the products and brands they own. In other words, they identify with the product image. We see our core value in expanding possibilities in customers' lives by applying emotional, innovative technologies and designs with the understanding of the changes in and needs of these customers as a basis.

Our unique core values and messages are conveyed through various brand marketing activities. An emotional link is strengthened between Samsung and the customers, ultimately elevating the premium image and customers' preference for the Samsung name.

Improved corporate image from corporate advertising

Stressing corporate social responsibilities has emerged as a key factor in the advertising activities of global companies. We stress social contributions as part of the overall business plan. Unlike most other marketing advertisements, the corporate advertisements are aimed mainly at the opinion leaders.

We are moving away from advertisements that focus solely on products. Instead, we express our philosophy and commitment toward social contributions and public benefits. A consensus is created with the audience and greater public trust in the company is fostered.

Staying close to the customers

Our marketing activities reach customers through sports, culture, experiential marketing and various other approaches. This enables the customers to experience the company closer up. We sponsor various sports teams and events in each major region of the world and conduct sports marketing programs that target local audiences.

Sharing the hard work and excitement of sports

Sports have the power to bring people together, transcending ethnic, gender, religious and regional differences. The sportsmanship spirit helps to bring peace and happiness to the world, which is in line with the Samsung corporate philosophy that stresses social contributions.

Our involvement in sports goes beyond financial support. We supply our state-of-the-art technology to help ensure that major sporting events are conducted most successfully. Samsung sponsors the Olympics, Asian Games and other international events, and also supports regional events as a way to stay close to the local population, thereby raising the brand image and exhibiting excellent corporate citizenship.

Our first involvement with the Olympics was as a local sponsor for the 1988 Seoul Summer Games. Realizing the vast potential of Olympic marketing, we have maintained the Worldwide Partner in the Wireless Communications category for the 1998 Nagano Winter

Games, 2000 Sydney Summer Games, 2002 Salt Lake City Winter Games, 2004 Athens Summer Games, and 2006 Turin Winter Games. Samsung will also sponsor the 2008 Beijing Summer Games.

We bolstered our brand recognition in Italy by being the Presenting Partner for the torch relay in advance of the 20th Winter Olympics, held in Turin in February 2006. A “Samsung Caravan” traversed the entire country during the relay, and the Olympic Rendezvous at Samsung (OR@S) was run as a showroom and central point for our diverse on-site programs during the Games. Both athletes and fans became much more familiar with Samsung through OR@S.

We were also the Prestige Partner in three categories (Audio/Video Products, Appliances, and Wireless Communications Equipment) for the 15th Asian Games, held in Doha in 2006. We supplied more than 8,000 products around Doha during the Games. Visitors to the Samsung Digital Gallery could try out many of our top-of-the line products such as full-HD LCD TVs, Quatro refrigerators and Ultra Edition mobile phones. In addition, the Samsung Lounge offered free internet access and phone calls to journalists from around the world who were covering the Games.

Since 2005, Samsung became the new Official Club Sponsor of the Chelsea Football Club, gaining greater exposure with football fans. In 2007, we are the title sponsor of the 26th annual Samsung World Championship, one of the major events on the PGA tour.

Other noteworthy sports events and organizations include the Samsung Super League equestrian championship, World Taekwondo Federation and the International Hockey Federation. Each year, we serve as the Worldwide Sponsor of the World Cyber Games (WCG), the world’s largest online gaming sport tournament. In 2006, the Grand Final of the Samsung WCG was held at the Formula One racetrack in Monza, Italy. More than 10,000 people came to watch over 700 top gamers from 70 countries battle it out. The number of journalists covering the event exceeded 400, and the excitement and competitive spirit were relayed to fans worldwide via TV and the internet, with Webcasts run in English, Italian and Chinese.

Culture marketing with a special emotional appeal

The Montreal International Jazz Festival (in French, Festival International de Jazz de Montréal), the largest jazz festival in the world, was sponsored by Samsung for the second straight year in 2006. More than 20,000 jazz fans came to listen to performances by some 2,300 artists from 30 countries. Customers worldwide were enthralled by our online promotion in conjunction with the Jazz Festival.

In Russia, meanwhile, Samsung is the Official Sponsor of the State Hermitage Museum, one of the world’s three largest, as well as the State Academic Bolshoi Theater.

Experiencing Samsung products first-hand

Brand shops and showrooms add another dimension to our marketing activities, allowing customers to experience our premium models for themselves before making their purchase decision. These facilities are strategically located in major cities around the world.

The highly successful Samsung Experience in New York City’s Times Warner Center is a digital technology landmark that has attracted one million visitors in just two years after its 2004 opening. Thirty-one percent of the visitors purchased a Samsung TV within a year of their visit to the Samsung Experience. In 2006, the showroom is estimated to have generated around US\$55 million in sales.



1. Turin Winter Olympics Sponsorship (Torch Relay)

Samsung Electronics was a Worldwide Sponsor of the Turin Winter Olympics as well as the Presenting Partner for the torch relay in advance of the Games. We were given the right to choose a significant number of the torchbearers from around the world to carry the torch throughout Italy.

2. Turin Winter Olympics Sponsorship (OR@S)

The Olympic Rendezvous at Samsung (OR@S) entertainment and relaxation lounge was located at the Piazza Solferino in Turin. Visitors could inspect the company’s latest high-tech marvels and enjoy various fun-filled events.

3. Sponsorship of Chelsea Football Club (2006 team)

We were selected for the Best Sponsorship of a Sport Team or Individual, the most prestigious sport industry award in Europe. This honor is testimony to the effectiveness of our global marketing activities.

The success of the Samsung Experience has drawn the attention of both journalists and academics, who see the showroom as a case study in experiential marketing. The *New York Times* has carried numerous articles describing in detail the place where New Yorkers can go to see and play with the latest digital technology and products from Samsung. Columbia University now offers an Experiential Marketing course for corporate executives and brand managers, and a visit to the Samsung Experience in New York is one of the course requirements.

The Gallery Samsung in Moscow was renovated in 2006, and the new facilities include a showroom, conference room, and business lounge. In 2006, around 200,000 Russians come here to try out some of the most famous premium items. The aggregate number of visitors has reached more than half a million, making this the foremost showroom in Russia.

In the future, we will strengthen our ties with art, education and tourist organizations to further develop the reputation of our showrooms and brand shops around the world.

The Samsung brand at airports, gateways to world travel

Airports continue to grow in importance as marketing venues. In 2006, we installed 1,300 large-screen monitors at London's New Heathrow Airport, which serves more passengers a year than any other airport in the world. We believe targeting Heathrow is a very effective way to elevate brand awareness, considering that London is scheduled to host the Olympics in 2012.

The international airports at Dallas, Santiago, Hong Kong, Lagos, and Incheon are already equipped with Samsung LCD or plasma screens, while Schiphol (Amsterdam) as well as Mexico City International will soon be added to the list. Gigantic cellular phone displays have been erected at more than twenty international airports, including Charles de Gaulle International (Paris) and Sheremetyevo Airport (Moscow), and additional displays will be installed in Cairo, Istanbul and Toronto.

In December 2006, we marked our 10th year of cellular phone sales in the US by setting up fifty Samsung Mobile Stations inside JFK International in New York. Travelers were able to recharge their mobile phones, laptop PCs and other digital products free of charge at these stations. We are planning more diverse marketing activities at airports in the future to foster public trust and brand recognition.

A company that cares for local communities

Our cause marketing effort includes donations to and fundraising for foundations and other organizations. In this way, we fulfill our corporate social responsibilities, thereby enhancing customer value and pride while helping to improve local communities. We established the "Four Seasons of Hope" program, "Hope for Education" essay contest and various other events. Even more ambitious projects and expanded community service activities are planned to do more for those who are in need around the world.



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4. Doha Asian Games Sponsorship (Qatar National Olympic Committee Building)

During the Doha Asian Games, we promoted the Samsung brand by displaying large advertisements at airports as well as on vehicles and billboards throughout the Middle East. The massive wrap advertisement all across the face of the Qatar National Olympic Committee Building caught the interest of many people, and during the games, the structure was nicknamed the "Samsung Electronics Building."

5. Samsung Mobile Stations

We set up stations at JFK International for travelers to recharge their handheld digital products free of charge. The response was even better than expected, which indicates the need for such services. Consequently, similar stations have been installed in the international airports in Los Angeles, Atlanta and Dallas.

6. Gallery Samsung in Moscow

Our large-scale showroom gives Russians a chance to experience digital products first-hand. We have also sponsored the Bolshoi Theater and Hermitage Museum as part of a marketing approach that positions Samsung as a culture-friendly brand.

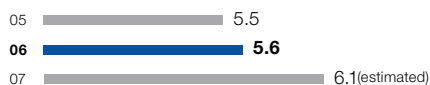
Research and Development

Leadership through a continuous commitment to R&D

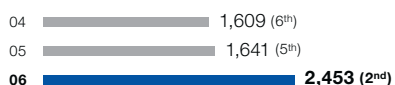
Certain competencies are important for becoming the world leader. First, a company must have the creative people who can develop the appropriate technologies. Second, cooperation is needed among business partners throughout the entire supply chain. Finally, new markets have to be pioneered continuously.

Speed is essential for remaining competitive in today's digital era, as new technologies are being constantly introduced to the market. We strive to understand what customers need ahead of competitors. Our engineers adjust their thinking to develop original and innovative products that will meet those needs as well as new technologies to lead the future market.

R&D Investment (in trillions of KRW)



Number of Patents Registered in US



(source: USPTO)





Samsung Suwon Complex in Korea

People and technology, the wellspring of Samsung's core competitiveness

In 2006, the *Financial Times* ranked Samsung Electronics 9th in R&D investment among 1,250 companies around the world. Only such industry giants as Ford Motor Company, Pfizer Pharmaceutical and Microsoft are now spending more on research. This newspaper reported that over the past four years, Samsung's massive investment in R&D has had a great impact on the electronics industry, prompting competitors to spend more on R&D.

We invested 9.42% of parent company revenues, or KRW5.58 trillion, on R&D in 2006. The plan in 2007 has been set at KRW6.14 trillion to cover all business lines, including semiconductors and LCDs. We are also working on innovative and unique printers and other products that can be as successful as the Bordeaux LCD TV was in 2006.

A quarter of the entire workforce in R&D

Our greatest asset is the solid pool of talented people who can develop value-added, market-leading products that bring new value to customers. Thirty-six thousand people, 26% of our entire workforce, are involved in creating and developing tomorrow's products. These researchers and engineers work at 42 research facilities around the world and they are trained continuously in order to lead the company into the future. The various research facilities are closely linked to develop strategic technologies for the future as well as original technologies to establish new market trends.

The R&D personnel at Samsung Electronics are increasing by about 20% a year and will number 52,000, or 32% of all employees, in 2010. They will provide us with the capability to lead the digital convergence revolution in the fast-changing IT market.

For a systematic R&D structure

The Samsung R&D organization is systematically structured in three layers. The development teams within each business unit are responsible for commercializing products scheduled to hit the market within one or two years. The R&D centers of each business focus on technology that is expected to bring results in three to five years. Finally, core technologies for new business areas are developed under the Corporate Technology Office (CTO).

The CTO undergoes improvement constantly to strengthen our technology leadership. Recently, the Software Research Center, Production Technology Research Center, CTO Strategy Office and Digital Solution Center were all reinforced to enable us to pioneer new business areas from a company-wide perspective. The New Business Team was also reorganized as a separate entity that can uncover new technologies that are beneficial for every business of Samsung Electronics.

One of the world's most prolific patent creators

Our aggregate patent portfolio totaled around 9,000 in 2002, but the number of new patents has skyrocketed since then. We registered 17,377 patents worldwide in 2006 alone, and our 2,400-plus patents in the US were the second most of any company.

The patents are not solely related to current business lines. We are taking aim at fusion technology and have begun research in biotechnology and other future-oriented fields. Applications for biotech patents totaled 208 between 2004 and 2006, higher than any other Korean company. Many of these patents are related to biochips and other fusions of information technology and biotechnology.

The importance of patents is now greater than ever. Since IT products and technologies change so quickly, patent sharing among companies is widespread. Firms specializing in patents have emerged. Patent disputes are becoming more complex, requiring comprehensive and constant countermeasures. To answer this trend, we have newly created the Chief Patent Officer position and augmented our team of patent specialists.

Creative product development capabilities

Patent registration alone is not enough for us; our technology and products are proof of our industry leading prowess. Some of the most important Samsung developments for 2006 include charge trap flash architecture for next-generation NAND flash memory, the Bordeaux LCD TV series and the Mobile WiMAX technology. More major breakthroughs such as these are expected in 2007.



We are fulfilling our role as a corporate citizen.



We are helping to build a society in which all members can live well. Samsung is ushering in the digital era, in which all people can enjoy richer, more rewarding lives.

In China, where diverse ways of life comingle:

Our efforts to understand local needs and bring communities together have elevated trust in Samsung Electronics.

In concert with the local community

The Samsung philosophy stresses the ideal of building a better global society. Therefore, we engage in diverse activities to improve the quality of life, contributing to local communities and promoting exchanges with the entire world.

We consider the spirit of co-prosperity to be the cornerstone of the Samsung management ideal, and by “co-prosperity” we mean contributing to society for ethical and humanitarian reasons. All of our employees understand that pursuing co-prosperity is an important corporate ethical value. We fulfill our corporate citizen role by promoting social welfare, culture and the arts, academics and education, environmental protection and volunteer community service to make life better for all.



Samsung “Dream Tree Project” (above)

In Kenya, Samsung has initiated a scholarship program that covers school fees, training and accommodation for exceptional junior athletes. This assistance helps to instill hope and promote dreams of a better future for people in need. Two of the athletes in the program will represent Kenya at the 2008 Summer Olympics in Beijing.

Samsung “Four Seasons of Hope” (below)

The “Four Seasons of Hope,” which was established by Samsung and is supported by major US retail partners as well as famous sports stars, entertainers and politicians, had another highly successful year in 2006. During the past five years, Samsung has contributed US\$7 million, which is donated to families and children in need.

A company that earns trust and respect

The Samsung Social Contribution Committee was established to elevate the professionalism of community service activities and programs within the company. Our people also volunteer for community service, helping to motivate others to get involved. In Korea, about 13,000 employees of Samsung Electronics are organized to engage in various programs such as assisting at social welfare institutions or helping children in need. Paying more attention to local communities, we are engaging in diverse sponsorship programs.

Samsung Electronics regards both corporate and social value as very important, and we are returning part of our profits to society. At the same time, we continue to improve our operational transparency, shareholder value and social contributions. Our community service programs are part of an overall effort to earn trust and respect as a member of society.

Social contributions on the global stage

Our purpose is not limited to being successful but also to being valuable to all stakeholders. To this end, we are engaged in various community activities around the world.

Samsung's "Four Seasons of Hope," in its fifth year in 2006, has brought together Samsung Electronics, major retail partners and world-famous sports stars. Arnold Palmer (golf), Magic Johnson (basketball), Joe Torre (baseball) and Boomer Esiason (football) have been involved in this US charity campaign since 2002. They were joined by Canadian ice hockey legend Wayne Gretzky and former New York Mayor Rudy Giuliani in 2005, and former NFL quarterback Dan Marino became a partner in 2006. During the year, the program raised US\$800,000, which was donated to the foundations sponsored by the celebrity partners. As the title sponsor, we have donated US\$7 million to the program over the past five years.

We also launched the "Hope for Education" program with Microsoft in 2004, supporting US primary and secondary schools with the latest technology products to promote learning. In the three years since its inception, the program has awarded US schools over US\$5 million in Samsung products and Microsoft software.

We are also promoting goodwill in China as a company that gives to society by supporting education, disadvantaged people and rural communities, and by protecting the environment. Our "Adopt-a-Village" program has been contributing to farming communities in China since 2005. In 2006, more than 4,600 Samsung Electronics employees volunteered for 151 different activities organized for these "adopted" communities.

We provide teaching aids and school supplies to the villages' daycare centers and small schools. We also help to replace old facilities in schools and to install administrative offices. Our people visit the homes of low-income families in the villages to distribute food and clothing. The Guangming Daily awarded Samsung Electronics with one of its Public Benefit Prizes in recognition of our support for Chinese communities in 2006.

In 2006, our "Digital Hope" program for Southeast Asia continued to offer young people and people with disabilities opportunities to experience digital technology. Program funds were used to set up computer-equipped classrooms in Thailand, Vietnam, Indonesia, the



Charity Event at Turin Games (above)

Johann Koss heads the Right to Play (RPT) organization. The 3-time Gold Medal winner at Lillehammer thanked Samsung for supporting the RTP, which is changing the lives of children around the globe. Samsung has been involved with the program since the 2000 Sydney Summer Olympics.

Helping Russian Children with Heart Disease (below)

On Samsung Customers' Day at the Bolshoi Theater in Moscow, we sponsored the staging of *Swan Lake* and the showing of a film on how to aid children suffering from congenital heart disease. Funds raised from the event and a donation from Samsung were delivered to assist these children.

Philippines, Singapore, Malaysia and Australia. These efforts are helping to bridge the digital divide and assist recipients in enriching their lives and realizing their dreams.

The “Samsung Running Festival” is a showcase for our ongoing commitment to community service. The event originally was organized in Hungary in 1995 and subsequently has spread to other regions around the world. In 2006, the 5km run and fundraiser was held in Bulgaria, Croatia, Serbia, Romania, Greece, Russia, Columbia, Morocco and Australia.

In Russia, more than 20,000 people, including 200 in wheelchairs, came together from around the world to run as the grand finale to the Midnight Sun Festival. A pledge to children’s charity was given for each participant who finished the mini-marathon.

Other Samsung-sponsored programs in Russia raised money for heart surgery research, children with congenital heart defects, and children’s hospitals. In the Ukraine, we have supported the “Chestnut Run,” a fundraiser for children with heart disease, since 2002. Our donations have paid for the surgery administered to more than 2,000 children.

During the 2006 Turin Winter Olympics, Samsung Electronics supported the Right to Play program, hosting an online charity auction at the Olympic Rendezvous @ Samsung (OR@S) in Piazza Solferino. The event brought in €30,000. The RTP auction was first held during the 2000 Sydney Summer Games and has raised €200,000 to help children in disadvantaged areas of the world to participate in sports activities.



“Samsung Steam Challenge”

The “Samsung Steam Challenge” is a unique sporting event in South Africa that combines a 42.4km marathon, 38km relay race and 25km walkers relay. In 2006, it was held for the 11th time and participation has continued to grow. Samsung donates proceeds from the event to help children suffering from terminal illnesses.

Partnering with suppliers to become a world-leading company

As a member of society, we embrace the spirit of growing together. We are dedicated to promoting the prosperity of both local communities, the foundation of all enterprise, and society in general.

We support and nurture our suppliers to maintain market-leading competitiveness. In 2004, we announced a comprehensive supplier support plan worth KRW1 trillion over five years. A total of KRW403.3 billion was provided during the first three years of this plan, with KRW166.1 billion spent in 2006 alone.

Part of these funds in 2006 were provided as interest-free loans, giving small/mid-sized companies access to the hard-to-get investment capital they need to build new facilities and localize more of their product content. We also dispatched our engineers to suppliers to provide training and other technical support. Finally, we gave financial grants to help suppliers train their people. In the future, Samsung will continue to partner closely with suppliers to ensure sustainable growth under any economic circumstances.



Samsung Partners' Day 2007 (above, below)

Efforts to bolster supplier competitiveness

Samsung Electronics earmarked KRW43.7 billion in 2006 for new facilities at a total of 34 suppliers. This includes KRW26.4 billion for expanding production lines or improving quality assurance and productivity at 22 suppliers. Another 12 suppliers received a total of KRW17.3 billion in funds for developing new technologies or production line equipment for semiconductors or LCDs.

In 2006, we completed a three-year Enterprise Resource Planning (ERP) installation project to improve suppliers' information management systems and abilities to control finances internally. Our support included funds for the hardware and software as well as consultants for the installation work. The ERP Project has greatly enhanced suppliers' operational efficiency, reducing inventory days by 30% and halving the time for bookkeeping.

We also have provided various kinds of support to improve how work is performed on the factory floor. We have hired outside consultants to help suppliers to improve production, cut costs and upgrade work processes. At the same time, our own experts have been mobilized to help supplier employees internalize Six Sigma activities and objectives.

Cultivating professionals at suppliers

Samsung trains the senior management of supplier companies in management techniques related to manufacturing, personnel and other key areas. We also offer training in Six Sigma methodology and cost cutting techniques as well as 3D design techniques using CAD systems.

In 2004, a new program was launched to groom the children of employees at supplier companies for top management positions. They are invited to work at Samsung as interns in production, procurement, R&D or marketing for a year. We will also send them to overseas to learn the Toyota Production System or attend other special programs.

Meanwhile, we are providing a new cooperative education model linking schools and industry, and our expanded OJT programs for suppliers are providing young people greater job opportunities. We continue to expand our rotational human resources development (HRD) programs. For example, we have formed a consortium with 19 of our suppliers as well as 8 major universities around Korea to offer a special HRD program that is tailored to supplier requirements.

Economic benefits from the supplier support program

Our supplier support program has reaped various tangible results since its launch in 2004. Production innovation has been established at suppliers. The process defect ratios have dropped while output per worker has risen by 30%. As a result, the suppliers have improved their collective bottom line by some KRW50 billion a year.

In addition, we have transferred parts architectures and materials using group value engineering (GVE) and have shown suppliers how to alter processes to lower costs. Such methodologies have improved the cost structure at suppliers by around 20%.

Technology innovation is unquestionably an important factor for improving supplier competitiveness. Therefore, we are partnering with our suppliers to develop new technologies for localizing semiconductor and LCD production equipment and for making key parts for strategic product lines such as mobile phones. We provide the capital that suppliers need to secure their production equipment in Korea instead of relying on expensive imports. Samsung Electronics and Korean Medium and Small Business Administration are promoting the development of new products with procurement conditions attached. The resulting technology innovation at suppliers is estimated to be worth more than KRW100 billion a year.



Samsung Suppliers' Day

The annual Samsung Suppliers' Day was held in February 2006 with more than 400 executives from Samsung and its supplier companies in attendance. The event encompasses various activities, including an awards presentation to recognize exceptional innovation performance in one of four categories—technology, quality assurance, production cost and manufacturing. In the future, we will remain a true "partner for mutual prosperity," sharing a global strategy with suppliers while advancing toward global leadership. Starting in 2007, the name "Samsung Suppliers' Day" will be changed to "Samsung Partners' Day" to underscore the commitment to excellence through mutual benefit.

A robust program for benefiting people and nature

The Green Management Initiative puts the Samsung philosophy of co-prosperity into practice through corporate activities related to the environment, safety and human health (ESH). The program is also extended to subcontracted suppliers and local communities inside and outside Korea. As such, we are showing leadership in the effort to balance the needs of people with those of nature in the 21st century.

Green Management consists of five major segments that are all aimed towards helping to preserve the global environment: The Greening of Management is a constant improvement of our ESH program through the public disclosure of corporate information.

The Greening of Products is our assumption of responsibility for all processes related to our products.

The Greening of Processes is the application of clean process technologies, and the Greening of Workplaces is a set of actions aimed to eliminate pollution, occupational illnesses and accidents on the job. The Greening of Communities, as the name suggests, is a “green partnership” between Samsung and society.



Eco-pond at Giheung Factory

We are working on the development of future-oriented wastewater treatment technologies. Water that has been purified and released from the wastewater treatment plant is reprocessed for potable use.

Greening of Management: setting policies and disclosing information

We understand that ESH issues are central to business operations, and an ISO 14001-compliant environmental management program and OHSAS 18001-accredited health and safety program are in place. We established the Green Management Information System (GMIS) to improve work efficiency and manage ESH data more efficiently.

Greening of Products: taking responsibility throughout the product life cycle

A product's environmental impact is mostly determined at the initial stage of development. Therefore, manufacturers must assess and improve the environmental aspects of product design as part of the development process. We perform a series of activities that encompass the entire product lifecycle to improve our products' environmental performance.

We have added "the environment" to the list of key elements (which include performance, price, quality, and design) related to new product development, and an ongoing effort underway to make Samsung products as environment friendly as possible. Our "Eco-Design" concept was adopted to develop products with a minimal environmental impact in every respect, from raw material acquisition, production, and logistics to use and disposal. We also fulfill our extended producer responsibilities by operating recycling centers to dispose of end-of-life products most efficiently.

Our corporate policy puts the environment and the customer first, and we are an industry leader in "green" product performance. Our Eco-Partner Certification Program assesses the environmental quality level of suppliers, while the Green Procurement System controls the hazardous materials in the parts and materials that are used in Samsung products.

Greening of Processes: putting clean process technology to work

Samsung Electronics is minimizing the use of substances that contribute to global warming during production processes, and a special effort is being made to reduce carbon dioxide emissions. Production processes are being revamped for enhanced environment friendliness, and constant efforts are being made to reduce the volume of energy consumed company-wide. We are upgrading production facilities to lower pollution levels, reducing the use of fossil fuel, and implementing various programs to raise energy efficiency.

We are recovering solid waste materials and reusing wastewater as part of efforts to reduce the amount of pollutants released into the environment. Waste heat is being recovered, too, while energy efficiency is being elevated by controlling energy intensity. Our efforts continue to develop cleaner production technologies to lessen environmental impact.



ISO 14001 certificate

We are building an advanced EHS management system to ensure sustainable development, and our EHS certification continues to expand.



Park-like Work Atmosphere (middle)

We take proactive measures and operate an automated environmental monitoring system to eliminate industrial accidents, pollution and occupational illness.

Greening of Workplaces (below)

Voluntary programs are pursued to minimize the volume of pollution-causing substances released into the environment.

Greening of Workplaces: aiming for a work environment free of pollution, occupational illness and accidents

The Green Management Initiative is a company-wide program for minimizing the volume of pollutants generated in all workplaces. Strict control at the source of pollution generation and ongoing process improvements are steadily reducing pollution emissions. Our policy dictates that the party who generates the waste is responsible for disposing of it properly. Therefore, we are expanding our in-house treatment and recycling facilities, and we engage in various activities to protect resources and nature.

At Samsung Electronics, safety on the job is considered to be a fundamental part of doing business and an essential part of the workers' quality of life. Our top management pays particular attention to creating a safe and pleasant place to work. We constantly apply the latest safety and health (S&H) management approaches, promotes employee health and invests heavily in ways to eliminate S&H problems at the source. Various activities are ongoing to eradicate pollution, occupational illness and accidents from the workplace.

Greening of Communities: maintaining a close partnership

Samsung Electronics is committed to earning the respect of local communities by fulfilling all social obligations regarding ESH. We have a program in place to minimize environmental impact starting from the construction of new plants and office buildings. Data on facility operations are analyzed regularly and all necessary follow-up measures are carried out without fail.

We also sponsor activities to protect the ecosystem of the communities where we work. These activities also heighten public awareness of the importance in preserving and restoring the environment. True to our commitment to environmental responsibility, we also organize regular cleanup drives of local mountains and streams as well as nature classes for local schools.



Environment-friendly Packaging for Plasma TV (above)

The Samsung 42" plasma TV is shipped in the slimmest package in the industry for a model of its size, lowering environmental impact. The original product stand was replaced by a foldable one, reducing the package bulkiness. Previously, we could only ship 104 units in a 40ft container, but now 312 units will fit inside.

Greening of Communities (below)

We are fulfilling our corporate social obligations with regard to protecting nature and people. Our ongoing effort includes the restoration and management of the natural environment, in cooperation with local residents and public agencies.



We have the growth momentum to emerge as one of the world's very best.



Samsung is achieving steady, stable growth. We have made possible what others considered impossible and we have turned crises in opportunities, thereby laying the groundwork for global leadership.

In Dubai, bold challenges and original ideas have captured global attention:

Samsung Electronics provides the creative products and services that lead change and development here and elsewhere around the globe.

Samsung Electronics is bringing a new tomorrow as a creative leader.

We are committed to making new products and services by applying unique technologies that generate new kinds of added value. • Samsung is helping to enrich life and bring greater convenience to customers. • We are witnessing unprecedented change in our industry today, as technology evolves at ever greater speed. • The electronics industry is watching the fall of the “four barriers” (price, technology, added value, and geographic region), and competition has become intense and unrestricted. • Digital technology is driving the convergence of devices, networks and services. • The domains of traditional technologies and businesses are fast disappearing. • Today, core technologies, core components, marketing and brands are generating greater added value than manufacturing expertise can. • The rapid pace of globalization is intensifying market competition still more. • Technology innovation has and will give rise to new industries. • Competition will reach a new paradigm. • We will stay a step ahead in the era of the digital revolution in order to emerge as a world-leading company. • We are thoroughly prepared for the future as we enter a new era, where risks and opportunities both abound. • No one can teach the direction or way to achieve global greatness. • This is a lonely and arduous journey, and the road to the top must be pioneered alone, from technology to management system. • Samsung Electronics brings creativity as the spark for innovation and the driver of growth. • We continue to create technologies and products never imagined. We remain dedicated to giving society new reasons to hope and endure. In this way we are rising as one of the world-leading companies.

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Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Samsung Card Co., Ltd. and certain other subsidiaries, whose statements reflect total assets representing 19% and 22% of the consolidated total assets as of December 31, 2006 and 2005, respectively, and total revenues representing 19% of the consolidated total revenues for both years then ended. Those statements were audited by other auditors whose reports thereon have been furnished us, and our opinion expressed herein, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

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

management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Samsung Electronics Co., Ltd. and its subsidiaries as of December 31, 2006 and 2005, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

As discussed in Note 19 to the accompanying consolidated financial statements, Samsung Electronics Co., Ltd. ("SEC") and 30 other Samsung Group affiliates (the "Affiliates") entered into an agreement with the institutional creditors (the "Creditors") of Samsung Motors Inc. ("SMI") in September 1999. In accordance with this agreement, SEC and the Affiliates agreed to sell 3,500,000 shares of Samsung Life Insurance Co., Ltd. (the "Shares"), which were previously transferred to the Creditors in connection with the petition for court receivership of SMI. The Shares were to be disposed of by December 31, 2000, and if the sales proceeds fell short of ₩2,450 billion (the "Shortfall"), SEC and

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

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

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

from December 1, 2005, until settlement.

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

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

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

Samil Pricewaterhousecoopers
Seoul, Korea
March 5, 2007

This report is effective as of March 5, 2007, 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

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2006 and 2005

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Assets				
Current assets				
Cash and cash equivalents	₩4,222,027	₩4,082,817	\$4,544,701	\$4,394,851
Short-term financial instruments (Note 4)	3,504,366	4,061,388	3,772,192	4,371,785
Short-term available-for-sale securities (Note 5)	2,058,781	1,930,802	2,216,126	2,078,366
Short-term held-to-maturity securities (Note 5)	248	1,076	267	1,158
Trade accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	9,089,452	7,397,353	9,784,125	7,962,705
Other accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	972,426	1,102,620	1,046,745	1,186,889
Inventories, net of valuation losses (Note 7)	6,753,445	5,864,889	7,269,586	6,313,121
Short-term financing receivables, net (Note 8)	4,586,972	5,663,347	4,937,537	6,096,175
Short-term deferred income tax assets (Note 26)	1,469,973	1,159,245	1,582,318	1,247,842
Prepaid expenses and other current assets	2,331,215	2,135,615	2,509,379	2,298,832
Total current assets	34,988,905	33,399,152	37,662,976	35,951,724
Property, plant and equipment, including revaluations, net of accumulated depreciation (Note 11)	33,784,615	29,276,161	36,366,647	31,513,629
Long-term available-for-sale securities (Note 9)	2,557,004	2,232,601	2,752,426	2,403,230
Long-term held-to-maturity securities (Note 9)	197,680	221,838	212,788	238,792
Equity-method investments (Note 10)	3,393,617	2,923,314	3,652,978	3,146,732
Deferred income tax assets (Note 26)	353,027	522,689	380,008	562,636
Intangible assets, net of accumulated amortization (Note 12)	658,385	632,856	708,703	681,223
Long-term financing receivables, net of allowance for doubtful accounts (Note 8)	3,806,535	3,753,470	4,097,454	4,040,334
Long-term deposits and other assets, net (Note 13)	1,626,438	1,499,717	1,750,741	1,614,335
Total assets	₩81,366,206	₩74,461,798	\$87,584,721	\$80,152,635

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts and notes payable	₩4,578,915	₩4,206,962	\$4,928,864	\$4,528,484
Short-term borrowings (Note 14)	7,360,778	7,807,865	7,923,335	8,404,591
Current maturities of long-term debts (Notes 14 and 15)	2,771,866	3,786,791	2,983,709	4,076,201
Other accounts and notes payable	3,609,419	3,336,651	3,885,273	3,591,659
Accrued expenses	5,011,755	4,191,577	5,394,785	4,511,924
Income taxes payable	1,263,088	896,862	1,359,621	965,406
Other current liabilities	927,050	681,882	997,902	733,995
Total current liabilities	25,522,871	24,908,590	27,473,489	26,812,260
Long-term debts, net of current maturities (Note 15)				
Foreign currency notes and bonds (Note 16)	133,797	146,207	144,023	157,381
Long-term accrued expenses (Note 18)	276,019	134,974	297,114	145,290
Long-term advances received	341,438	507,310	367,533	546,082
Accrued severance benefits, net (Note 17)	721,205	576,922	776,324	621,014
Deferred income tax liabilities (Note 26)	1,182,262	905,683	1,272,618	974,901
Other long-term liabilities	1,038,078	983,200	1,117,413	1,058,342
Total liabilities	33,426,339	32,854,387	35,980,989	35,365,325
Commitments and contingencies (Note 19)				
Shareholders' equity				
Capital stock (Note 20)				
Common stock	778,047	778,047	837,510	837,510
Preferred stock	119,467	119,467	128,597	128,597
Capital surplus	6,364,604	6,338,460	6,851,027	6,822,885
Retained earnings (Note 21) (Net income of ₩7,926,087 million in 2006 and ₩7,640,092 million in 2005)	44,463,683	37,369,265	47,861,876	40,225,258
Capital adjustments				
Treasury stock (Note 23)	(7,520,023)	(5,970,778)	(8,094,750)	(6,427,102)
Others (Note 24)	1,058,633	1,073,065	1,139,541	1,155,076
Minority interests	2,675,456	1,899,885	2,879,931	2,045,086
Total shareholders' equity	47,939,867	41,607,411	51,603,732	44,787,310
Total liabilities & shareholders' equity	₩81,366,206	₩74,461,798	\$87,584,721	\$80,152,635

Consolidated Statements of Income

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2006 and 2005

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Sales (Note 28)	₩85,425,626	₩80,629,510	\$91,954,388	\$86,791,722
Cost of sales (Note 28)	59,652,262	55,251,655	64,211,262	59,474,333
Gross profit	25,773,364	25,377,855	27,743,126	27,317,389
Selling, general and administrative expenses	16,765,553	17,802,357	18,046,881	19,162,924
Operating profit	9,007,811	7,575,498	9,696,245	8,154,465
Non-operating income				
Interest and dividend income	396,742	320,709	427,064	345,220
Foreign exchange gains	1,333,220	1,190,611	1,435,113	1,281,605
Gain on foreign currency translation (Note 30)	214,686	144,465	231,094	155,506
Gain on valuation of equity method investments (Note 10)	551,057	491,405	593,172	528,961
Reversal of impairment losses on investments	92,211	-	99,258	-
Others	822,300	872,666	885,144	939,361
	3,410,216	3,019,856	3,670,845	3,250,653
Non-operating expenses				
Interest expenses	294,449	218,233	316,953	234,912
Foreign exchange losses	1,257,270	1,124,380	1,353,358	1,210,312
Loss on foreign currency translation (Note 30)	109,494	117,571	117,862	126,557
Loss on valuation of equity method investments (Note 10)	31,396	149,656	33,795	161,094
Impairment losses on investments	14,499	172,145	15,607	185,301
Others	883,273	688,056	950,779	740,642
	2,590,381	2,470,041	2,788,354	2,658,818

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Income before income tax and minority interests	₩9,827,646	₩8,125,313	\$10,578,736	\$8,746,300
Income tax (Note 26)	1,633,987	1,218,246	1,758,866	1,311,352
Income before minority interests	8,193,659	6,907,067	8,819,870	7,434,948
Minority interests in losses of consolidated subsidiaries, net	(267,572)	733,025	(288,022)	789,047
Net income	₩7,926,087	₩7,640,092	\$8,531,848	\$8,223,995
Basic earnings per share (Note 27) (in Korean won and U.S. dollars)	₩52,880	₩49,969	\$56,921	\$53,788
Diluted earnings per share (Note 27) (in Korean won and U.S. dollars)	₩52,120	₩49,128	\$56,103	\$52,883

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

Consolidated Statements of Changes in Shareholders' Equity

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2006 and 2005

(In millions of Korean won (Note 3))

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Shareholders' equity, January 1, 2006	₩897,514	₩6,338,460	₩37,369,265	(₩4,897,713)	₩1,899,885	₩41,607,411
Net income	-	-	7,926,087	-	-	7,926,087
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(398)	-	-	-	(398)
Cumulative effects of changes of consolidated subsidiaries	-	2,284	-	-	1,805	4,089
Cash dividends	-	-	(831,789)	-	-	(831,789)
Disposal of treasury stock	-	4,366	-	263,634	-	268,000
Acquisition of treasury stock	-	-	-	(1,812,879)	-	(1,812,879)
Gain on valuation of available-for-sale securities	-	-	-	194,776	-	194,776
Gain on valuation of equity-method investments	-	-	-	18,574	-	18,574
Loss on valuation of equity-method investments	-	-	-	20,082	-	20,082
Stock option compensation	-	664	-	(77,672)	-	(77,008)
Minority interests in losses of consolidated subsidiaries	-	-	-	-	267,572	267,572
Others	-	19,228	120	(170,192)	506,194	355,350
Shareholders' equity, December 31, 2006	₩897,514	₩6,364,604	₩44,463,683	₩(6,461,390)	₩2,675,456	₩47,939,867

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

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

	Capital Stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Shareholders' equity, January 1, 2006	\$966,108	\$6,822,885	\$40,225,258	(\$5,272,027)	\$2,045,086	\$44,787,310
Net income	-	-	8,531,848	-	-	8,531,848
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(428)	-	-	-	(428)
Cumulative effects of changes of consolidated subsidiaries	-	2,459	-	-	1,943	4,402
Cash dividends	-	-	(895,360)	-	-	(895,360)
Disposal of treasury stock	-	4,699	-	283,783	-	288,482
Acquisition of treasury stock	-	-	-	(1,951,431)	-	(1,951,431)
Gain on valuation of available-for-sale securities	-	-	-	209,662	-	209,662
Gain on valuation of equity-method investments	-	-	-	19,994	-	19,994
Loss on valuation of equity-method investments	-	-	-	21,617	-	21,617
Stock option compensation	-	715	-	(83,608)	-	(82,893)
Minority interests in losses of consolidated subsidiaries	-	-	-	-	288,022	288,022
Others	-	20,697	130	(183,199)	544,880	382,508
Shareholders' equity, December 31, 2006	\$966,108	\$6,851,027	\$47,861,876	\$(6,955,209)	\$2,879,931	\$51,603,733

Consolidated Statements of Changes in Shareholders' Equity

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2006 and 2005

(In millions of Korean won (Note 3))

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

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

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

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
Shareholders' equity, January 1, 2005	\$966,108	\$6,716,454	\$32,913,836	(\$3,520,439)	\$2,106,259	\$39,182,218
Net income	-	-	8,223,996	-	-	8,223,996
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	(7,466)	-	-	-	(7,466)
Cumulative effects of changes of consolidated subsidiaries	-	75,670	-	(75,670)	-	-
Cash dividends	-	-	(914,277)	-	-	(914,277)
Disposal of treasury stock	-	35,061	-	364,082	-	399,143
Acquisition of treasury stock	-	-	-	(2,313,639)	-	(2,313,639)
Gain on valuation of available-for-sale securities	-	-	-	479,104	-	479,104
Gain on valuation of equity-method investments	-	-	-	130,314	-	130,314
Loss on valuation of equity-method investments	-	-	-	(68,858)	-	(68,858)
Stock option compensation	-	1,160	-	(81,236)	-	(80,076)
Minority interests in losses of consolidated subsidiaries	-	-	-	-	(789,047)	(789,047)
Others	-	2,006	1,703	(185,685)	727,874	545,898
Shareholders' equity, December 31, 2005	\$966,108	\$6,822,885	\$40,225,258	\$(5,272,027)	\$2,045,086	\$44,787,310

Consolidated Statements of Cash Flows

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2006 and 2005

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Cash flows from operating activities				
Net income	₩7,926,087	₩7,640,092	\$8,531,848	\$8,223,996
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	6,872,793	6,020,371	7,398,055	6,480,485
Provision for severance benefits	522,926	457,387	562,891	492,343
Loss on transfer of trade accounts and notes receivable	269,450	205,501	290,043	221,207
Bad debt expenses	281,826	2,008,662	303,365	2,162,177
Compensation cost for stock options	16,470	59,439	17,729	63,982
Loss on foreign currency translation	109,494	117,571	117,862	126,557
Gain on foreign currency translation	(214,686)	(144,465)	(231,094)	(155,506)
Minority interest in earnings of consolidated subsidiaries, net	267,572	(733,025)	288,022	(789,047)
Loss on valuation of equity-method investments	31,396	149,656	33,795	161,094
Gain on valuation to equity-method investments	(340,893)	(491,405)	(366,946)	(528,961)
Impairment losses on investments	14,499	172,145	15,607	185,301
Deferred income taxes	115,565	(354,826)	124,397	(381,944)
Other	540,972	527,228	582,317	567,521
	16,413,471	15,634,331	17,667,891	16,829,205
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivables	(2,409,893)	(1,966,662)	(2,594,072)	(2,116,967)
Increase in inventories	(1,336,430)	(637,044)	(1,438,568)	(685,731)
Increase in trade accounts and notes payable	882,643	696,002	950,100	749,195
Increase in accrued expenses	713,322	824,899	767,839	887,943
Increase (Decrease) in income taxes payable	308,838	(655,197)	332,441	(705,271)
Payment of severance benefits	(184,845)	(179,363)	(198,972)	(193,071)
Decrease(Increase) in financing receivables	628,275	(783,639)	676,292	(843,530)
Increase in long-term advance received	31	507,310	33	546,082
Increase in long-term accrued expenses	139,471	134,974	150,130	145,290
Others	(74,284)	(247,045)	(79,961)	(265,926)
Net cash provided by operating activities	15,080,599	13,328,566	16,233,153	14,347,219

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Cash flows from investing activities				
Net increase in short-term financial instruments	₩564,016	₩912,019	\$607,122	\$981,721
Proceeds from sale of short-term available-for-sale securities	3,718,317	3,734,545	4,002,494	4,019,962
Acquisition of short-term available-for-sale securities	(3,718,158)	(3,148,892)	(4,002,323)	(3,389,550)
Net increase in other accounts and notes receivable	(93,219)	(53,147)	(100,343)	(57,209)
Proceeds from disposal of property, plant and equipment	344,797	244,961	371,149	263,682
Acquisition of property, plant and equipment	(11,738,291)	(11,540,225)	(12,635,405)	(12,422,201)
Proceeds from sale of long-term available-for-sale securities	22,625	69,750	24,354	75,081
Proceeds from sale of long-term held-to-maturity securities	75,211	662,071	80,959	712,671
Proceeds from sale of equity-method investments	23,073	279,041	24,836	300,367
Acquisition of long-term available-for-sale securities	(34,226)	(60,564)	(36,842)	(65,193)
Acquisition of long-term held-to-maturity securities	-	(134,822)	-	(145,126)
Acquisition of equity-method investments	(142,904)	(46,362)	(153,826)	(49,905)
Others	(118,948)	36,043	(128,038)	38,798
Net cash used in investing activities	(11,097,707)	(9,045,582)	(11,945,863)	(9,736,902)
Cash flows from financing activities				
Net proceeds from (repayment of) short-term borrowings	(545,201)	815,328	(586,869)	877,640
Proceeds from long-term debts	3,086,201	3,350,653	3,322,068	3,606,731
Repayment of long-term debts	(277,859)	(76,378)	(299,095)	(82,215)
Repayment of current maturities of long-term debts	(4,183,020)	(5,231,209)	(4,502,713)	(5,631,011)
Payment of dividends	(831,789)	(849,364)	(895,360)	(914,278)
Acquisition of treasury stock	(1,812,879)	(2,149,370)	(1,951,431)	(2,313,638)
Others	675,317	873,856	726,931	940,642
Net cash used in financing activities	(3,889,230)	(3,266,484)	(4,186,469)	(3,516,129)
Effect of exchange rate changes on cash and cash equivalents	₩30,125	(₩69,574)	\$32,427	(\$74,892)
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	15,423	6,277	16,602	6,757
Net increase in cash and cash equivalents	139,210	953,203	149,850	1,026,053
Cash and cash equivalents				
Beginning of year	4,082,817	3,129,614	4,394,851	3,368,798
End of the year	₩4,222,027	₩4,082,817	\$4,544,701	\$4,394,851

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

Notes of Consolidated Financial Statements

Samsung Electronics Co., Ltd. and Subsidiaries

Years Ended December 31, 2006 and 2005

Note 1 : The Company

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

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

As of December 31, 2006, the major shareholders of SEC, including preferred shareholders, and their respective shareholdings, are as follows:

Name of shareholder	Number of shares	Percentage of ownership (%)
Citibank N.A.	16,022,453	9.42
Samsung Life Insurance Co., Ltd.	10,690,171	6.28
Samsung Corporation	5,917,362	3.48
Lee Kun-Hee and related parties	4,790,712	2.82
National Pension Corporation	4,760,900	2.8
NTC-GOV SPORE	2,617,085	1.54
Samsung Fire & Marine Insurance Co., Ltd.	1,856,370	1.09

Consolidated Subsidiaries

The consolidated financial statements include the accounts of SEC and its controlled subsidiaries (collectively referred to as "the Company"). Controlled subsidiaries include majority-owned entities and entities in which SEC owns more than 30% of the total outstanding voting stock and is the largest shareholder. Percentage of ownership is the sum of the percentage of direct and indirect ownership.

The consolidated financial statements include the accounts of the consumer financing subsidiary, Samsung Card Co., Ltd., in accordance with the consolidation accounting standards of the Republic of Korea.

The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2006.

(In millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Korea	Samsung Kwangju Electronics Co., Ltd.	Home appliances manufacturing	₩610,541	94.25	Korea
	Samsung Card Co., Ltd.	Consumer financing	1,820,553	46.85	Korea
	STECO Co., Ltd.	Semiconductor equipment manufacturing	61,226	51.0	Korea
	SEMES Co., Ltd.	Semiconductor equipment manufacturing	65,698	63.87	Korea
	Samsung Electronics Service Co., Ltd.	Service center for electronic goods	54,432	83.33	Korea
	Living Plaza	Sales	137,979	100	Korea
	Blueteck Co., Ltd.	Manufacturing	143,471	100	Korea
	Samsung Electronics Logitech Co., Ltd.	Distribution	33,508	100	Korea
	Secron Co., Ltd.	Semiconductor equipment manufacturing	35,073	50.63	Korea
	S-LCD Corporation	Manufacturing	2,972,924	50	Korea
	Samsung Electronics Hainan Fiberoptics Korea Co., Ltd (SEHF-K)	Optical cable manufacturing	13,452	100	Korea
Americas	Samsung Electronics Canada, Inc. (SECA)	Sale of electronic goods	54,034	100	Canada
	Samsung Electronics America, Inc. (SEA)	Sale of electronic goods	934,500	100	U.S.A
	Samsung Electronics Latinoamerica (ZONE LIBRE) S.A. (SELA)	Sale of electronic goods	37,143	100	Panama
	Samsung Electronics Mexico S.A.de C.V.(SEM)	Sale of electronic goods	44,460	100	Mexico
	Samsung Electronics Argentina S.A. (SEASA)	Sale of electronic goods	5,322	100	Argentina
	Samsung Receivables Corporation (SRC)	Financing	781,453	100	U.S.A
	Samsung Semiconductor Inc. (SSI)	Semiconductor sales	319,908	100	U.S.A
	Samsung Information Systems America Inc. (SISA)	Information system research and development	18,841	100	U.S.A
	Samsung Telecommunications America, L.P. (STA)	Telephone sales and research and development	173,446	100	U.S.A
	Samsung International, Inc. (SII)	CTV and monitor manufacturing	126,621	100	U.S.A
	Samsung Austin Semiconductor L.P. (SAS)	Semiconductor manufacturing	666,166	100	U.S.A
	Samsung Mexicana S.A. de C.V.(SAMEX)	CTV and monitor manufacturing	27,434	100	Mexico
	Samsung Electronics Latinoamerica Miami, Inc. (SEMI)	Sale of electronic goods and telephone	12,487	100	U.S.A
	Samsung Electronica Columbia S.A. (SAMCOL)	Sale of electronic goods	8,973	100	Columbia
	Samsung Electronica Da Amazonia LTDA. (SEDA)	Telephone manufacturing	73,760	100	Brazil

(In millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Europe / Africa	Samsung Electronics Iberia, S.A. (SESA)	VCR, TVCR manufacturing and sales	₩94,185	100	Spain
	Samsung Electronics Nordic AB (SENA)	Sale of electronic goods	32,217	100	Sweden
	Samsung Electronics Hungarian RT. Co., Ltd. (SEH)	CTV manufacturing and sales	270,148	100	Hungary
	Samsung Electronica Portuguesa S.A. (SEP)	Sale of electronic goods	21,236	100	Portugal
	Samsung Electronics France S.A. (SEF)	Sale of electronic goods	96,360	100	France
	Samsung Electronics (UK), Ltd. (SEUK)	Sale of electronic goods	290,578	100	U.K.
	Samsung Electronics Holding GmbH (SEHG)	Holding company (financing)	177,271	100	Germany
	Samsung Electronics Italia S.P.A (SEI)	Sale of electronic goods	78,923	100	Italy
	Samsung Electronics South Africa (Pty) Ltd. (SSA)	Sale of electronic goods	25,733	100	South
	Samsung Electronics Benelux B. V. (SEBN)	Distribution and sale of electronic goods	45,721	100	Netherlands
	Samsung Electronics Poland, SP.ZO.O (SEPOL)	Sale of electronic goods and telephone	33,022	100	Poland
	Samsung Semiconductor Europe Limited (SSEL)	Semiconductor sales	44,130	100	U.K.
	Samsung Electronics GmbH (SEG)	Sale of electronic goods	55,306	100	Germany
	Samsung Semiconductor Europe GmbH (SSEG)	Semiconductor sales	11,156	100	Germany
	Samsung Electronics Overseas B.V. (SEO)	Sale of electronic goods	701	100	Netherlands
	Samsung Electronics Europe Logistics B.V. (SELS)	Logistics	34,346	100	Netherlands
	Samsung Electronics Slovakia s.r.o (SESK)	Monitor manufacturing	244,314	100	Slovakia
	LLC Samsung Electronics, Russia (SER)	Marketing	8,286	100	Russia
	Samsung Electronics RUS Co.(SERC)	Service	47,875	100	Russia
	Samsung Russia Service Center, Ltd.(SRSC)	Service	6,671	100	Russia
Samsung Electronics Austria GmbH(SEAG)	Marketing	13,217	100	Austria	
Asia	Samsung Yokohama Research Institute (SYRI)	Research center	53,257	100	Japan
	Samsung Electronics Australia Pty, Ltd. (SEAU)	Sale of electronic goods	62,795	100	Australia
	P.T. Samsung Electronics Indonesia (SEIN)	CTV, VCR manufacturing and sales	123,575	99.99	Indonesia
	Samsung Asia Pte Ltd. (SAPL)	Sale of electronic goods	252,743	70	Singapore
	Samsung Electronics Display (M) SDN.OMD. (HSD) (SDMA)	Monitor manufacturing and sales	140,730	100	Malaysia
	Samsung Electronics (Malaysia) SDN.BHD. (SEMA)	Home appliances manufacturing and sales	89,030	100	Malaysia
	Samsung Vina Electronics Co., Ltd. (SAVINA)	CTV manufacturing and sales	16,014	80	Vietnam
	Samsung Gulf Electronics Co., Ltd. (SGE)	Sale of electronic good	18,070	100	Arab Emirates
	Samsung India Electronics Ltd. (SIEL)	CTV manufacturing and sales of electronic goods	57,466	100	India
	Thai-Samsung Electronics Co., Ltd. (TSE)	CTV and washing machine manufacturing and sales	134,759	91.83	Thailand
	Samsung Electronics Philippines Corporation (SEPCO)	Sale of electronic goods	10,867	100	Philippines
	Samsung Electronics Philippine Manufacturing Corporation (SEPHIL)	ODD Manufacturing	33,772	100	Philippines
	Samsung Japan Co., Ltd. (SJC)	Sales	220,627	50.96	Japan
	P.T. Samsung Telecommunication Indonesia (STIN)	Installation of telecom systems	5,400	99	Indonesia
Samsung Malaysia Electronics SDN BHD(SME)	Marketing	3,762	100	Malaysia	

(In millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Asia	Samsung India Software Operations Pvt. Ltd.(SISO)	Research and development	₩7,679	100	India
	Samsung Telecommunications India(STI)	Sale of electronic goods and telephone manufacturing and sales	11,656	100	India
	Samsung Electronics Asia Holding Pte. Ltd.(SEAH)	Holding company	79,687	100	Singapore
China	Samsung Electronics Hong Kong Co., Ltd. (SEHK)	Sale of electronic goods	62,525	100	Hong Kong
	Samsung Electronics Taiwan Co., Ltd. (SET)	Semiconductor sales and sale of electronic goods	45,323	99.99	Taiwan
	Samsung Electronics Huizhou Co., Ltd. (SEHZ)	A/V manufacturing	54,550	99.56	China
	Shandong-Samsung Telecommunication Co., Ltd. (SST)	Telecom system (PABX) manufacturing and sales	48,381	100	China
	Samsung Electronics Suzhou Semiconductor Co., Ltd. (SESS)	Semiconductor manufacturing	189,723	100	China
	Souzhou Samsung Electronics Co., Ltd. (SSEC)	Home appliances manufacturing and sales	105,497	88.28	China
	Samsung (China) Investment Co., Ltd. (SCIC)	Holding company and sales	54,492	100	China
	Tianjin Samsung Electronics Co., Ltd. (TSEC)	VCR manufacturing and sales	140,178	91.07	China
	Tianjin Samsung Electronics Display Co., Ltd. (TSED)	Monitor manufacturing	81,031	79.95	China
	Tianjin Tongguang Samsung Electronics Co., Ltd. (TTSEC)	CTV manufacturing	137,058	96.02	China
	Tianjin Samsung Telecom Technology Co., Ltd. (TSTC)	HHP manufacturing	139,118	90	China
	Samsung Electronics Suzhou LCD Co., Ltd. (SESL)	LCD manufacturing	138,064	100	China
	Samsung Electronics Suzhou Computer Co., Ltd. (SESC)	Computer manufacturing	52,155	100	China
	Shenzhen Samsung Kejian Mobile Telecommunication Technology Co., Ltd. (SSKMT)	HHP manufacturing	45,218	60	China
	Shanghai Samsung Semiconductor Co., Ltd. (SSS)	Semiconductor sales	4,396	100	China
	Samsung Electronics Hainan Fiberoptics Co., Ltd. (SEHF)	Optical cable manufacturing	22,241	100	China
	Samsung Electronics Beijing Service Co.,Ltd.(SBSC)	Service	3,762	100	China
Hangzhou Samsung Eastcom Network Technology Co.,Ltd.(HSEN)	Network equipment manufacturing and sales	5,823	70	China	

Subsidiaries excluded from the consolidated financial statements as of December 31, 2006, are as follows:

(In millions of Korean won)

Location	Subsidiaries	Primary business	Capital	Percentage of ownership (%)	Location
Korea	International Cyber Marketing Co., Ltd	Internet game service	₩721	45	Korea
Americas	SEMES America Inc.	Service	466	100	U.S.A
	Samsung Electronics Chile Limitada (Ltda)	Marketing and service	934	99.99	Chile
	Samsung Semiconductor International Inc.	Holding company	5	100	Mexico
	Samsung Semiconductor Mexico, S.A. De C.V.	Semiconductor sales	128	100	Mexico
	Tasman Properties, Inc.	Real-properties collateral pledge	9	100	U.S.A
Europe	Samsung-Crosna Joint Stock Company	Telecom (exchanger)	258	67	Russia
	Samsung Electronics Ukraine	Marketing	1,516	99.99	Ukraine
	Samsung Telecommunications Benelux	Installation and service	344	100	Netherlands
	Samsung Electronics Kazakhstan	Marketing	73	100	Kazakstan
	Samsung Semiconductor France S.A.R.L	Semiconductor sales	621	100	France
	Samsung Semiconductor Italia S.R.L	Semiconductor sales	70	100	Italia
	Samsung Semiconductor Sweden AB	Semiconductor sales	38	100	Sweden
	Samsung Electronics Manufacturing (UK) Ltd.	-	70,194	100	U.K.
	Samsung Electronics Limited	-	7,245	100	U.K.
	Samsung Telecoms (UK) Ltd.	-	-	100	U.K.
Asia	Batino Realty Corporation	Real-properties lease	1,660	38.9	Philippines
China	Beijing Samsung Telecom. R&D Center	Research	5,438	100	China
	Samsung Electronics China R&D Center	Research	2,013	100	China
	Samsung Semiconductor China R&D., Ltd.	Research and development	4,214	100	China
	Samsung Electronics Shenzhen Co., Ltd.	Semiconductor sales	83	100	China

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

Equity-Method Investments

Equity-Method Investments as of December 31, 2006, consist of the following:

Location	Investee Companies	Percentage of ownership (%)	Location
Korea	Samsung SDI Co., Ltd.	19.68	Korea
	Samsung Electro-Mechanics Co., Ltd.	22.8	Korea
	Samsung Techwin Co., Ltd.	25.46	Korea
	Seoul Commtech Co., Ltd.	35.76	Korea
	Samsung Economic Research Institute	29.8	Korea
	Samsung SDS Co., Ltd.	21.27	Korea
	Samsung Networks Inc.	23.07	Korea
	Samsung Corning Co., Ltd.	45.29	Korea
	Samsung Lions Co., Ltd.	27.5	Korea
	MEMC Electronic Materials Korea, Inc.	20	Korea
	Samsung Corning Precision Glass Co., Ltd.	42.47	Korea
	Samsung Thales Co., Ltd.	50	Korea
	Bokwang FUND I	50	Korea
	SVIC FUND II	99	Korea
	SVIC FUND III	99	Korea
	SVIC FUND IV	65.67	Korea
	SVIC FUND V	99	Korea
SVIC FUND VI	99	Korea	
SVIC FUND VII	99	Korea	
Asia	Samsung SDI (Malaysia) SDN. BHD.	25	Malaysia
	Skyworld Corporation.	25	Philippines
	Siltronic Samsung Wafers Pte. Ltd.	50	Singapore
	Samsung Electro-Mechanics Thailand Co., Ltd.	25	Thailand
	Syrian-Korean Telecommunication Equipments Manufacturing Establishment Co., Ltd.	49	Syria
	TSST Japan Co., Ltd.	49.03	Japan
China	Shanghai Bell Samsung Mobile Communications Co., Ltd.	49	China

Investments companies excluded from the application of equity method of accounting as of December 31, 2006, are as follows:

Location	Investee Companies	Percentage of ownership (%)	Location
Korea	Samsung Everland Co., Ltd. ¹	25.64	Korea
	Allat Corporation ¹	30	Korea
Americas	Content Management License Administrator LLC ²	25	U.S.A
Asia	e-Samsung Asia (Holding) Pte. Ltd. ²	22.71	Singapore
	Samsung Electronics Ticaret A.S. ²	20	Turkey
	Future Technology & Service Coportion ²	28.6	Japan

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

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

Changes in Subsidiaries Consolidated

(a) Details of subsidiaries newly included in the consolidated financial statements for the year ended December 31, 2006, are as follows:

Location	Name of Subsidiaries	Remark
Asia	Samsung Telecommunications India(STI)	Increase in assets
	Samsung Electronics Asia Holding Pte. Ltd.(SEAH)	Newly incorporated
China	Samsung Electronics Beijing Service Co.,Ltd.(SBSC)	Increase in assets
	Hangzhou Samsung Eastcom Network Technology Co., Ltd.(HSEN)	Increase in assets
Europe	Samsung Russia Service Center, Ltd.(SRSC)	Increase in assets
	Samsung Electronics Austria GmbH(SEAG)	Increase in assets
	Samsung Electronics RUS Co.(SERC)	Newly incorporated

(b)The subsidiaries excluded from the consolidated financial statements for the year ended December 31, 2006, are as follows:

Location	Name of Subsidiaries	Remark
Europe	Samsung Electronics Limited(SEL)	Dormant for more than 1 year
	Samsung Telecoms (UK) Ltd.(STUK)	Dormant for more than 1 year

Note 2 : Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

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

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial and Supervisory Board. As SKFAS No. 18 through No. 20 became applicable to the company in January 1, 2006, the Company adopted these statements in its financial statements as of and for the year ended December 31, 2006.

In accordance with SKFAS No. 20, Related Party Disclosures, the Company discloses key management personnel compensation, nature of related party relationships and information on related party transactions and outstanding balances necessary for the understanding of the potential effect of such relationship in the financial statements. However, prior year disclosures pertaining to the December 31, 2005 financial statements, presented herein for comparative purposes, have not been provided in accordance with the addendum to SKFAS No. 20.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company

may undertake in the future, actual results may differ from those estimates.

Principles of Consolidation

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

All significant intercompany transactions and balances have been eliminated on 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 controlling company to consolidated subsidiaries, or equity-method investees, are fully eliminated and charged to the equity of the controlling company. Unrealized profits, arising from sales by the consolidated subsidiaries, or equity-method investees, to the controlling company, or sales between consolidated subsidiaries, or equity-method investees, are fully eliminated, and charged to the equity of the controlling company and minority interest, based on the percentage of ownership.

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

Cash and Cash Equivalents, and Short-Term Financial Instruments

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

Securities

Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Trading securities are classified as current assets while

available-for-sale securities and held-to-maturity securities are classified as long-term investments, except those securities that mature or are certain to be disposed of within one year which are classified as current assets.

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

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

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

Equity-Method Investments

In the consolidated financial statements of the Company, investments in business entities in which the Company has the ability to exercise a significant influence over the operating and financial policies are accounted for using the equity method of accounting.

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

Differences between the investment amounts and corresponding capital amounts of the investee at the date of acquisition of the investment are recorded as part of investments and are amortized over five years using the straight-line method. However, differences which occur from additional investments made after the Company obtains control and the investment becomes a subsidiary are reported in a separate component of shareholders' equity, and are not included in the determination of the results of operations.

Assets and liabilities of the Company's foreign investees are translated at current exchange rates, while income and expenses

are translated at average rates for the year. Adjustments resulting from the translation process are reported in a separate component of shareholders' equity, and are not included in the determination of the results of operations.

Allowance for Doubtful Accounts

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

Inventory Valuation

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

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for certain assets subject to upward revaluation in accordance with the Asset Revaluation Law of Korea. The revaluation presents production facilities and other buildings at their depreciated replacement cost, and land at the prevailing market price, as of the effective date of revaluation. The revaluation increment, net of revaluation tax, is first applied to offset accumulated deficit and deferred foreign exchange losses, if any. The remainder may be credited to other capital surplus or transferred to common stock. A new basis for calculating depreciation is established for revalued assets.

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

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

Maintenance and Repairs

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Intangible Assets

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

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

Leases

The Company accounts for lease transactions as either operating lease or finance lease, depending on the terms of the lease agreement. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, while an operating lease is a lease other than a finance lease.

In addition, the lesser between the present value of minimum lease payments and the fair value of the lease asset is recognized as the value of the capital lease asset or liability. The costs incurred during lease inception process are also recognized as part other capital lease cost.

In case of operating lease as lessor, the lease assets are recognized as tangible or intangible assets depending on the nature of the leased assets. The operating lease assets are depreciated using the same depreciation method used for other similar assets held by the Company. In addition, the annual minimum lease payments, less guaranteed residual value, are recognized as income on a constant basis over the lease term, unless another reasonable basis is used. In case of operating lease as lessee, the annual minimum lease payments, less guaranteed residual value, are charged to expense on a constant basis over the lease term, unless another reasonable basis is used.

In case of finance lease as lessor, the Company recognizes the amount equivalent to the net investment in the lease asset as capital lease receivable. The costs incurred during lease inception process are recognized as capital lease receivable. The lease payments received are recognized as collection of capital lease receivable and interest income, determined using the effective interest rate.

In case of finance lease as lessee, annual minimum lease payments, excluding residual value, are allocated to interest expense or for the redemption of capital lease liability using the effective interest method. Machinery and equipment acquired under capital lease agreements are recorded as property, plant and equipment at cost and depreciated using the same depreciation method as that of other similar assets held by the Company. If it is certain that the Company is expected to

obtain ownership of the lease asset upon or before maturity of the lease term, the lease asset is depreciated over its useful life. Otherwise, it is depreciated over its useful life or the term of the lease, whichever is shorter. The acquisition cost of the lease asset, less any expected or guaranteed residual value, is subject to depreciation.

Discounts and Premiums on Debentures

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

Convertible Bonds

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

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

Stock and Debenture Issuance Costs

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

Government Grants

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

Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with SEC, its Korean subsidiaries and certain foreign subsidiaries, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

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

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

Revenue Recognition

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

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Korean won at the rate of exchange in effect as of the balance sheet date. Gains and losses resulting from the translation are reflected as either income or expense for then 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 a cumulative translation adjustment presented as part of shareholders' equity.

Deferred income tax assets and liabilities

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

Deferred income tax assets and liabilities are computed on such temporary differences by applying statutory tax rates applicable to the years when such differences are expected to be reversed.

Tax assets related to tax credits and exemptions are recognized to the extent of the Company's certain taxable income.

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

Long-Term Receivables and Payables

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

Stock-Based Compensation

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

Earnings Per Share

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

Provisions and Contingent Liabilities

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

Derivative Instruments

Derivative financial instruments for trading or hedging purpose are valued at estimated market price with the resulting unrealized gains or losses recognized in the current operations, except for the effective portion of derivative transactions entered into for

the purpose of cash-flow hedges, which is recorded as an adjustment to shareholders' equity.

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

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

Asset Impairment

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

Note 3 United States Dollar Amounts

SEC and its Korean subsidiaries operate primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩929 to US\$1, the exchange rate in effect on December 31, 2006. 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 2005 U.S. dollar amounts, which were previously expressed at ₩1,013 to US\$1, the rate in effect on December 31, 2005, have been restated to reflect the exchange rate in effect on December 31, 2006.

Note 4 Cash Subject to Withdrawal Restrictions

Cash in banks subject to withdrawal restrictions as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

		2006	2005
Short-term financial instruments	Government-sponsored R&D projects	₩31,425	₩33,525
	Other activities	26,493	15,732
		₩57,918	₩49,257
Long-term financial instruments	Government-sponsored R&D projects	-	₩8,826
	Special deposits	77	133
	Other activities	330	-
		₩407	₩8,959
		₩58,325	₩58,216

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

Short-term available-for-sale securities as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Financial institution bonds ¹	₩589,697	₩585,225
Fair-value investments	-	166,199
Beneficiary certificates ²	1,469,084	1,114,543
ABS subordinated securities	-	13,680
Others	-	51,155
	₩2,058,781	₩1,930,802

¹ Includes accrued interest income amounting to ₩5,022 million (2005: ₩3,551 million).

² Beneficiary certificates as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Call loan	₩13,937	₩26,170
Certificates of deposit	400,824	179,851
Bonds	1,033,091	913,842

As of December 31, 2006, unrealized holding gains on short-term available-for-sale securities amounting to ₩6,167 million (2005: losses of ₩19,961 million), except for deferred income tax charged directly to shareholders' equity amounting to ₩2,338 million (2005: ₩7,571 million), which were recorded in a separate component of shareholders' equity as other capital adjustments.

Short-term held-to-maturity securities as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Government and public bonds	₩248	₩178
Subordinated securities	-	898
	₩248	₩1,076

Note 6 : Accounts and Notes Receivable

Accounts and notes receivable, and their allowance for doubtful accounts as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006	2005
Trade accounts and notes receivable	₩9,133,647	₩7,451,467
Less: Allowance for doubtful accounts	(44,195)	(54,114)
	₩9,089,452	₩7,397,353
Other accounts and notes receivable	₩987,634	₩1,118,869
Less: Allowance for doubtful accounts	(15,156)	(16,222)
Discounts on present value	(52)	(27)
	₩972,426	₩1,102,620

The outstanding balance of trade accounts and notes receivable sold to financial institutions as of December 31, 2006 and 2005, are as follows (Note 19):

(In millions of Korean won)

	2006	2005
Asset-backed securities with limited recourse	₩1,254,030	₩1,280,432
Trade accounts receivable with recourse	556,432	548,035
Trade accounts receivable without recourse	905,375	1,170,480
	₩2,715,837	₩2,998,947

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
Long-term loans and other receivables	₩244,724	₩33,228	₩211,496
Long-term payables and other payables	607,138	109,191	497,947

Note 7 : Inventories

Inventories, net of valuation losses, as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Finished goods and merchandise	₩2,181,047	₩1,984,512
Semi-finished goods and work-in-process	1,594,414	1,272,997
Raw materials and supplies	1,963,723	1,764,964
Materials-in-transit	1,014,261	842,416
	₩6,753,445	₩5,864,889

Inventories are insured against fire and other casualty losses for up to ₩5,572,203 million as of December 31, 2006 (2005: ₩4,458,490 million).

As of December 31, 2006, losses on valuation of inventories, amounted to ₩183,964 million (2005: ₩142,738 million).

Note 8 : Financing Receivables

Financing receivables of the consumer financing subsidiary, Samsung Card Co., Ltd., as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Accounts	2006	2005
Short-term financing receivables		
Credit card assets	₩3,323,235	₩4,362,375
Lease assets	107,293	98,131
Installment finance	448,653	827,507
General loans	1,210,031	1,104,146
	5,089,212	6,392,159
Less: Allowance for doubtful accounts	(502,240)	(728,812)
	4,586,972	5,663,347
Long-term financing receivables		
Credit card assets	2,425,802	2,227,841
Lease assets	624,094	526,910
Installment finance	352,049	757,109
General loans	606,330	1,049,144
Trust assets and others	247,291	90,587
	4,255,566	4,651,591
Less : Allowance for doubtful accounts	(449,031)	(898,121)
	3,086,535	3,753,470
	₩8,393,507	₩9,416,817

Collection schedule of installment finance and general loans as of December 31, 2006, are as follows:

(In millions of Korean won)

Year	Installment finance	General loans
2007	₩448,653	₩1,210,031
2008	192,833	274,414
2009	129,966	203,343
2010	20,025	96,332
2011	8,805	28,516
Thereafter	420	3,725
	₩800,702	₩1,816,361

Finance lease of financing receivables, as of December 31, 2006, are as follows:

(In millions of Korean won)

	Minimum lease payment	Present values
Within one year	₩34,705	₩31,147
From one year to five years	213,948	168,167
More than five years	1,560	1,148
Unguaranteed residual value	29,279	25,606
	279,492	₩226,068
Present value adjustment	(53,424)	
Financing lease receivables	₩226,068	

The minimum lease receipts relating to operating lease agreement as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006	2005
Within one year	₩192,193	₩166,600
From one year to five years	163,158	164,027
	₩355,351	₩330,627

As of December 31, 2006 and 2005, property on operating lease is classified as follows:

(In millions of Korean won)

	2006	2005
Automobiles	₩688,021	₩571,810
Electronic system	14,390	14,226
	702,411	586,036
Less: Accumulated depreciation	204,652	158,234
Accumulated impairment losses	854	-
Operating lease assets	₩496,905	₩427,802

The outstanding balance of financing receivables sold to financial institutions as of December 31, 2006 and 2005, are as follows (Note 19):

(In millions of Korean won)

	2006	2005
Asset-backed securities with limited recourse	₩4,002,923	₩4,017,978
Financing receivables with recourse	-	17,395
	₩4,002,923	₩4,035,373

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

Note 9 : Long-Term Available-For-Sale Securities and Long-Term Held-To-Maturity Securities

(1) Long-Term Available-For-Sale Securities

Long-term available-for-sale securities as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

			2006	2005
	Detail	Acquisition Cost	Recorded Book Value	Recorded Book Value
Listed equities ¹	(1)	₩601,961	₩1,810,756	₩1,581,740
Non-listed equities ¹	(2)	615,839	729,190	645,150
Government and public bonds and others	(3)	18,178	16,903	5,543
Funds		168	155	168
		₩1,236,146	₩2,557,004	₩2,232,601

¹ Excludes equity-method investees.

1) Listed equities

Listed equities as of December 31, 2006 and 2005, consist of the following:

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

	2006					2005
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value	Recorded Book Value	Recorded Book Value
Related parties						
Samsung Heavy Industries Co., Ltd.	40,675,641	17.61	₩258,299	₩907,067	₩907,067	₩721,993
Samsung Fine Chemicals Co., Ltd.	2,969,730	11.51	61,375	69,195	69,195	98,744
The Shilla Hotels & Resorts	2,529,580	6.35	18,604	38,323	38,323	32,758
Cheil Communications Inc.	259,949	5.65	25,737	60,048	60,048	57,319
Samsung Fire & Marine Insurance Co., Ltd.	2,298,377	4.7	90,443	371,188	371,188	294,192
Samsung Securities Co., Ltd.	3,143,194	4.7	57,347	159,360	159,360	195,192
S1 Corporation Inc.	725,060	1.91	16,207	31,431	31,431	31,758
Samsung Engineering Co., Ltd.	704,104	1.76	9,018	30,452	30,452	20,067
Other companies						
Cheil Industries Inc.	2,449,713	4.9	18,339	96,151	96,151	68,837
Korea Information Service Inc.	107,603	2.26	797	2,513	2,513	2,109
Hanmi Capital	235,676	1.54	415	2,086	2,086	1,933
Saehan Media	973,738	2.32	1,840	1,675	1,675	2,118
SANYO	10,000,000	0.53	37,061	11,806	11,806	27,517
Tomen device Corp.	832,000	12.23	883	16,360	16,360	18,888
Others			5,596	13,101	13,101	8,315
			₩601,961	₩1,810,756	₩1,810,756	₩1,581,740

As of December 31, 2006, unrealized holding gains on listed equities amount to ₩706,950 million (2005: ₩556,586 million), except for deferred income tax charged directly to shareholders' equity and minority interests amounting to ₩527,375 million (2005: ₩432,490 million), which were recorded in a separate component

of shareholders' equity under other capital adjustments.

The Company determined that the decline in the fair value of certain investments would not be recoverable, and recorded an impairment loss of ₩13,349 million (2005: ₩13,316 million) under non-operating expenses for the year ended December 31, 2006.

2) Non-listed equities

Non-listed equities as of December 31, 2006 and 2005, consist of the following:

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

	2006					2005
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value/ Market Value	Recorded Book Value	Recorded Book Value
Related parties						
Samsung Petrochemical Co., Ltd.	514,172	12.96	₩8,040	₩35,477	₩8,040	₩8,040
Samsung General Chemicals Co., Ltd.	1,914,251	3.91	19,143	29,415	13,865	13,865
Samsung Venture Investment Corporation	980,000	16.33	4,900	5,836	4,900	4,900
Samsung Life Insurance	131,588	0.66	92,112	51,909	92,112	92,112
iMarketKorea Inc.	380,000	14.1	1,900	5,754	1,900	1,900
International Cyber Marketing, Inc ¹	450,000	45	1,166	325	1,166	1,166
Samsung Everland Co., Ltd. ¹	641,123	25.64	64,112	450,975	270,313	270,313
Allat Corporation ²	300,000	30	1,500	3,476	3,476	1,892
Samsung Electronics Manufacturing (UK) Ltd. ¹	56,730,000	100	103,482	70,194	40,152	35,764
Others	-	-	24,228	17,628	13,005	22,789
Other companies						
Kihyup Technology Banking Corporation	1,000,000	17.24	5,000	6,356	5,000	5,000
Pusan Newport Co., Ltd.	1,135,307	1.31	5,676	5,008	5,676	5,676
Renault Samsung Motors ²	17,512,000	19.9	87,560	127,680	127,680	87,560
Bluebird Soft Inc.	140,000	17	10,199	2,249	2,441	2,441
SkyLife Broadcasting	600,000	0.71	3,344	482	3,000	3,344
Yong Pyong Resort Co. Ltd.	400,000	1.05	2,000	1,184	2,000	2,000
TU Media Corp.	3,015,195	6.9	15,076	2,858	15,076	15,076
Symbian Ltd.	10,359,926	4.5	31,839	7,842	31,839	31,839
Beijing T3G Technology Co., Ltd.	-	16.26	9,164	1,745	9,164	7,732
Mybi Co., Ltd. ²	72,000	2.43	1,080	312	312	1,080
MasterCard International Inc. (Class B) ²	201,269	0.15	2,241	12,152	12,152	5,467
Bad bank Harmony	68,278	-	68,278	47,931	47,931	11,439
Others			53,799	16,764	17,990	13,755
			₩615,839	₩903,552	₩729,190	₩645,150

¹ As of December 31, 2006, these investments in affiliated companies were not valued using the equity method of accounting due to the immateriality of their total asset balances or the Company's inability to exercise significant influence over the operating and financial policies.

² As of December 31, 2006, certain investments which were valued at acquisition cost due to lack of reliability of basic information up to December 31, 2005, have been valued at fair value using evaluation results from independent stock evaluation institution (Korea Investors Service, Inc.). The following are the results of non-listed equities valued at fair value.

As of December 31, 2006, unrealized holding profits(losses) on non-listed equities amount to ₩18,935 million, except for deferred income tax charged directly to shareholders' equity and minority interests amounting to ₩32,303 million, which were recorded in a separate component of shareholder's equity in other capital adjustments.

Losses on impairment of cost-method investments resulting from the decline in realizable value below the acquisition cost amounted to ₩1,150 million for the year ended December 31, 2006 (2005: ₩68,272 million). In addition, reversal of impairment losses of cost-method investments resulting from the recovery of realizable value amounted to ₩40,936 million for the year ended December

31, 2006.

As of December 31, 2006, the Company's investments in Pusan Newport Co., Ltd. are pledged as collateral against the investee's debt.

3) Government and public bonds and others

As of December 31, 2006, the difference between acquisition cost and fair value of government and public bonds and others amounting to a loss of ₩935 million (2005: loss of ₩284 million), except for deferred income tax charged directly to other shareholders' equity amounting to a gain of ₩342 million (2005: gain of ₩114 million), was recorded in a separate component of shareholders' equity in other capital adjustments.

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

Long-term held-to-maturity securities as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006		2005	
	Face Value	Recorded Book Value	Face Value	Recorded Book Value
Government and public bonds	₩294	₩294	₩520	₩520
ABS subordinated securities	621,281	197,386	696,488	221,318
	₩621,575	₩197,680	₩697,008	₩221,838

As of December 31, 2006, the subsidiaries determined that the decline in the value of certain ABS subordinated securities would not be recoverable, and charged the related impairment losses of ₩90,557 million (accumulative amount: ₩475,170 million), to current operations as non-operating expenses for the year ended December 31, 2006.

In addition, the subsidiaries determined that the increase in the value of certain ABS subordinated securities would be recoverable and charged the related reversal of impairment losses of ₩51,275 million for the year ended December 31, 2006.

The maturities of long-term held-to-maturity securities as of December 31, 2006, 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	₩281	₩137,663	₩137,944
More than five years to ten years	13	59,723	59,736
	₩294	₩197,386	₩197,680

Note 10 : Equity-Method Investments

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

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

	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value
Samsung SDI Co., Ltd.	9,282,753	19.68	₩423,722	₩925,819	₩920,389
Samsung Electro-Mechanics Co., Ltd.	17,693,084	22.8	359,237	407,018	394,899
Samsung Techwin Co., Ltd.	19,604,254	25.46	211,726	216,657	216,118
Seoul Commtech Co., Ltd.	3,933,320	35.76	9,172	47,171	46,120
Samsung Economic Research Institute	3,576,000	29.8	17,880	24,153	23,535
Samsung SDS Co., Ltd.	11,977,770	21.27	12,753	151,457	125,614
Samsung Networks Inc.	23,955,550	23.07	5,214	46,368	45,024
Samsung Corning Co., Ltd.	3,665,708	45.29	94,263	233,498	233,484
Samsung Lions Co., Ltd.	55,000	27.5	275	-	-
MEMC Electronic Materials Korea, Inc.	3,440,000	20	17,200	37,639	37,639
Samsung Corning Precision Glass Co., Ltd.	7,406,991	42.47	179,993	922,347	894,801
Samsung Thales Co., Ltd.	13,500,000	50	135,000	116,121	116,075
Bokwang FUND I	75	50	7,500	7,428	7,422
SVIC FUND II	-	99	-	3,563	3,563
SVIC FUND III	42	99	4,158	2,884	2,884
SVIC FUND IV	985	65.67	98,500	98,077	98,077
SVIC FUND V	297	99	29,700	14,000	14,000
SVIC FUND VI	265	99	26,532	24,337	24,337
SVIC FUND VII	149	99	14,850	15,096	15,096
Samsung SDI (Malaysia) SDN. BHD.	38,595,040	25	18,445	31,492	27,679
Skyworld Corporation.	530,000	25	1,712	974	1,195
Siltronic Samsung Wafers Pte. Ltd.	131,534,000	50	79,681	77,751	77,751
Samsung Electro-Mechanics Thailand Co., Ltd.	1,060,625	25	3,462	13,865	10,808
Syrian-Korean Telecommunication Equipments Manufacturing Establishment Co., Ltd.	-	49	2,061	3,683	3,356
Shanghai Bell Samsung Mobile Communications Co., Ltd.	-	49	7,742	4,458	3,233
TSST Japan Co., Ltd.	294	49.03	150,451	19,926	50,518
			₩1,911,229	₩3,445,782	₩3,393,617

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

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

	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value
Samsung SDI Co., Ltd.	9,282,753	19.68	₩423,722	₩899,597	₩890,801
Samsung Electro-Mechanics Co., Ltd.	17,693,084	22.8	359,237	382,109	371,176
Samsung Techwin Co., Ltd.	19,604,254	25.46	211,726	181,260	179,133
Seoul Commtech Co., Ltd.	3,933,320	35.76	9,172	41,417	40,129
Samsung Economic Research Institute	3,576,000	29.8	17,880	18,220	17,610
Samsung SDS Co., Ltd.	11,977,770	21.27	12,753	102,200	79,187
Samsung Networks Inc.	23,955,550	23.07	5,214	35,642	34,146
Samsung Corning Co., Ltd.	3,665,708	45.29	94,263	253,913	253,342
Samsung Lions Co., Ltd.	55,000	27.5	275	-	-
MEMC Electronic Materials Korea, Inc.	3,440,000	20	17,200	37,649	37,648
Samsung Corning Precision Glass Co., Ltd.	1,021,654	41.85	116,140	643,611	629,366
Samsung Thales Co., Ltd.	13,500,000	50	135,000	104,858	104,520
Bokwang FUND I	75	50	7,500	7,477	7,469
Bokwang FUND V	500	83.33	5,000	5,672	5,672
Bokwang FUND X	900	81.82	9,000	8,022	8,042
SVIC FUND II	69	99	6,930	8,992	8,992
SVIC FUND III	64	99	6,435	5,532	5,532
SVIC FUND IV	985	65.67	98,500	95,294	95,294
SVIC FUND V	297	99	29,700	11,948	11,948
SVIC FUND VI	265	99	26,532	25,899	25,899
SVIC FUND VII	149	99	14,850	14,883	14,883
Samsung SDI (Malaysia) SDN BHD	38,595,040	25	18,527	27,986	27,791
Skyworld Corporation	530,000	25	1,719	1,224	1,224
Samsung Electro-Mechanics Thailand Co., Ltd.	1,060,625	25	3,478	10,632	10,572
Syrian-Korean Telecommunication Equipment Manufacturing Establishment Co., Ltd.	-	49	2,061	3,769	3,448
Shanghai Bell Samsung Mobile Communications Co., Ltd.	-	49	7,742	8,074	7,186
TSST Japan Co., Ltd.	294	49	150,451	7,593	52,304
			₩1,791,007	₩2,943,473	₩2,923,314

Changes in goodwill (negative goodwill) for the years ended December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006				2005			
	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year
Samsung SDI Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩1,154	₩ -	₩1,154	₩ -
Samsung Electro-Mechanics Co., Ltd.	-	-	-	-	3,798	-	3,798	-
Seoul Commtech Co., Ltd.	(701)	-	(153)	(548)	113	(764)	50	(701)
Samsung SDS Co., Ltd.	-	-	-	-	238	-	238	-
Samsung Networks Inc.	-	-	-	-	(239)	-	(239)	-
Samsung Corning Precision Glass Co., Ltd.	-	(9,761)	(1,790)	(7,971)	7,720	-	7,720	-
Allat Corporation	-	-	-	-	(153)	-	(153)	-
TSST Japan Co., Ltd.	44,712	-	14,120	30,592	58,831	-	14,119	44,712
Others	(9)	-	(3)	(6)	20	-	29	(9)
	₩44,002	₩(9,761)	₩12,174	₩22,067	₩71,482	₩(764)	₩26,716	₩44,002

Eliminated unrealized gains and losses as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006			2005		
	Inventories	Property, Plant and Equipment and Intangible Assets	Total	Inventories	Property, Plant and Equipment and Intangible Assets	Total
Samsung SDI Co., Ltd.	₩2,793	₩574	₩3,367	₩15,547	₩605	₩16,152
Samsung Electro- Mechanics Co., Ltd.	(9,195)	529	(8,666)	(925)	693	(232)
Samsung Techwin Co., Ltd.	1,367	221	1,588	(102)	62	(40)
Seoul Commtech Co., Ltd.	24	60	84	6	111	117
Samsung SDS Co., Ltd.	(590)	(2,240)	(2,830)	2,786	(2,163)	623
Samsung Networks Inc.	1	151	152	(11)	(117)	(128)
Samsung Corning Co., Ltd.	529	28	557	5,684	1	5,685
Samsung Corning Precision Glass Co., Ltd.	(3,588)	(1,743)	(5,331)	(6,858)	2,559	(4,299)
Samsung Thales Co., Ltd.	270	22	292	813	2,591	3,404
Shanghai Bell Samsung Mobile Communications Co.,Ltd.	(410)	75	(335)	2,363	75	2,438
Others	87	(5)	82	634	5	639
	₩(8,712)	₩(2,328)	₩(11,040)	₩19,937	₩4,422	₩24,359

Amounts in the table are recognized as part of equity earnings (losses) from equity-method investments' unrealized gains and losses for the years ended December 31, 2006 and 2005.

The changes in the book values of equity-method investments for the years ended December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006				2005			
	Balance at Beginning of Year	Earnings (Losses) from Equity -Method Investments	Other Increase (Decrease)	Balance at End of Year	Balance at Beginning of Year	Earnings (Losses) from Equity -Method Investments	Other Increase (Decrease)	Balance at End of Year
Samsung SDI Co., Ltd.	₩890,801	₩22,360	₩7,228	₩920,389	₩824,283	₩63,753	₩2,765	₩890,801
Samsung Electro-Mechanics Co., Ltd.	371,176	13,571	10,152	394,899	374,715	(18,681)	15,142	371,176
Samsung Techwin Co., Ltd.	179,133	42,004	(5,019)	216,118	163,325	21,969	(6,161)	179,133
Samsung SDS Co., Ltd.	79,187	44,981	1,446	125,614	47,284	31,843	60	79,187
Samsung Corning Co., Ltd.	253,342	(21,180)	1,322	233,484	351,022	(57,999)	(39,681)	253,342
MEMC Electronic Materials Korea, Inc.	37,648	5,491	(5,500)	37,639	40,458	6,790	(9,600)	37,648
Samsung Corning Precision Glass Co., Ltd.	629,366	374,313	(108,878)	894,801	448,849	315,161	(134,644)	629,366
Samsung Thales Co., Ltd.	104,520	11,555	-	116,075	87,483	17,037	-	104,520
Samsung Everland Co., Ltd.	-	-	-	-	270,313	-	(270,313)	-
Samsung SDI (Malaysia) SDN BHD	27,791	3,714	(3,826)	27,679	57,387	5,742	(35,338)	27,791
TSST Japan Co., Ltd.	52,304	(3,182)	1,396	50,518	107,891	(59,937)	4,350	52,304
Others	298,046	26,034	52,321	376,401	284,759	16,071	(2,784)	298,046
	₩2,923,314	₩519,661	₩(49,358)	₩3,393,617	₩3,057,769	₩341,749	₩(476,204)	₩2,923,314

Financial information of investee companies as of and for the years ended December 31, 2006 and 2005, follows:

(In millions of Korean won)

	2006				2005			
	Assets	Liabilities	Sales	Net income (Loss)	Assets	Liabilities	Sales	Net income (Loss)
Samsung SDI Co., Ltd.	₩6,399,632	₩1,694,492	₩4,907,618	₩91,446	₩5,729,771	₩1,157,894	₩5,718,899	₩240,074
Samsung Electro-Mechanics Co., Ltd.	3,061,143	1,275,989	2,393,645	96,896	2,774,120	1,098,202	2,231,204	(67,291)
Samsung Techwin Co., Ltd.	1,776,634	925,667	2,868,706	160,262	1,624,359	912,420	2,391,351	86,444
Samsung SDS Co., Ltd.	1,272,924	560,871	2,100,034	220,863	953,142	472,665	1,875,222	147,796
Samsung Corning Co, Ltd.	643,691	128,108	481,701	(47,868)	700,016	139,356	615,051	(144,706)
MEMC Electronic Materials Korea, Inc.	224,300	36,104	207,830	28,500	220,465	32,218	204,984	33,908
Samsung Corning Precision Glass Co., Ltd.	2,445,602	273,780	1,965,653	891,066	1,997,442	459,687	1,702,944	780,015
Samsung Thales Co., Ltd.	447,303	215,061	461,872	22,525	348,684	138,967	452,665	27,265
Samsung SDI (Malaysia) SDN BHD	177,821	51,853	330,726	19,370	202,169	74,008	408,531	39,541
TSST Japan Co., Ltd.	382,393	341,754	1,395,532	22,311	358,492	342,997	1,466,305	(92,964)
Others	1,248,948	380,706	1,235,190	70,357	998,364	342,055	1,173,974	49,659

Market value information of publicly listed investee companies as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006		2005	
	Market Value	Recorded Book Value	Market Value	Recorded Book Value
Samsung SDI Co., Ltd.	₩596,881	₩920,389	₩1,081,441	₩897,461
Samsung Electro- Mechanics Co., Ltd.	766,995	394,899	680,299	373,051
Samsung Techwin Co., Ltd.	665,564	216,118	353,857	179,044

Valuation gain or loss on securities as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006				2005			
	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006	Balance at January 1, 2005	Valuation Amount	Included in Earnings	Balance at December 31, 2005
Gains from changes in equity of equity method investments	₩123,384	₩18,877	₩(303)	₩141,958	₩197,320	₩(73,936)	₩ -	₩123,384
Losses from changes in equity of equity method investments	(63,969)	20,562	(480)	(43,887)	(124,701)	60,732	-	(63,969)
	₩59,415	₩39,439	₩(783)	₩98,071	₩72,619	₩(13,204)	₩ -	₩59,415

Note 11 : Property, Plant and Equipment

Movements property, plant and equipment for the years ended December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006					
	Land	Buildings and Structures	Machinery and Equipment	Construction-In-Progress/Machinery- In-Transit	Tools and Vehicles	Total
Balance at January 1, 2006	₩2,768,774	₩5,570,436	₩15,850,980	₩4,033,198	₩1,052,773	₩29,276,161
Acquisition	3,306	59,430	376,891	11,089,236	209,428	11,738,291
Transfer	276,892	1,375,293	8,924,265	(10,941,017)	364,567	-
Disposal	(64,372)	(98,285)	(91,858)	-	(37,082)	(291,597)
Depreciation	-	(422,703)	(5,837,939)	-	(435,520)	(6,696,162)
Others ¹	(7,781)	(30,129)	(80,802)	(135,298)	11,932	(242,078)
Balance at December 31, 2006	₩2,976,819	₩6,454,042	₩19,141,537	₩4,046,119	₩1,166,098	₩33,784,615

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

¹ Others include amounts from changes in consolidation category 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 ₩1,209,161 million, net of revaluation tax, credits to deferred foreign currency translation losses and others, were credited to capital surplus, a component of shareholders' equity.

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

As of December 31, 2006, certain portion of overseas subsidiaries' property, plant and equipment, ₩4,633 million (equivalent to US\$ 4,984 thousand) (2005: ₩5,620 million (equivalent to US\$ 5,547 thousand)) is pledged as collaterals for various loans from financial institutions.

As of December 31, 2006, property, plant, equipment are insured against fire and other casualty losses, and business interruption losses of up to ₩56,492,021 million (2005: ₩55,261,920 million) and ₩21,456,224 million (2005: ₩21,298,026 million), respectively.

As of December 31, 2006, Samsung Card Co., Ltd., an SEC subsidiary, recorded ₩505,319 million (2005: ₩432,958 million) of operating lease assets, cancellation lease assets and prepaid finance lease assets acquired through the lease financing business (Note 8).

Note 12 : Intangible Assets

The changes in intangible assets for the years ended December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

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

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

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

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

The changes in intangible assets for the years ended December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Account	2006	2005
Production costs	₩25,332	₩19,910
Selling and administrative expenses	80,645	74,352
Research and development expenses	70,241	59,735
	₩176,218	₩153,997

Note 13 : Long-Term Deposits and Other Assets

Long-term deposits and other assets as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Long-term financial instruments	₩926	₩9,311
Long-term trade receivables, net	16,434	15,165
Long-term loans receivable, net	288,237	185,201
Long-term guarantee deposits	790,034	780,467
Long-term prepaid expenses	472,275	494,421
Others	58,532	15,152
	₩1,626,438	₩1,499,717

Note 14 : Short-Term Borrowings

Short-term borrowings as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	Annual interest rates (%) as of December 31, 2006	2006	2005
Overdraft	-	₩16	₩ -
General term loans from commercial banks	5.1 - 5.7	1,290,464	1,786,157
Notes discounted	4.7 - 4.9	320,000	853,215
Usance financing, including document against acceptance loans incurred from intercompany transactions	1.5 - 5.7	3,814,409	3,635,070
Short-term borrowings of overseas subsidiaries	0.0 - 5.7	1,935,889	1,533,423
		₩7,360,778	₩7,807,865

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

In addition, the above short-term borrowings include those of Samsung Card Co., Ltd., the consumer financing subsidiary, amounting to ₩1,557,976 million (2005: ₩2,263,921 million) and current maturities of long-term debts of ₩2,722,010 million (2005: ₩3,672,014 million) as of December 31, 2006.

Note 15 : Long-Term Debts

Long-term debts as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	Reference	2006	2005
Korean won loans	(A)	₩173,013	₩542,216
Foreign currency loans, in Korean won equivalents	(B)	479,821	631,344
Debentures	(C)	6,329,701	7,304,732
		6,982,535	8,478,292
Less: Current maturities		(2,771,866)	(3,786,791)
		₩4,210,669	₩4,691,501

As of December 31, 2006, certain bank deposits, and property, plant and equipment are pledged as collaterals for the above long-term debts (Notes 4 and 11). In addition, repayment of certain long-term debts are guaranteed by various Korean financial institutions and/or certain affiliated companies (Note 19).

Included in the long-term debts are the borrowings of Samsung Card Co., Ltd. in an aggregate amount of ₩4,032,036 million (2005: ₩4,386,262 million) as of December 31, 2006.

(A) Local currency loans as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	Annual interest rates (%) as of December 31, 2006	2006	2005
Korea Energy Management Corporation	3.8 - 4.5	₩576	₩921
Samsung Life Insurance Co., Ltd.	-	-	320,000
Samsung Shinhan 4th Special Purpose Company	-	172,320	215,346
Kookmin Bank and others	3.0 - 3.8	117	5,949
		₩173,013	₩542,216

(B) Long-term debts denominated in foreign currencies as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	Annual interest rates (%) as of December 31, 2006	2006	2005
Royal Bank of Scotland	5.8	₩185,920	₩202,600
Shinhan Bank and others	5.8 - 8.1	65,072	23,228
Foreign financial institutions (Overseas subsidiaries)	0.8 - 11.1	228,829	405,516
		₩479,821	₩631,344

(C) Debentures outstanding as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	Annual interest rates (%) as of December 31, 2006	2006	2005
Non-guaranteed debentures	0.0 - 8.5	₩5,318,500	₩6,367,200
Subordinated convertible bonds	2	799,947	800,000
		6,118,447	7,167,200
Add: Premium for non-executed rights		334,676	334,698
Less: Conversion rights		(116,153)	(186,024)
Discounts		(7,269)	(11,142)
		₩6,329,701	₩7,304,732

Samsung Card Co., Ltd., a domestic subsidiary, issued subordinated convertible bonds on June 23, 2003 with principal of ₩800,000 million, coupon rate of 2.0% and with a maturity date of June 23, 2008. Convertible bonds are convertible to common stock at the exercise price of ₩43,040 adjusted from ₩8,608

to reflect issuance of new shares of five to one on November 2, 2006, effective from June 23, 2006 (or when listed on the exchange) through May 23, 2008. Premium of 9% (or 5% when listed) on principal is additionally payable in case the bonds are not converted to equity before the due date.

Maturities of long-term debts outstanding, excluding premiums and discounts on debentures, as of December 31, 2006, are as follows:

(In millions of Korean won)

For the years Ending December 31	Local currency loans	Foreign currency loans	Debentures	Total
2008	₩282	₩148,007	₩2,191,947	₩2,340,236
2009	172,320	3,373	1,110,000	1,285,693
2010	-	3,505	40,000	43,505
2011	-	23,199	250,000	273,199
Thereafter	-	56,325	-	56,325
	₩172,602	₩234,409	₩3,591,947	₩3,998,958

Note 16 : Foreign Currency Notes and Bonds

Unsecured foreign currency notes and bonds as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	Reference	Due date	2006	2005
SEC				
USD denominated straight bonds	(A)	October 1, 2027	₩92,960	₩101,300
Overseas subsidiaries				
USD denominated fixed rate notes	(B)	April 1, 2027	23,240	25,325
USD denominated fixed rate notes	(B)	April 1, 2030	23,240	25,325
			139,440	151,950
Less : Discounts			(5,643)	(5,743)
			₩133,797	₩146,207

(A) US\$ 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) Overseas subsidiaries

Overseas subsidiaries' bonds will be repaid at maturities with the biannual interest payment 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, 2006, are as follows:

(In millions of Korean won)

For the years Ending December 31	Foreign currency notes and bonds
2008	₩4,648
2009	4,648
2010	4,648
2011	4,648
Thereafter	120,848
	₩139,440

Note 17 : Accrued Severance Benefits

Change in accrued severance benefits for the year ended December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Balance at the beginning of the year	₩1,431,997	₩1,155,698
Provision for severance benefits	522,926	459,499
Actual severance payments	(184,845)	(179,363)
Others ¹	(693)	(3,837)
	1,769,385	1,431,997
Less: Cumulative deposits to the		
National Pension Fund	(13,156)	(14,807)
Severance insurance deposits	(1,001,591)	(840,268)
Retirement pension operating assets	(33,433)	-
Balance at the end of the year	₩721,205	₩576,922

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

In 2006, Samsung Card Co., Ltd., a domestic subsidiary, 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, 2006, consist of the following:

	Percentage of the component (%)
Financial instruments	58.61
Securities	5.81
Financing assets	0.27
Others	35.31
	100

Note 18 : Liability Provisions

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

(In millions of Korean won)

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

¹ Others includes amounts from changes in foreign currency exchange rates.

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

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

(C) The Company introduced long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive cost for the accrued period. The incentive is expected to be paid after 2007.

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

Note 19 : Commitments and Contingencies

(A) As of December 31, 2006, the Company is contingently liable for guarantees of indebtedness, principally for related parties, approximating ₩7,623 million in loans and US\$924.65 million on drawn facilities which have a maximum limit of US\$2,063 million.

As of December 31, 2006, the Company is contingently liable for guarantees of indebtedness for employees housing rental deposits with a maximum limit of ₩206,171 million.

In addition, as of December 31, 2006, the Company's overseas subsidiaries enter into "Cash Pooling Arrangement" contracts and "Banking Facility" agreements with overseas financial institutions for funds employment and provide mutual guarantees of indebtedness.

Area	Participating Subsidiaries	Financial Institutions
Europe	SEUK and 18 other subsidiaries	Citibank and another bank
Asia	SAPL and 6 other subsidiaries	Bank of America
Asia	SEMA and 2 other subsidiaries	Standard Chartered bank

(B) As of December 31, 2006, SEC and its domestic subsidiaries are insured against future contract commitments of up to ₩145,553 million. In addition, Samsung Card Co., Ltd. is insured against future contract commitments relating American Express from Woori Bank up to US\$5 million.

(C) As of December 31, 2006, 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) As of December 31, 2006, SEC and its Korean subsidiaries have a bank overdraft facility agreement with various Korean financial institutions with a combined maximum limit of ₩688,500 million.

(E) The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under capitalized lease agreements are included in property, plant and equipment with a net book value of ₩24,029 million (2005: ₩27,209 million). Depreciation expense for the finance lease assets amounted to ₩1,442 million (2005: ₩1,917 million) for the year ended December 31, 2006.

The minimum lease payments and their present value as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006		2005	
	Minimum lease payments	Present values	Minimum lease payments	Present values
Within one year	₩4,386	₩3,833	₩4,346	₩3,929
From one year to five years	17,544	14,575	17,384	15,716
More than five years	43,420	24,212	49,802	28,323
	65,350	₩42,620	71,532	₩47,968
Present value adjustment	(22,730)		(23,564)	
Financing lease liabilities	₩42,620		₩47,968	

(F) As of December 31, 2006, the Company has various lease agreements that are recognized as operating leases. Related rental payments amounting to ₩61,188 million (2005: ₩59,646 million) are charged to current operations for the year ended December 31, 2006.

The minimum lease payments as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006	2005
Within one year	₩59,156	₩44,441
From one year to five years	133,373	110,806
More than five years	51,418	73,704
	₩243,947	₩228,951

(G) As of December 31, 2006, the Company has credit insurance against its approved foreign customers on behalf of its affiliates and subsidiaries with Korea Export Insurance Co.

(H) As of December 31, 2006, the Company has forward exchange contracts to manage the exposure to changes in currency exchanges rates in accordance with its foreign currency risk management policy. The use of foreign currency forward contracts allows the Company to reduce its exposure to the risk that it may be adversely affected by changes in exchange rates.

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

A summary of derivative transactions as of and for the year ended December 31, 2006 and 2005, follows:

(In millions of Korean won)

Type	2006		2005	
	Asset (Liability)	Gain (Loss) on Valuation (I/S)	Gain (Loss) on Valuation (B/S)	Asset (Liability)
Forward exchange	₩6,319	₩7,210	₩ -	₩5,704
	(8,866)	(9,667)	-	(7,361)
Interest rate swap	₩1,851	₩ -	₩1,673	₩9,228
	(3,876)	-	(3,669)	(6,202)
Currency swap	₩ -	₩ -	₩ -	₩ -
	(28,948)	(23,468)	-	(5,480)

Of the amounts charged to capital adjustments from the valuation of interest rate swap contracts, a gain of ₩380 million will be realized by December 31, 2007.

(I) As of December 31, 2006, the Company has filed legal actions against A L'Energie Atomique, 02 Micro International Limited, St.Clair Intellectual Property Consultants Inc., Tadahiro Ohmi, Rambus Inc., Sony Ericsson Mobile Communications Inc., Orion IP, LLC., Agere systems Inc., Fujinon Corporation, Inter Digital Communications Corporation, ON Semiconductor Corporation and Hitachi Global Storage Technologies Netherlands B.V. for alleged patent infringements, and as a plaintiff in six overseas legal actions against Compal Electronics Inc., International Rectifier Corporation, Matsushita Electric Industrial Co., Ltd, Rambus Inc., Sony Ericsson Mobile Communications Inc., and ON Semiconductor Corporation for alleged patent infringements.

Domestic legal actions involving SEC include seven cases as the plaintiff with total claims amounting to approximately ₩9,575 million and 25 cases as the defendant, excluding the Samsung Motors Inc. case, mentioned in (L), with a total claims amounting

to approximately ₩131,034 million. In addition, its subsidiaries have been sued for alleged patent infringements and collection of certain debts in domestic and foreign countries with total claims amounting to approximately ₩152,383 million as the plaintiff and total claims amounting to approximately ₩127,496 million as the defendant.

Considering the legal cases mentioned above and various other claims and proceedings pending as of December 31, 2006, the Company's management believes that, although the outcome of these matters is uncertain, the conclusion of these matters will not have a material adverse effect on the operations or financial position of the Company.

(J) In 2002, the United States Department of Justice Antitrust Division (the Justice Department) initiated an investigation into alleged anti-trust violations by the sellers of Dynamic Random Access Memory ("DRAM") in the United States, which include Samsung Semiconductor Inc. (SSI), a US subsidiary of the Company. SEC and SSI entered into a plea agreement with the Justice Department on November 30, 2005 and agreed to pay US\$300 million over five years. As of December 31, 2005, SSI had accrued US\$300 million in provisions in its balance sheet relative to the agreement.

Following the announcement of the Justice Department's investigation, several civil class actions were filed against SEC and SSI. As a result, SSI recognized expenses amounting to US\$ 67 million for the year ended December 31, 2005. SSI has recognized additional expenses amounting to US\$ 93.5 million as further potential losses for the year ended December 31, 2006. The Company's management believes that although the outcome of these cases are uncertain and the results could differ from the current estimates, the difference from the actual resolution will not have a material adverse effect on the operations or financial position of the Company.

(K) The United States Department of Justice Antitrust Division (the Justice Department) and other nations' anti-trust authorities initiated an investigation into alleged anti-trust violations by the sellers of TFT-LCD and SRAM, which include SEC and some of its foreign subsidiaries.

Following the investigation of the Justice Department, several civil actions were filed against SEC and some of its foreign subsidiaries.

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

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

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

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

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

(M) As of December 31, 2006, SEA and five other overseas subsidiaries have agreements with financial institutions to sell certain eligible trade accounts receivable under which, on an ongoing basis, a maximum of US\$1,349 million can be sold. The Company has trade notes receivable discounting facilities with various Korean banks, including Standard Chartered First Bank Korea with a combined limit of up to ₩150,000 million; a trade

financing agreement with 21 banks including Shinhan Bank for up to US\$8,624 million; a credit sales facility agreement with five Korean banks, including Woori Bank; and an accounts receivable factoring agreement with Korea Exchange Bank for up to ₩150,000 million. In relation to the credit sales facility agreement with Woori Bank (up to ₩70,000 million) and Kookmin Bank (up to ₩200,000 million), the Company has recourse obligations on the receivables where the extensions have been granted on the due dates. In addition, the Company also has loan facilities with accounts receivables pledged as collateral with four banks, including Woori Bank for up to ₩736,000 million.

(N) As of December 31, 2006, Samsung Card Co., Ltd. has credit loan facilities of up to ₩1,500 billion and collateral loan facilities of up to ₩2,000 billion with Samsung Life Insurance Co., Ltd. In addition, S-LCD and two other domestic subsidiaries have general term loan facilities up to ₩3,320 billion with Korean banks, including Kookmin Bank.

(P) Samsung Card Co., Ltd. has agreements with various financial institutions to sell certain eligible financing receivables, subject to recourse. Remittances of the sold accounts receivables are collected by the consumer financing subsidiaries and transferred to the buyers of the receivables on predetermined due dates. As of December 31, 2006, these transferred financing receivables which have been accounted for as sales of receivables are nil (2005: ₩17,395 million).

In addition, Samsung Card Co., Ltd. has entered into agreements (“Receivables Sale Agreements”) with several financial institutions, whereby they will sell certain eligible financing receivables in accordance with the Act on Asset Backed Securitization of the Republic of Korea (the “ABS Act”). Pursuant to the Receivables Sale Agreements, Samsung Card Co., Ltd. formed Special Purpose Entities (“SPEs”) for the sole purpose of buying receivables generated by the consumer financing subsidiary. Under the Receivables Sale Agreements, Samsung Card Co., Ltd., irrevocably and with limited recourse, transfer eligible financing receivables to the SPEs.

These transactions are accounted for as a sale of receivables and as a result, the related receivables amounting to ₩4,002,923 million (2005: ₩4,017,978 million) have been excluded from the accompanying consolidated balance sheet as of December 31, 2006.

Note 20 : Capital Stock

Under its Articles of Incorporation, SEC is authorized to issue 500 million shares of capital stock with a par value of ₩5,000 per

share, of which 100 million shares are cumulative, participating preferred stock 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 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, 2005, the 8,310,000 shares of common stock and 1,060,000 shares of non-voting preferred stock had been retired over three tranches, with the Board of Directors’ approval.

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

	Number of Shares of Stock	Number of Shares of GDR
Non-voting preferred stock	7,695,272	15,390,544
Common stock	4,251,338	8,502,678

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

As of December 31, 2006, outstanding global depository receipts consist of 24,282,064 shares for common stock (common stock equivalent: 12,141,032 shares) and 7,760,842 shares for non-voting preferred stock (preferred stock equivalent: 3,880,421 shares).

As of December 31, 2006, exclusive of retired stocks, 147,299,337 shares of common stock and 22,833,427 shares of preferred stock have been issued. The preferred shares, which are non-cumulative and non-voting, were all issued on or before February 28, 1997, and are entitled to an additional cash dividend of 1% of par value over common stock.

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

Note 21 : Retained Earnings

Retained earnings as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Appropriated legal reserve ¹	₩450,789	₩450,789
Reserve for business rationalization	7,512,101	6,512,101
Reserve for improvement of financial structure ²	204,815	204,815
Reserve for overseas market development	510,750	510,750
Reserve for overseas investment losses	164,982	164,982
Reserve for research and human resource development	18,936,458	14,936,458
Reserve for export losses	167,749	167,749
Reserve for loss on disposal of treasury stock	2,000,000	1,350,000
Reserve for capital expenditure	6,660,814	5,504,657
	36,608,458	29,802,301
Unappropriated	7,855,225	7,566,964
	₩44,463,683	₩37,369,265

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.

² In accordance with the Regulation for Securities Issuance and Disclosure, the Company is required to appropriate, as a reserve for improvement of financial structure, an amount equal to at least 50% of the net extraordinary gain on disposal of property, plant and equipment and 10% of net earnings for each year, until the shareholders' equity equals 30% of total assets. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Note 22 : Dividends

SEC declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2006 and 2005, and as year-end dividends for the years ended December 31, 2006 and 2005.

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

(A) Interim Dividends

(In millions of Korean won and number of shares)

		2006	2005
Number of shares eligible for dividends	Common stock	128,519,810 shares	132,435,367 shares
	Preferred stock	20,253,734 shares	20,868,071 shares
Dividend rate		10%	10%
Dividend amount	Common stock	₩64,260	₩66,218
	Preferred stock	10,126	10,434
		₩74,386	₩76,652

(B) Year-end Dividends

(In millions of Korean won and number of shares)

		2006	2005
Number of shares eligible	Common stock	128,758,653 shares	130,620,297 shares
	Preferred stock	20,253,734 shares	20,653,734 shares
Dividend rate	Common stock	100%	100%
	Preferred stock	101%	101%
Dividend amount	Common stock	₩643,793	₩653,102
	Preferred stock	102,282	104,301
		₩746,075	₩757,403

(C) Dividend Payout Ratio

(In millions of Korean won)

		2006	2005
Dividends		₩820,461	₩834,055
Net income		7,926,087	7,640,092
Dividend payout ratio		10.35%	10.92%

(D) Dividend Yield Ratio

(In millions of Korean won)

	2006		2005	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Dividend per share	₩5,500	₩5,550	₩5,500	₩5,550
Market price ¹	611,400	486,000	644,600	486,100
Dividend yield ratio	0.90%	1.14%	0.85%	1.14%

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

Note 23 : Treasury Stock

As of December 31, 2006, the Company holds 18,540,684 common shares and 2,579,693 preferred shares as treasury stocks recorded as a capital adjustment.

Note 24 Other Capital Adjustments

Other capital adjustments as of December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Gain on valuation of available-for-sale securities	₩733,050	₩559,881
Loss on valuation of available-for-sale securities	(1,933)	(23,540)
Gain on valuation of equity-method investments	141,958	123,384
Loss on valuation of equity-method investments	(43,887)	(63,969)
Stock option compensation	539,152	616,824
Cumulative translation adjustments	(293,812)	(149,618)
Others	(15,895)	10,103
	₩1,058,633	₩1,073,065

Note 25 : Stock Option Plan

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

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

	Date of the Grant							
	March 16, 2000	March 9, 2001	February 28, 2002	March 25, 2002	March 7, 2003	April 16, 2004	October 15, 2004	December 20, 2005
Quantity net of forfeitures and exercises	918,656	1,032,600	596,578	84,982	250,790	560,649	7,200	10,000
Exercise price ¹	₩272,700	₩197,100	₩329,200	₩342,800	₩288,800	₩580,300	₩460,500	₩606,700
Exercise period from the date of the grant ²	3~10years	3~10years	2~10years	2~10years	2~10years	2~10years	2~4years	2~10years

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

² The options can be fully vested after two years from the date of grant.

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

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

The compensation expense related to stock options amounted to ₩16,470 million for the year ended December 31, 2006, and is estimated to be ₩780 million in total for future periods.

As of December 31, 2006, Samsung Card Co., Ltd., a domestic subsidiary, has granted 120,472 shares including 45,472 shares, which had been granted by Samsung Capital Co., Ltd. as part of the merger in 2004. However, 602,395 shares in stock options,

which were granted as of December 31, 2005, were adjusted to reflect issuance of new shares of five to one so that the number of shares granted is decreased and exercise price is increased. The compensation expense recognized by Samsung Card Co., Ltd. was ₩2 million for the year ended December 31, 2005. The stock options of ₩1,231 million according to the SEC's ownership ratio are included in a separate component of shareholders' equity as other capital adjustments.

Note 26 : Income Tax

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

Income tax expense for the years ended December 31, 2006 and 2005, consists of the following:

(In millions of Korean won)

	2006	2005
Current income taxes	₩1,652,083	₩1,586,753
Deferred income taxes	(10,702)	(358,394)
Items charged directly to shareholders' equity	(7,394)	(10,113)
	₩1,633,987	₩1,218,246

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, 2006 and 2005:

(In millions of Korean won)

	2006	2005
Income before taxes	₩9,827,646	₩8,125,313
Statutory tax rate	27.50%	27.50%
Expected taxes at statutory rate	2,702,603	2,234,461
Tax credit	(1,120,772)	(1,292,932)
Others, net	52,156	276,717
Actual taxes	₩1,633,987	₩1,218,246
Effective tax rate	16.63%	15.00%

Deferred income tax assets and liabilities from tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2006, 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	₩(2,054,259)	₩11,409	₩(2,042,850)	₩(564,094)	₩2,310	₩(561,784)	₩(160,417)	₩(401,367)
Equity-method investments	(1,280,543)	(1,346,947)	(2,627,490)	(287,144)	(108,779)	(395,923)	-	(395,923)
Depreciation	(618,076)	(247,741)	(865,817)	(184,221)	(71,807)	(256,028)	(5,681)	(250,347)
Capitalized interest expense	(139,753)	12,967	(126,786)	(38,432)	3,566	(34,866)	-	(34,866)
Accrued income	(449,617)	226,203	(223,414)	(123,627)	62,470	(61,157)	(60,735)	(422)
Accrued expenses	2,204,061	152,536	2,356,597	603,695	49,854	653,549	548,076	105,473
Deferred foreign exchange gains	26,628	(2,516)	24,112	7,221	(715)	6,506	(462)	6,968
Impairment losses on investments	631,212	(99,146)	532,066	174,830	(25,341)	149,489	229	149,260
Others	765,310	283,913	1,049,223	153,779	100,269	254,048	134,872	119,176
	₩(915,037)	₩(1,009,322)	₩(1,924,359)	₩(257,993)	₩11,827	₩(246,166)	₩455,882	₩(702,048)
Deferred tax assets arising from the carryforwards								
Undisposed accumulated deficit	₩3,773,184	₩(419,949)	₩3,353,235	₩334,513	₩(88,453)	₩246,060	₩28,411	₩217,649
Tax credit carryforwards	₩1,236,484	₩105,457	₩1,341,941	₩909,804	₩78,318	₩988,122	₩980,149	₩7,973
Deferred tax relating to items charged to equity								
Other capital adjustments	₩(757,513)	₩(526,434)	₩(1,283,947)	₩(210,876)	₩(144,241)	₩(355,117)	₩(2,308)	₩(352,809)
						₩632,899	₩1,462,134	₩(829,235)

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, 2005, 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	₩(1,600,489)	₩(453,770)	₩(2,054,259)	₩(440,153)	₩(123,941)	₩(564,094)	₩(110)	₩(563,984)
Equity-method investments	(1,451,878)	171,335	(1,280,543)	(272,470)	(14,674)	(287,144)	-	(287,144)
Depreciation	(241,866)	(376,210)	(618,076)	(66,658)	(117,563)	(184,221)	(2,494)	(181,727)
Capitalized interest expense	(164,103)	24,350	(139,753)	(45,128)	6,696	(38,432)	-	(38,432)
Accrued income	(535,561)	85,944	(449,617)	(147,843)	24,216	(123,627)	(123,296)	(331)
Accrued expenses	1,974,456	229,605	2,204,061	551,383	52,312	603,695	557,630	46,065
Deferred foreign exchange gains	41,997	(15,369)	26,628	11,001	(3,780)	7,221	176	7,045
Impairment losses on investments	516,557	114,655	631,212	143,105	31,725	174,830	196	174,634
Others	758,956	6,354	765,310	194,534	(40,755)	153,779	77,490	76,289
	₩(701,931)	₩(213,106)	₩(915,037)	₩(72,229)	₩(185,764)	₩(257,993)	₩509,592	₩(767,585)
Deferred tax assets arising from the carryforwards								
Undisposed accumulated deficit	₩2,261,378	₩1,511,806	₩3,773,184	₩181,130	₩153,383	₩334,513	₩15,744	₩318,769
Tax credit carryforwards	₩587,918	₩648,566	₩1,236,484	₩531,845	₩377,959	₩909,804	₩625,535	₩284,269
Deferred tax relating to items charged to equity								
Other capital adjustments	₩ -	₩(757,513)	₩(757,513)	₩ -	₩(210,876)	₩(210,876)	₩7,571	₩(218,447)
						₩775,448	₩1,158,442	₩(382,994)

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

Temporary differences, which were not recognized to deferred tax effect due to the uncertainty regarding ultimate ability to realize such assets, as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006	2005
Gain on revaluation of land ¹	₩399,034	₩411,691
Gain on valuation on equity-method investments ²	253,358	236,383
Undisposed accumulated deficit	2,457,237	2,558,846
Tax credit carryforwards	318,588	293,983
Others	136,034	106,593

¹ The Company does not expect cash inflows from the revalued land in the near future.

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

Deferred income tax assets and liabilities and income tax expense charged directly to shareholders' equity as of and for the years ended December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006	2005
I. Deferred income tax assets and liabilities		
Gain(Loss) on valuation of available-for-sale securities	₩(355,117)	₩(210,876)
II. Income tax expense		
Gain on sale of treasury stock	₩(7,394)	₩(10,113)

Note 27 : Earnings Per Share

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

Basic earnings per share for the years ended December 31, 2006 and 2005, are calculated as follows:

(In millions and number of shares)

	2006	2005
Net income as reported on the statements of income	₩7,926,087	₩7,640,092
Adjustments:		
Dividends for preferred stock	(112,408)	(114,735)
Undeclared participating preferred stock dividend	(965,779)	(929,242)
Net income available for common stock	6,847,900	6,596,115
Weighted-average number of common shares outstanding	129,499,781	132,003,416
Earnings per share (in Korean won)	₩52,880	₩49,969

Diluted earnings per share for the years ended December 31, 2006 and 2005, are calculated as follows:

(In millions and number of shares)

	2006	2005
Net income available for common stock	₩6,847,900	₩6,596,115
Adjustment:		
Compensation expense for stock options	-	2,437
Net income available for common stock and common equivalent shares	6,847,900	6,598,552
Weighted-average number of shares of common stock and common equivalent shares ¹ outstanding	131,388,160	134,314,164
Diluted earnings per share (in Korean won)	₩52,120	₩49,128

¹ Common equivalent shares:

	2006		
	Number of shares	Weight	Common Stock Equivalent
Stock options	1,888,379	365/365	1,888,379
	2005		
	Number of shares	Weight	Common Stock Equivalent
Stock options	2,310,748	365/365	2,310,748

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.

Note 28 : Related Party Transactions

(A) Significant transactions between SEC and its consolidated subsidiaries, which have been eliminated during consolidation, for the years ended December 31, 2006 and 2005, and the related receivables and payables as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Subsidiaries	Sales		Purchases		Receivables ¹		Payables	
	2006	2005	2006	2005	2006	2005	2006	2005
SJC	₩3,798,069	₩3,352,043	₩2,100,737	₩2,312,721	₩194,106	₩280,444	₩244,467	₩163,103
SLCD	930,983	1,060,137	1,940,542	1,049,016	327,564	375,505	161,129	185,947
STA	1,248,304	1,966,733	401,378	415,867	110,333	179,195	166,839	209,793
SET	3,987,161	3,386,002	578,541	357,847	334,475	241,926	42,696	20,817
SSI	6,797,940	6,412,590	9,471	10,025	589,577	642,275	-	-
SAPL	2,318,294	3,015,172	880,677	760,714	189,049	201,303	36,921	50,994
SEHK	2,293,407	1,941,144	1,053,224	1,050,716	246,390	210,525	40,261	54,627
SEA	619,432	813,974	1,310,381	1,301,741	138,846	101,975	65,619	98,303
SSEG	3,866,865	3,903,865	5,405	4,072	371,801	445,707	3,324	3,327
SEO	1,726,447	1,893,544	58,595	40,961	292,635	263,216	20,103	12,991
SEUK	1,386,474	1,485,684	122,189	278,365	40,646	34,768	54,091	29,351
SEF	989,792	1,021,812	31,421	15,802	77,575	31,915	24,730	5,611
SSEL	1,289,931	1,175,766	148	512	219,342	85,251	3,702	228
SII	678,497	590,364	15,517	13,390	66,468	15,429	2,010	704
SEI	797,545	736,838	45,937	18,663	30,600	81,951	41,100	7,316
SELS	340,656	367,469	3,260	5,836	87,094	56,171	184	1,048
TSTC	2,549,547	2,033,053	179	15	236,333	151,023	-	3
SESC	125,752	234,379	290,226	263,715	11,936	56,925	41,010	25,968
Others	10,750,083	10,139,345	5,063,732	4,891,205	1,301,644	1,192,694	935,168	776,736
	₩46,495,179	₩45,529,914	₩13,911,560	₩12,791,183	₩4,866,414	₩4,648,198	₩1,883,354	₩1,646,867

¹ Includes the transferred receivables of consolidated subsidiaries as of December 31, 2006 and 2005.

(B) Significant transactions among subsidiaries for the years ended December 31, 2006 and 2005, and the related receivables as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Selling Company	Purchasing Company	Sales		Receivables	
		2006	2005	2006	2005
SII	SEA	₩2,621,556	₩1,676,658	₩46,979	₩26,437
SESK	SELS	1,973,548	709,088	192,821	44,287
TSTC	STA	978,057	697,960	64,246	43,284
SSKMT	STA	881,494	583,569	84,099	5,848
SEH	SELS	820,901	202,080	95,280	20,414
SELS	SEF	758,010	406,793	22,697	20,414
TSED	SCIC	654,289	420,703	40,047	30,844
SSEG	SESK	625,352	365,489	28,664	34,447
SDMA	SELS	612,718	431,450	78,128	84,184
SSI	SII	584,015	246,459	45,906	8,594
SELS	SEUK	538,778	111,161	8,503	3,779
SET	SESK	536,355	206,247	23,077	31,400
SELS	SEO	535,631	311,455	38,984	4,690
SELS	SEG	482,308	216,713	8,033	7,924
SELS	SEI	461,140	160,942	1,365	5,230
Others		16,734,668	15,547,196	1,761,341	1,853,756
		₩29,798,820	₩22,293,963	₩2,540,170	₩2,225,532

The inter company loans resulting from significant transactions among subsidiaries for the year ended December 31, 2006, amount to ₩1,170,074 million (2005: ₩638,117 million).

(C) Significant transactions between SEC and equity-method investees for the years ended December 31, 2006 and 2005, and the related receivables and payables as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Equity-method Investees	Sales		Purchases		Receivables		Payables	
	2006	2005	2006	2005	2006	2005	2006	2005
Samsung SDI Co., Ltd.	₩168,755	₩237,925	₩1,279,239	₩1,650,220	₩19,300	₩24,347	₩127,143	₩189,104
Samsung Corning Precision Glass Co., Ltd.	5,793	11,255	724,817	544,036	100	1,455	4,254	42,680
Samsung Electro-Mechanics Co., Ltd.	40,187	33,234	1,090,620	1,013,365	8,532	9,875	86,312	83,243
Samsung SDS Co., Ltd.	46,032	36,739	693,679	619,709	13,477	10,079	126,857	128,190
Seoul Commtech Co., Ltd.	7,783	7,629	96,744	136,327	2,760	1,320	36,411	36,528
Samsung Techwin Co., Ltd.	75,363	33,584	578,741	512,712	24,200	16,327	50,216	51,256
Others	12,255	15,185	379,001	189,484	25,952	27,003	42,737	43,896
	₩356,168	₩375,551	₩4,842,841	₩4,665,853	₩94,321	₩90,406	₩473,930	₩574,897

(D) Significant transactions between subsidiaries and equity-method investees for the years ended December 31, 2006 and 2005, and the related receivables as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Selling Company	Purchasing Company	Sales		Receivables	
		2006	2005	2006	2005
SJC	SamsungSDI Co., Ltd.	₩651,505	₩362,638	₩37,685	₩21,343
Samsung SDI Co., Ltd.	SII	413,178	258,472	7,455	16,439
Samsung SDI Co., Ltd.	SESK	247,197	188,510	12,201	11,408
SJC	Samsung Electro-Mechanics Co., Ltd.	128,860	114,511	14,334	8,768
SJC	Samsung Techwin Co., Ltd.	95,040	100,883	14,692	14,455
Samsung SDI(Malaysia) SDN. BHD.	SAPL	57,720	59,927	9	2,788
Samsung Corning Co., Ltd.	SESK	51,482	30,007	2,375	7,383
Samsung Techwin Co., Ltd	SEO	47,605	19,361	-	4,141
Samsung SDI(Malaysia) SDN. BHD.	SIEL	43,690	61,806	549	7,802
Samsung SDI Co., Ltd.	TSED	38,687	50,527	1,940	5,589
Others		395,777	459,229	43,897	57,219
		₩2,170,741	₩1,705,871	₩135,137	₩157,335

(E) Significant transactions between SEC and its related parties, which are not subsidiaries or equity-method investees, for the years ended December 31, 2006 and 2005, and the related receivables and payables as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Others	Sales		Purchases		Receivables		Payables	
	2006	2005	2006	2005	2006	2005	2006	2005
Samsung Corporation	₩31,335	₩42,164	₩1,729,644	₩1,647,112	₩28,630	₩37,791	₩499,446	₩402,303
iMarketKorea Inc.	42,117	46,598	334,574	276,742	13,066	14,891	102,870	93,086
Samsung Life Insurance Co., Ltd.	43,741	43,101	13,392	12,731	20,926	21,203	565	462
Cheil Communications Inc.	1,197	2,385	283,991	294,581	62	122	205,040	200,476
Samsung Everland Co., Ltd.	1,396	1,079	227,633	214,886	213,362	212,021	37,614	35,754
Samsung Heavy Industries Co., Ltd.	17,714	6,920	153,616	145,553	12,832	6,950	14,558	32,873
Others	124,117	152,166	1,660,917	1,439,017	10,370	15,979	308,921	272,797
	₩261,617	₩294,413	₩4,403,767	₩4,030,622	₩299,248	₩308,957	₩1,169,014	₩1,037,751

(F) Significant transactions between subsidiaries and related parties, which are not subsidiaries or equity-method investees, for the years ended December 31, 2006 and 2005, and the related receivables and payables as of December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

Selling Company	Purchasing Company	Sales		Receivables	
		2006	2005	2006	2005
SJC	Samsung Heavy Industries Co., Ltd.	₩377,517	₩498,965	₩24,018	₩17,873
Samsung Corporation	SAPL	308,782	22,713	14,605	7,628
Samsung Corporation	SJC	213,642	294,281	5,349	8,690
SJC	Samsung Corporation	171,900	288,124	41,801	39,488
SAPL	Samsung Corporation	150,977	185,261	10,601	10,642
Samsung SDI Hungary Rt.	SEH	116,438	109,042	5,102	8,139
SAPL	Cheil Industries Inc.	81,120	58,905	-	3,760
Samsung SDI America, Inc.	SLCD	76,856	11,622	128	366
Samsung SDI America, Inc.	SII	68,583	57,164	1,941	4,171
SAPL	Samsung Heavy Industries Co., Ltd.	67,134	8,283	3,968	618
Others		1,478,899	1,480,259	232,802	264,942
		₩3,111,848	₩3,014,619	₩340,315	₩366,317

Further, as of December 31, 2006, the balances of beneficiary certificates from Samsung Securities Co., Ltd. amounted to ₩1,156,158 million (2005: ₩904,314 million) (Note 5). Also, the Company has entered into a severance insurance plan with Samsung Life Insurance Co., Ltd., and fire and other insurance policies with Samsung Fire & Marine Insurance Co., Ltd (Notes 7, 11 and 17). In addition, Samsung Card Co., Ltd. a domestic subsidiary, joined defined benefit pension plan to Samsung Life Insurance Co., Ltd.

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

For the year ended December 31, 2006, SEC recognized expenses for short-term benefits of ₩26,017 million, long-term benefits of ₩15,379 million and severance benefits of ₩7,118 million as key management compensation. Key management consists of registered executive officers who have the authority and responsibility in the planning, directing and controlling of Company operations.

Note 29 : Research and Development Costs

Research and development costs incurred and expensed for the years ended December 31, 2006 and 2005, consist of the following:

(In millions of Korean won)

	2006	2005
Research expenses	₩2,252,848	₩2,179,981
Ordinary development expenses	3,461,914	3,319,966
	₩5,714,762	₩5,499,947

Note 30 : Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2006 and 2005, assets and liabilities denominated in foreign currencies are as follows:

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

Account	Foreign Currency	Foreign Companies			Domestic Companies		
		2006		2005	2006		2005
		Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)
Foreign currency deposits	US\$	475,191	₩441,739	₩561,257	161,441	₩150,076	₩135,736
	JPY	3,359,085	26,261	55,909	420,072	3,284	2,655
	EUR	270,154	330,193	219,314	1,965	2,401	2,691
	Others		1,171,310	1,276,000		869	1,052
			1,969,503	2,112,480		156,630	142,134
Trade accounts and notes receivable	US\$	1,962,780	1,824,597	1,107,324	407,209	378,541	91,628
	JPY	98,612,475	770,981	825,948	4,590,769	35,893	37,944
	EUR	1,465,069	1,790,668	1,717,283	24,190	29,565	15,043
	Others		3,362,367	2,803,545		5,022	12,453
			7,748,613	6,454,100		449,021	157,068
Other assets	US\$	104,925	97,542	62,028	175,045	162,721	184,037
	JPY	32,540,564	254,411	272,364	481,399	3,763	352
	EUR	54,819	67,005	77,097	24,800	30,312	20,334
	Others		370,278	310,777		45,899	5,016
			789,236	722,266		242,695	209,739
Total foreign currency assets			₩10,507,352	₩9,288,846		₩848,346	₩508,941

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

Account	Foreign Currency	Foreign Companies			Domestic Companies		
		2006		2005	2006		2005
		Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)	Foreign Currency Amount	Korean Won (Equivalent)	Korean Won (Equivalent)
Trade accounts and notes payable	US\$	441,787	₩410,685	₩273,347	321,289	₩298,669	₩289,135
	JPY	118,179,229	923,962	876,335	33,619,998	262,852	193,127
	EUR	90,869	111,063	60,340	4,024	4,918	2,508
	Others		1,749,856	1,605,396		1,745	47
			3,195,566	2,815,418		568,184	484,817
Short-term borrowings, (including document against acceptance)			1,935,889	1,533,422		3,760,967	3,694,725
Other current liabilities	US\$	623,927	579,997	455,776	1,219,833	1,133,957	1,039,421
	JPY	7,038,768	55,031	37,986	27,076,435	211,692	120,980
	EUR	622,731	761,135	552,994	426,241	520,968	196,524
	Others		1,081,403	786,104		80,430	55,319
			2,477,566	1,832,860		1,947,047	1,412,244
Long-term other accounts payable	US\$	151,426	140,765	202,600	317,753	295,383	316,533
	Others		64,511	71,059		41,078	51,972
			205,276	273,659		336,461	368,505
Foreign currency notes and bonds (including current portions)	US\$	50,000	46,480	50,650	100,000	92,960	101,300
Long-term debts, (including current maturities)	US\$	31,351	29,144	133,600	270,000	250,992	225,828
	JPY	10,088,000	78,871	99,013		-	-
	EUR	14,178	17,329	25,908		-	-
	Others		103,484	146,995		-	-
			228,828	405,516		250,992	225,828
Total foreign currency liabilities			₩8,089,605	₩6,911,525		₩6,956,611	₩6,287,419

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, 2006, amounted to ₩214,686 million and ₩109,494 million, respectively.

Note 31 : Segment Information

A summary of consolidated financial data by industry as of December 31, 2006 and 2005, and for the years then ended, are follows:

Consolidated balance sheets by industry

(In millions of Korean won)

	Non-financial Business		Financial Business	
	2006	2005	2006	2005
Assets				
Current assets	₩29,619,547	₩26,365,240	₩5,367,432	₩7,033,011
Investments	7,086,603	6,179,747	5,632,774	5,591,086
Property, plant and equipment	33,719,089	29,189,119	65,691	87,048
Intangible assets	572,191	516,676	86,194	116,180
Total assets	₩70,997,430	₩62,250,782	₩11,152,091	₩12,827,325
Liabilities				
Current liabilities	₩20,603,624	₩18,167,652	₩4,917,322	₩6,740,037
Non-current liabilities	3,323,390	3,154,737	4,414,216	4,625,199
Total liabilities	23,927,014	21,322,389	9,331,538	11,365,236
Shareholders' Equity				
Capital stock	897,514	897,514	496,444	2,482,189
Capital surplus	6,364,604	6,338,460	2,881,055	921,914
Retained earnings	44,463,683	37,369,265	(1,963,285)	(2,235,155)
Capital adjustments	(6,461,390)	(4,897,713)	406,339	293,141
Minority interests	1,806,005	1,220,867	-	-
Total shareholders' equity	47,070,416	40,928,393	1,820,553	1,462,089
Total liabilities and shareholders' equity	₩70,997,430	₩62,250,782	₩11,152,091	₩12,827,325

Consolidated statements of operations by industry:

(In millions of Korean won)

	Non-financial Business		Financial Business	
	2006	2005	2006	2005
Sales	₩83,243,925	₩78,233,772	₩2,195,979	₩2,401,072
Cost of sales	59,130,794	54,589,941	521,310	667,047
Selling, general and administrative expenses	15,336,123	14,692,843	1,444,338	3,110,745
Operating profit (loss)	8,777,008	8,950,988	230,331	(1,376,720)
Non-operating income	3,380,706	2,978,082	157,446	41,507
Non-operating expenses	2,564,878	2,893,328	25,503	184,906
Income (loss) before income tax	9,592,836	9,035,742	362,274	(1,520,119)
Income tax expense (benefit)	1,543,583	1,437,114	90,404	(218,868)
Income (loss) before minority interests in earnings of consolidated subsidiaries, net	8,049,253	7,598,628	271,870	(1,301,251)
Minority interests in earnings of consolidated subsidiaries, net	123,166	(41,464)	-	-
Consolidated net income (loss)	₩7,926,087	₩7,640,092	₩271,870	₩(1,301,251)

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

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

(In millions of Korean won)

	2006 Summary of Business by Segment								
	Digital Media	Device Appliances	Telecommunications	Semi-Conductor	LCD	Finance	Others	Elimination	Consolidated
Gross sales	₩44,717,513	₩10,271,757	₩36,361,108	₩40,757,627	₩25,427,332	₩2,195,979	₩17,246,127	₩(91,551,817)	₩85,425,626
Inter-segment sales	(23,991,979)	(4,738,417)	(16,115,381)	(20,049,199)	(14,487,967)	(14,278)	(12,154,596)	91,551,817	-
Net sales	₩20,725,534	₩5,533,340	₩20,245,727	₩20,708,428	₩10,939,365	₩2,181,701	₩5,091,531	₩ -	₩85,425,626
Operating profit (loss)	₩579,321	₩(106,406)	₩1,980,354	₩5,151,902	₩839,106	₩230,331	₩(4,020)	₩337,223	₩9,007,811
Total assets	₩14,058,014	₩3,789,101	₩12,906,452	₩31,083,615	₩17,064,598	₩11,152,091	₩9,319,498	₩(18,007,163)	₩81,366,206

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

(In millions of Korean won)

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

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

(In millions of Korean won)

	2006 Summary of Business by Geographic Area							
	Korea (Domestic)	Korea (Export)	Asia	Americas	Europe	Africa	Elimination	Consolidated
Gross sales	₩19,750,612	₩50,607,768	₩47,438,660	₩27,794,408	₩30,834,591	₩551,404	₩(91,551,817)	₩85,425,626
Inter-segment sales	(6,105,686)	(45,405,823)	(20,853,482)	(9,809,096)	(9,373,108)	(4,622)	91,551,817	-
Net sales	₩13,644,926	₩5,201,945	₩26,585,178	₩17,985,312	₩21,461,483	₩546,782	₩ -	₩85,425,626
Operating profit	₩7,427,983		₩528,753	₩163,898	₩538,422	₩11,532	₩337,223	₩9,007,811
Total assets	₩74,253,472		₩10,294,463	₩7,154,657	₩7,470,765	₩200,012	₩(18,007,163)	₩81,366,206

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

(In millions of Korean won)

	2005 Summary of Business by Geographic Area							
	Korea (Domestic)	Korea (Export)	Asia	Americas	Europe	Africa	Elimination	Consolidated
Gross sales	₩16,486,869	₩50,719,397	₩43,268,723	₩24,872,774	₩25,898,349	₩543,918	₩(81,160,520)	₩80,629,510
Inter-segment sales	(4,171,148)	(45,773,056)	(18,082,515)	(7,781,560)	(5,352,172)	(69)	81,160,520	-
Net sales	₩12,315,721	₩4,946,341	₩25,186,208	₩17,091,214	₩20,546,177	₩543,849	₩ -	₩80,629,510
Operating profit	₩6,629,701		₩512,771	₩20,721	₩118,893	₩12,703	₩280,709	₩7,575,498
Total assets	₩67,799,075		₩8,824,865	₩5,819,311	₩5,895,379	₩125,363	₩(14,002,195)	₩74,461,798

Note 32 Transaction Not Affecting Cash Flows

Significant transactions not affecting cash flows for the years ended December 31, 2006 and 2005, are as follows:

(In millions of Korean won)

	2006	2005
Write-off of accounts receivables and financing receivables	₩1,473,054	₩1,846,815
Gain on valuation of available-for-sale securities	297,605	818,877
Loss on valuation of available-for-sale securities	(4,632)	(7,551)
Decrease in gain on valuation of available-for-sale securities due to disposal	4,543	19,319
Decrease in loss on valuation of available-for-sale securities due to disposal	32,450	1,618
Deferred tax effects applicable to gain on valuation of investment securities	81,516	276,552
Deferred tax effects applicable to loss on valuation of investment securities	8,191	8,924
Reclassification of long-term available-for-sale securities to short-term available-for-sale securities	-	13,679
Reclassification of long-term held-to-maturity securities to short-term held-to-maturity securities	222	127,631
Current maturities of long-term prepaid expenses	193,860	143,379
Reclassification of construction-in-progress and machinery in transit to other property, plant and equipment accounts	10,844,486	9,845,250
Current maturities of long-term debts	2,317,933	3,814,535
Current maturities of long-term advances received	165,917	-
Current maturities of other long-term liabilities	332,435	187,034

Note 33 Subsequent Events

These financial statements as of and for the year ended December 31, 2006, were approved by the Board of Directors on March 2, 2007.

On January 12, 2007, the Board of Directors approved the purchase of treasury stocks consisting of 2,800,000 common shares and 400,000 preferred shares between January 16, 2007 and April 15, 2007, for the purpose of stock price stabilization.

Subsequent to December 31, 2006, Samsung Card Co., Ltd. issued unguaranteed bonds amounting to ₩70,000 million at face value.

Non-consolidated Balance Sheets

Years Ended December 31, 2006 and 2005

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Assets				
Current assets				
Cash and cash equivalents	₩977,989	₩1,053,552	\$1,052,733	\$1,134,071
Short-term financial instruments (Note 4)	3,335,141	3,897,931	3,590,033	4,195,835
Short-term available-for-sale securities (Note 5)	2,058,781	1,917,122	2,216,126	2,063,640
Trade accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	1,842,439	1,496,939	1,983,250	1,611,344
Other accounts and notes receivable, net of allowance for doubtful accounts (Note 6)	864,669	842,828	930,752	907,242
Inventories, net of valuation losses (Note 7)	3,219,474	2,909,447	3,465,526	3,131,805
Short-term deferred income tax assets (Note 24)	1,155,410	907,680	1,243,714	977,051
Prepaid expenses and other current assets	1,190,906	1,197,812	1,281,923	1,289,358
Total current assets	14,644,809	14,223,311	15,764,057	15,310,346
Lease receivables under finance lease (Note 8)	223,488	269,179	240,569	289,751
Property, plant and equipment, including revaluations, net of accumulated depreciation (Note 11)	28,820,442	24,650,194	31,023,081	26,534,116
Long-term available-for-sale securities (Note 9)	1,148,944	977,409	1,236,753	1,052,109
Equity-method investments (Note 10)	11,265,083	8,891,880	12,126,031	9,571,453
Intangible assets, net of accumulated amortization (Note 12)	522,378	465,801	562,301	501,400
Long-term deposits and other assets, net (Note 13)	1,183,984	1,060,996	1,274,472	1,142,084
Total assets	₩57,809,128	₩50,538,770	\$62,227,264	\$54,401,259

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts and notes payable	₩1,869,101	₩1,867,185	\$2,011,949	\$2,009,887
Other accounts and notes payable	3,291,797	2,917,659	3,543,377	3,140,645
Accrued expenses (Note 16)	2,873,148	2,506,501	3,092,732	2,698,064
Income taxes payable	1,111,233	789,925	1,196,160	850,296
Other current liabilities	489,736	264,005	527,165	284,181
Total current liabilities	9,635,015	8,345,275	10,371,383	8,983,073
Foreign currency notes and bonds (Note 14)				
	87,317	95,557	93,990	102,860
Long-term advances received				
	340,033	505,950	366,020	544,618
Long-term accrued expenses (Note 16)				
	274,527	133,748	295,508	143,970
Deferred income tax liabilities (Note 24)				
	1,158,802	865,761	1,247,365	931,928
Accrued severance benefits, net (Note 15)				
	620,469	498,488	667,889	536,586
Other long-term liabilities				
	432,368	437,381	465,413	470,808
Total liabilities	12,548,531	10,882,160	13,507,568	11,713,843
Commitments and contingencies (Note 17)				
Shareholders' equity				
Capital stock (Note 18)				
Common stock	778,047	778,047	837,510	837,510
Preferred stock	119,467	119,467	128,597	128,597
Capital surplus				
Paid-in capital in excess of par value	4,403,893	4,403,893	4,740,466	4,740,466
Other capital surplus	1,963,351	1,961,422	2,113,404	2,111,326
Retained earnings (Note 19)				
	44,460,189	37,365,892	47,858,115	40,221,628
(Net income of ₩7,926,087 million in 2006 and ₩7,640,213 million in 2005)				
Capital adjustments				
Treasury stock (Note 21)	(7,520,023)	(5,970,778)	(8,094,750)	(6,427,102)
Others (Note 22)	1,055,673	998,667	1,136,354	1,074,991
Total shareholders' equity	45,260,597	39,656,610	48,719,696	42,687,416
Total liabilities & shareholders' equity	₩57,809,128	₩50,538,770	\$62,227,264	\$54,401,259

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

Non-consolidated Statements of Income

Years Ended December 31, 2006 and 2005

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Sales (Note 26)	₩58,972,765	₩57,457,670	\$63,479,833	\$61,848,945
Cost of sales	42,359,753	40,158,150	45,597,151	43,227,287
Gross profit	16,613,012	17,299,520	17,882,682	18,621,658
Selling, general and administrative expenses	9,679,079	9,239,745	10,418,814	9,945,905
Operating profit	6,933,933	8,059,775	7,463,868	8,675,753
Non-operating income				
Interest and dividend income	257,417	229,654	277,090	247,206
Commission income	315,172	366,519	339,259	394,531
Gain on disposal of available-for-sale securities	58,980	33,271	63,488	35,814
Gain on disposal of property, plant and equipment	78,636	41,291	84,646	44,447
Foreign exchange gains	403,701	399,624	434,554	430,166
Gain on foreign currency translation (Note 28)	124,998	90,187	134,551	97,080
Gain on valuation of equity-method investments (Note 10)	1,798,505	1,131,014	1,935,958	1,217,453
Others	372,013	379,799	400,445	408,824
Total non-operating income	3,409,422	2,671,359	3,669,991	2,875,521
Non-operating expenses				
Interest expenses	48,877	42,214	52,612	45,440
Loss on disposal of trade accounts and notes receivable	253,740	185,536	273,132	199,716
Donations	175,249	173,563	188,643	186,828
Loss on disposal of available-for-sale securities	3,691	21,533	3,973	23,179
Loss on disposal of property, plant and equipment	37,876	13,517	40,771	14,550
Foreign exchange losses	391,831	348,804	421,777	375,462
Loss on foreign currency translation (Note 28)	28,988	31,244	31,203	33,632
Loss on valuation of equity-method investments (Note 10)	92,553	972,173	99,626	1,046,473
Others	94,353	72,078	101,565	77,585
Total non-operating expenses	1,127,158	1,860,662	1,213,302	2,002,865
Ordinary profit	9,216,197	8,870,472	9,920,557	9,548,409
Extraordinary income	₩ -	₩ -	\$ -	\$ -
Extraordinary loss	-	-	-	-
Net income before income tax	9,216,197	8,870,472	9,920,557	9,548,409
Income tax expense (Note 24)	1,290,110	1,230,259	1,388,709	1,324,283
Net income	₩7,926,087	₩7,640,213	\$8,531,848	\$8,224,126
Basic earnings per share (Note 25) (in Korean won and U.S. dollars)	₩52,880	₩49,970	\$56,921	\$53,789
Diluted earnings per share (Note 25) (in Korean won and U.S. dollars)	₩52,120	₩49,128	\$56,103	\$52,883

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

Non-consolidated Statements of Appropriations of Retained Earnings

Years Ended December 31, 2006 and 2005

	(In millions of Korean won (note3))		(In thousands of U.S. dollars (note3))	
	2006	2005	2006	2005
Retained earnings before appropriations				
Unappropriated retained earnings carried over from the prior year	₩30	₩30	\$32	\$32
Interim dividends (Note 20) (Dividend rate: 10% in 2006 and 2005)	(74,386)	(76,652)	(80,071)	(82,510)
Net income	7,926,087	7,640,213	8,531,848	8,224,126
Total retained earnings before appropriations	7,851,731	7,563,591	8,451,809	8,141,648
Appropriations (Note 19)				
Reserve for business rationalization	1,000,000	1,000,000	1,076,426	1,076,426
Reserve for research and human resource development	4,000,000	4,000,000	4,305,705	4,305,705
Cash dividends (Note 20) (Common stock: 100% in 2006 and 2005) (Preferred stock: 101% in 2006 and 2005)	746,075	757,403	803,095	815,288
Reserve for loss on disposal of treasury stock	550,000	650,000	592,034	699,677
Reserve for capital expenditure	1,555,625	1,156,158	1,674,516	1,244,520
Total appropriations	7,851,700	7,563,561	8,451,776	8,141,616
Unappropriated retained earnings carried over to the subsequent year	₩31	₩30	\$33	\$32

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

Non-consolidated Statements of Cash Flows

Years Ended December 31, 2006 and 2005

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Cash flows from operating activities				
Net income	₩7,926,087	₩7,640,213	\$8,531,848	\$8,224,126
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	5,680,609	5,060,475	6,114,757	5,447,228
Provision for severance benefits	447,360	385,706	481,550	415,184
Loss on disposal of trade accounts and notes receivable	253,740	185,536	273,132	199,716
Loss on disposal of property, plant and equipment	37,876	13,517	40,771	14,550
Gain on disposal of property, plant and equipment	(78,636)	(41,291)	(84,646)	(44,447)
Loss on disposal of available-for-sale securities	3,691	21,533	3,973	23,179
Gain on disposal of available-for-sale securities	(58,980)	(33,271)	(63,488)	(35,814)
Loss on foreign currency translation	28,988	31,244	31,203	33,632
Gain on foreign currency translation	(124,989)	(90,187)	(134,541)	(97,080)
Gain on valuation of equity-method investments	(1,440,674)	(1,131,014)	(1,550,779)	(1,217,453)
Loss on valuation of equity-method investments	92,553	972,173	99,626	1,046,473
Deferred income taxes	(10,871)	(198,751)	(11,702)	(213,941)
Others	232,900	290,968	250,701	313,206
	12,989,654	13,106,851	13,982,405	14,108,559
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivable	(616,437)	(372,311)	(663,549)	(400,765)
Decrease (Increase) in other accounts and notes receivable	(25,162)	93,912	(27,085)	101,089
Decrease (Increase) in inventories	(517,392)	24,910	(556,934)	26,814
Increase in trade accounts and notes payable	526	49,381	566	53,155
Increase in other accounts and notes payable	206,817	191,393	222,623	206,020
Increase in accrued expenses	428,275	183,115	461,006	197,110
Increase in long-term advance received	-	505,950	-	544,618
Increase in long-term accrued expenses	140,779	133,748	151,538	143,970
Increase (Decrease) in income taxes payable	316,171	(600,859)	340,335	(646,780)
Payment of severance benefits	(143,862)	(134,308)	(154,857)	(144,573)
Others	94,787	(391,381)	102,032	(421,293)
Net cash provided by operating activities	12,874,156	12,790,401	13,858,080	13,767,924

(In millions of Korean won (note3))

(In thousands of U.S. dollars (note3))

	2006	2005	2006	2005
Cash flows from investing activities				
Net increase in short-term financial instruments	₩562,790	₩288,775	\$605,802	\$310,845
Proceeds from disposal of short-term available-for-sale securities	3,704,638	3,574,058	3,987,770	3,847,210
Acquisition of short-term available-for-sale securities	(3,718,158)	(3,172,410)	(4,002,323)	(3,414,865)
Proceeds from disposal of property, plant and equipment	311,183	174,321	334,966	187,644
Acquisition of property, plant and equipment	(10,078,237)	(10,080,695)	(10,848,479)	(10,851,125)
Proceeds from disposal of long-term available-for-sale securities	3,183	21,574	3,426	23,223
Proceeds from disposal of equity-method investments	23,139	396,510	24,907	426,814
Acquisition of long-term available-for-sale securities	(18,539)	(30,074)	(19,956)	(32,372)
Acquisition of equity-method investments	(1,053,753)	(866,665)	(1,134,287)	(932,901)
Others	(217,475)	(250,658)	(234,096)	(269,816)
Net cash used in investing activities	(10,481,229)	(9,945,264)	(11,282,270)	(10,705,343)
Cash flows from financing activities				
Payment of dividends	(831,789)	(849,363)	(895,360)	(914,277)
Acquisition of treasury stock	(1,812,880)	(2,149,370)	(1,951,432)	(2,313,638)
Exercise of stock options	176,179	249,329	189,644	268,384
Net cash used in financing activities	(2,468,490)	(2,749,404)	(2,657,148)	(2,959,531)
Net increase (decrease) in cash and cash equivalents	(75,563)	95,733	(81,338)	103,050
Cash and cash equivalents				
Beginning of the year	₩1,053,552	₩957,819	\$1,134,071	\$1,031,021
End of the year	₩977,989	₩1,053,552	\$1,052,733	\$1,134,071

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

Consolidated Five-year Financial Summary

Consolidated base

Consolidated Balance Sheet

(Billion KRW)

	2002	2003	2004	2005	2006
Assets	64,955	68,042	69,005	74,462	81,366
Cash & Cash Eq. *	6,872	9,095	8,108	8,144	7,726
Marketable Securities	1,771	2,795	2,868	1,932	2,059
A/R (Traded)	5,427	6,315	6,774	7,397	9,090
Inventory	4,297	4,781	5,804	5,865	6,753
Liabilities	39,462	37,882	32,604	32,854	33,426
Debt	25,123	23,466	17,654	16,432	14,477
Stockholder's Equity	25,493	30,160	36,400	41,607	47,940

Consolidated Income Statement

(Billion KRW)

	2002	2003	2004	2005	2006
Sales	59,569	64,817	81,963	80,630	85,426
- COGS	36,952	42,252	52,953	55,252	59,652
Gross Profit	22,616	22,565	29,010	25,378	25,773
(Margin)	38.0%	34.8%	35.4%	31.5%	30.2%
- SG&A	13,371	16,269	17,250	17,802	16,766
Operating Profit	9,246	6,296	11,761	7,575	9,008
(Margin)	15.5%	9.7%	14.3%	9.4%	10.5%
- Non Operating Income (Expense)	323	133	615	550	820
Interest Payment (Net)	39	76	192	66	70
Equity Method Gain (Loss)	339	247	496	342	520
- Extra Gain (Loss)	0	0	0	0	0
Income before tax	9,569	6,430	12,376	8,125	9,828
(Margin)	16.1%	9.9%	15.1%	10.1%	11.5%
- Income Tax Expense	2,244	1,076	2,207	1,218	1,634
- Minority Interests, etc. (Net)	(272)	609	621	733	(268)
Net Income	7,053	5,962	10,790	7,640	7,926
(Margin)	11.8%	9.2%	13.2%	9.5%	9.3%

Consolidated Cash Flow Statement

(Billion KRW)

	2002	2003	2004	2005	2006
Cash Flow from Operating Activities	9,586	14,565	16,744	13,329	15,081
Net Income	7,053	5,962	10,790	7,640	7,926
Depreciation & Amortization	3,676	4,299	5,185	6,020	6,873
Cash Flow from Investing Activities	(11,505)	(7,728)	(8,183)	(9,046)	(11,098)
Acquisition of PP&E	(5,064)	(7,701)	(10,497)	(11,540)	(11,738)
Cash Flow from Financing Activities	2,306	(5,178)	(9,639)	(3,266)	(3,889)
Dividend	(913)	(910)	(1,596)	(849)	(832)
Rights Issuance / Stock repurchase	(1,500)	(1,979)	(3,841)	(2,149)	(1,813)
Consolidation adjustments	4	108	81	(63)	46
Increase in Cash & Cash Eq. *	392	1,767	(996)	953	139

Ratio

(Billion KRW)

	2002	2003	2004	2005	2006
ROE	31%	21%	32%	20%	18%
Profitability (Net Income/Sales)	0.12	0.09	0.13	0.09	0.09
Asset Turnover (Sales/Asset)	1.02	0.97	1.20	1.12	1.10
Leverage (Asset/Equity)	2.55	2.39	2.06	1.84	1.74
Debt to Equity	99%	78%	49%	40%	30%
Net Debt / Equity	65%	38%	18%	15%	10%
Earnings per share (KRW)	42,011	36,376	67,916	49,969	52,880

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

The numbers are adjusted for the latest change in Korean GAAP and thus may be different from those in audited financial statements
Financial sectors are included in the consolidated base financial statements from 2000

Non-consolidated Five-year Financial Summary

Parent base

Balance Sheet

(Billion KRW)

	2002	2003	2004	2005	2006
Assets	34,440	39,203	43,817	50,539	57,809
Cash & Cash Eq. *	5,682	5,515	5,145	4,951	4,313
Marketable Securities	1,745	2,471	2,289	1,917	2,059
A/R (Traded)	1,105	1,381	1,332	1,497	1,842
Inventory	2,273	2,480	3,154	2,909	3,220
Liabilities	10,129	9,789	9,376	10,882	12,549
Debt	1,626	1,159	99	96	87
Stockholder's Equity	24,310	29,414	34,440	39,657	45,261

Income Statement

(Billion KRW)

	2002	2003	2004	2005	2006
Sales	40,512	43,582	57,632	57,458	58,973
- COGS	26,946	29,519	37,280	40,158	42,360
Gross Profit	13,566	14,063	20,353	17,300	16,613
(Margin)	33.5%	32.3%	35.3%	30.1%	28.2%
- SG&A	6,321	6,871	8,336	9,240	9,679
Operating Profit	7,245	7,193	12,017	8,060	6,934
(Margin)	17.9%	16.5%	20.9%	14.0%	11.8%
- Non Operating Income (Expense)	1,626	(288)	1,108	811	2,282
Interest Payment (Net)	145	143	214	167	190
Equity Method Gain (Loss)	1,068	(229)	577	159	1,706
- Extra Gain (Loss)	-	-	-	-	-
Income before tax	8,871	6,905	13,125	8,870	9,216
(Margin)	21.9%	15.8%	22.8%	15.4%	15.6%
- Income Tax Expense	1,819	946	2,338	1,230	1,290
Net Income	7,052	5,959	10,787	7,640	7,926
(Margin)	17.4%	13.7%	18.7%	13.3%	13.4%

Cash Flow Statement

(Billion KRW)

	2002	2003	2004	2005	2006
Cash Flow from Operating Activities	11,193	9,848	14,804	12,790	12,874
Net Income	7,052	5,959	10,787	7,640	7,926
Depreciation & Amortization	3,156	3,761	4,526	5,060	5,681
Cash Flow from Investing Activities	(8,462)	(7,644)	(8,792)	(9,945)	(10,481)
Acquisition of PP&E	(4,322)	(6,789)	(7,870)	(10,081)	(9,767)
Cash Flow from Financing Activities	(2,312)	(2,345)	(6,323)	(2,749)	(2,469)
Dividend	(913)	(887)	(1,564)	(834)	(821)
Rights Issuance / Stock repurchase	(1,500)	(1,979)	(3,841)	(2,149)	(1,813)
Increase in Cash & Cash Eq. *	419	(141)	(310)	96	(76)

Financial Ratios

(Billion KRW)

	2002	2003	2004	2005	2006
ROE	32%	22%	34%	21%	19%
Profitability (Net Income/Sales)	0.17	0.14	0.19	0.13	0.13
Asset Turnover (Sales/Asset)	1.30	1.18	1.39	1.22	1.09
Leverage (Asset/Equity)	1.42	1.37	1.30	1.27	1.28
Debt / Equity	7%	4%	0%	0%	0%
Net Debt / Equity	-24%	-23%	-21%	-17%	-14%
Earnings per share (KRW)	42,005	36,356	67,899	49,970	52,880

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

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

Board of Directors

Top management is encouraged to exercise creative and progressive entrepreneurship while adhering to the principles of managerial transparency and accountability. Corporate value is thus enhanced continuously. Under this policy, the Board of Directors oversees the performance of senior managers, sets corporate management policies, and makes strategic decisions on business execution. These activities are performed in strict accordance with relevant laws and regulations, the Samsung Electronics Articles of Incorporation and resolutions passed at the general shareholders' meeting.

Committees have been established within the BOD in accordance with the BOD by laws, and these committees are empowered with certain BOD responsibilities.

This way, the directors can bring their experience and expertise in specific fields to enhance and accelerate the deliberation and decision making processes. The BOD currently has 4 of these bodies: the Management Committee, Audit Committee, Outside Director Recommendation Committee and Internal Transaction Committee.

The Samsung Electronics Board of Directors consists of thirteen members, 7 of whom are outside directors. The Board convened 8 times in 2006 and resolved 27 agenda items.

Management Committee

The Board of Directors delegates the authority to discuss and decide specific agenda items to the Management Committee, thereby elevating the professionalism and effectiveness of managerial execution. The Management Committee reports its decisions back to the Board. The Management Committee convened 24 meetings during 2006.

Audit Committee

The Audit Committee supervises and supports management in order to maximize corporate value through a set of checks and balances. The 3-member committee, which consists entirely of outside directors, held three meetings during 2006.

Outside Director Recommendation Committee

The Outside Director Recommendation Committee was formed to recruit and appoint outside directors fairly and independently. The 4-member committee, which includes 2 outside directors, met on 4 occasions during 2006.

Internal Transaction Committee

The committee was established to enhance corporate governance by ensuring fair business transactions. All three members are outside directors, who convened 7 times in 2006.



Kun-Hee Lee

- Chairman & CEO, Samsung Electronics Co., Ltd. (1998-Present)
- Member, International Olympic Committee (1996-Present)
- Vice Chairman, the Federation of Korean Industries (1987-Present)
- Chairman, Samsung Group (December 1987)



Jong-Yong Yun

- Vice Chairman & CEO, Samsung Electronics Co., Ltd. (2000-Present)
- President & CEO, Samsung Electronics Co., Ltd. (1997-1999)
- President & CEO, Samsung Japan Headquarters (1995-1996)
- President & CEO, Samsung Display Device Co., Ltd. (1994-1995)
- President & CEO, Samsung Electro-Mechanics Co., Ltd. (1992-1993)



Hak-Soo Lee

- Chief, Samsung Strategic Planning Office (2006-Present)
- Vice Chairman & CEO, Samsung Electronics Co., Ltd. (2004-Present)
- President & CEO, Samsung Electronics Co., Ltd. (1998-2004)
- President & CEO, Staff of the Samsung Group Chairman's Office of the Executive Staff (1996-1998)
- CEO, Samsung Fire & Marine Insurance Co., Ltd. (1994-1996)



Yoon-Woo Lee

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



Doh-Seok Choi

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



In-Joo Kim

- President, Chairman's Office of Samsung Electronics Co., Ltd. (2004-Present)
- Executive VP, Chairman's Office of Samsung Electronics Co., Ltd. (2001-2004)
- Senior VP, Chairman's Office of Samsung Electronics Co., Ltd. (1999-2001)
- Vice President, Chairman's Office of Samsung Electronics Co., Ltd. (1996-1999)



Gwi-Ho Chung

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



Jae-Sung Hwang

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



Kap-Hyun Lee

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



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)



Chae-Woong Lee

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



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)



Oh-Soo Park

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

Investor Information

SHARES

Samsung Electronics shares are traded on the Korea Exchange under code "005930" for common stock and "005935" for preferred stock. As of December 31, 2006, there were 147,299,337 common and 22,833,427 preferred shares issued and outstanding. All shares have a par value of KRW 5,000. Samsung global depository receipts are traded on the London Stock Exchange under the "SMSN LI" ticker symbol for common shares and "SMSD" symbol for preferred shares. Preferred GDRs are also traded on the Luxemburg Stock Exchange under the symbol "SAMDR". A total of 24,284,064 GDRs are currently outstanding, representing 12,142,032 common shares.

STOCK PERFORMANCE

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

KOREA EXCHANGE

Share price in KRW

2006	High	Low	Close
Q1	686,000	608,000	630,000
Q2	614,000	549,000	603,000
Q3	673,000	632,000	664,000
Q4	641,000	600,000	613,000

LONDON STOCK EXCHANGE

GDR price in USD

2006	High	Low	Close
Q1	355.50	308.25	326.75
Q2	324.75	280.75	314.25
Q3	352.50	327.75	351.00
Q4	346.50	323.00	329.00

DIVIDENDS

In 2006, we declared a total dividend of KRW 5,500 for each common share and KRW 5,550 for each preferred share, resulting in a total payout of KRW 820.5 billion. We also invested KRW 1812.88 billion to repurchase 2,600,000 common shares and 400,000 preferred shares as part of our ongoing efforts to increase shareholder value. The total payout ratio for the year was 33%.

GDR DEPOSITORY AGENT

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

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IMPORTANT INVESTOR NOTE

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

ADDITIONAL INFORMATION:

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

For information, please visit www.samsung.com.

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Tianjin Samsung Telecom Communication (TSTC), Tianjin
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