



valuable.
 utility.
 creative.
 impressive.
 delightful.
 challenging.
 amazing.
 precious.
 beneficial.
 unexpected.
 friendly.
 artistic.
 surprising.
 inviting.
 inclusive.
 contemporary.
 rewarding.
 imaginative.
 optimistic.
 bright.
 engaging.
 real.
 passionate.
 everyone.
 everywhere.
 Samsung.



2009 SAMSUNG ELECTRONICS ANNUAL REPORT

inspiring.
 remarkable.
 curious.
 flexible.
 discovered.
 enriching.
 thoughtful.
 diversified.
 anticipating.
 discerning.
 organized.
 affordable.
 differentiating.
 striking.
 purposeful.
 functional.
 refined.

wow.
 insightful.
 cool.
 simple.
 ingenious.
 stylish.
 lasting.
 brilliant.
 handy.

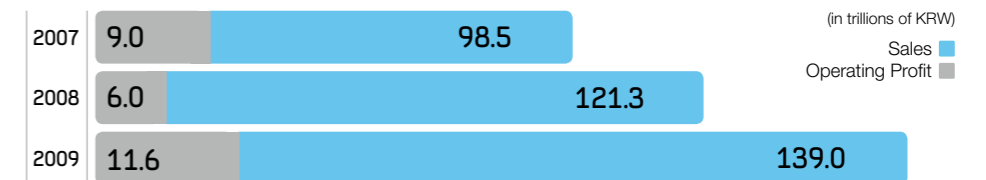
2009
SAMSUNG
ELECTRONICS
 ANNUAL REPORT



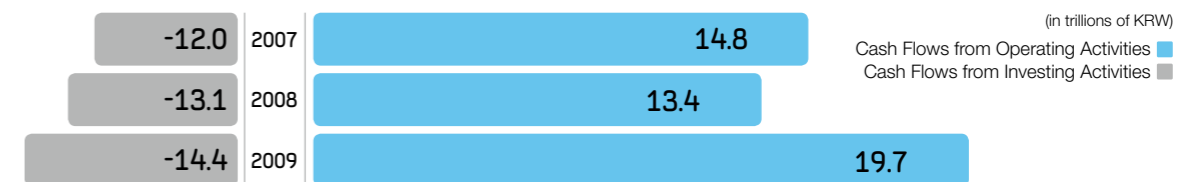
2009 FINANCIAL SUMMARY

Samsung Electronics and Consolidated Subsidiaries

SALES AND OPERATING PROFIT



CASH FLOWS



(in billions of KRW)

| INCOME STATEMENTS | 2007 | 2008 | 2009 |
|-------------------|--------|---------|---------|
| Sales | 98,508 | 121,294 | 138,994 |
| Operating Profit | 8,973 | 6,032 | 11,578 |
| Net Income | 7,421 | 5,526 | 9,649 |

| BALANCE SHEETS | 2007 | 2008 | 2009 |
|----------------------|--------|---------|---------|
| Assets | 93,375 | 105,301 | 118,281 |
| Liabilities | 37,403 | 42,377 | 45,227 |
| Shareholders' Equity | 55,972 | 62,924 | 73,054 |

| CASH FLOWS | 2007 | 2008 | 2009 |
|--------------------------------------|----------|----------|----------|
| Cash Flows from Operating Activities | 14,791 | 13,360 | 19,656 |
| Cash Flows from Investing Activities | (12,002) | (13,128) | (14,424) |
| Cash Flows from Financing Activities | (1,600) | 1,934 | (3,948) |

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

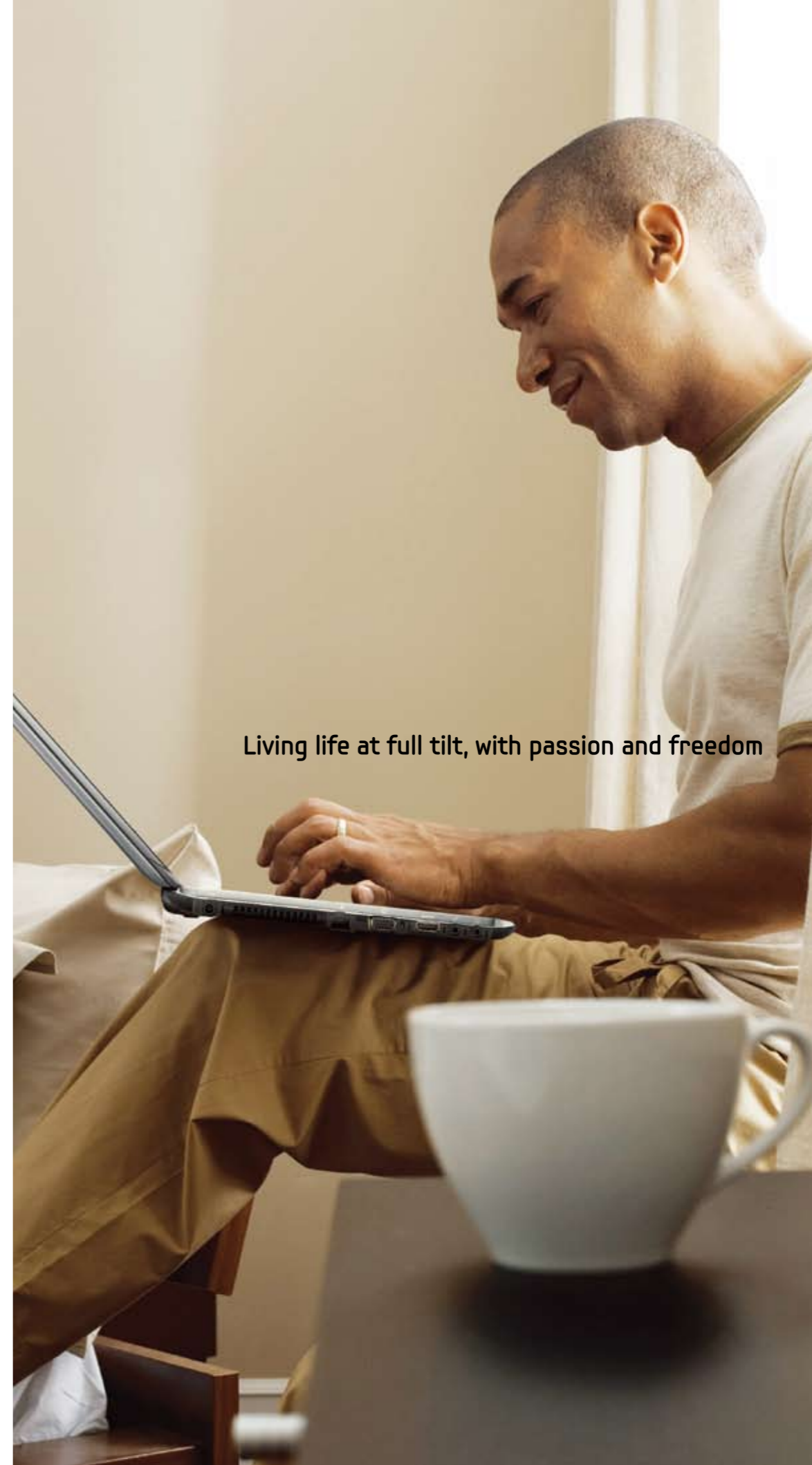
Contents

| | |
|---|----|
| 2009 Financial Summary | 01 |
| Relentless Passion | 02 |
| Message from the CEO | 10 |
| About the Board | 14 |
| Inspire the World, Create the Future | 16 |
| Business Overview | 28 |
| Financial Statements | 39 |
| Global Network | 94 |



INSPIRING.
REMARKABLE.
FLEXIBLE.
DISCOVERED.
ENRICHING.
THOUGHTFUL.
DIVERSIFIED.
CURIOUS.
ANTICIPATING.
DISCERNING.
ORGANIZED.
AFFORDABLE.
DIFFERENTIATING.
STRIKING.
PURPOSEFUL.

Every day, around the world, people dream, communicate and update their stories of human history. At Samsung Electronics, we are finely tuned to tracking those next exciting leaps, to intuiting the change-agent shifts, to finding ways to make global citizens healthier and happier.



Living life at full tilt, with passion and freedom

Every innovation must honor yesterday, meet today's demands and elegantly inform tomorrow. As a global trendsetter, Samsung Electronics harmonizes the sensitivities of the old and the new, balancing culture and technology, comfort and cutting-edge, the excitement of youth with the wisdom of experience.

COOL.
INGENIOUS.
LASTING.
FUNCTIONAL.
INSIGHTFUL.
WOW.
REFINED.
SIMPLE.
STYLISH.
BRILLIANT.
HANDY.
VALUABLE.
USEFUL.
CREATIVE.
IMPRESSIVE.



Creating new lifestyles, with joy and flair



DELIGHTFUL.
CHALLENGING.
AMAZING.
PRECIOUS.
BRIGHT.
ENGAGING.
REAL.
UNEXPECTED.
FRIENDLY.
ARTISTIC.
INVITING.
BENEFICIAL.
INCLUSIVE.
REWARDING.
SURPRISING.

In the new world of ever-heightened senses, where seeing, touching, feeling is expressed instantly, our shared memories shine with a vivid light. Samsung Electronics imbues technology with emotion so people's lives are unique and immediate.



Sharing rich experiences, with happiness and ease

IMAGINATIVE.
CONTEMPORARY.
OPTIMISTIC.
PASSIONATE.
EVERYONE.
EVERYWHERE.
SAMSUNG.



As change becomes a constant of our time,
Samsung is leading the way toward a brighter future





“We are racing to meet the challenges of building a better tomorrow. We are a creative company that is growing in a rapidly changing world. We plan to achieve 100 years of global leadership.”

Dear Samsung Electronics stakeholder :

I'd like to extend my sincere appreciation to all customers and shareholders who have a special relationship with Samsung Electronics. In 2009, despite the economic recession and fierce competition, Samsung Electronics achieved the greatest performance in its history. We strengthened our industry leadership in core businesses and enhanced our brand value.

In 2010, we at Samsung Electronics are prepared for our next leap forward. We envision the year as the start of fulfilling our ten-year Vision 2020 corporate goal. In the next decade, we intend to join the ranks of the top 10 global companies by achieving US\$400 billion in sales, becoming a top five global brand and securing our reputation as one of the 10 most respected companies worldwide. Vision 2020 sets the foundation for our growth as a world-class company and builds on the success and creativity that will guide us through the 21st century until we celebrate our centennial birthday. We have developed differentiated strategies that harness creativity, trust and a nurturing, transparent culture as part of our everyday work lives. Companywide, we will build a content-rich business structure that harmoniously blends innovation in hardware and software. Leveraging that creative platform, we will develop new businesses in health, the environment and renewable energy.

The year in review shows unprecedented success—our best ever

Despite the challenging market conditions in 2009, we delivered the best sales performance in our forty-year history, achieving record consolidated sales of KRW139 trillion and consolidated operating income of KRW11.6 trillion. We outperformed the market and increased sales by an impressive 15% and operating income by a substantial 91% over 2008.

Growth was evident in every business

By advancing sales and profits across all businesses, including TVs, mobile handsets, memory chips and LCDs, we cemented a commanding position in our major businesses and maintained stable profits. In other business areas, including notebook computers, digital home appliances, printers and System LSI, sales and profits also grew significantly to strengthen our overall competitiveness.

In the memory semiconductor business, demand was greater and steadier than expected. We recorded a performance well above forecasts. As a result, we reinforced our leadership in the market. Concerns about falling demand in the LCD business proved fleeting and demand rose faster than expected. Based on our differentiated technologies and cost competitiveness in LED panels, we achieved the highest profit margin in the industry, and continued to widen the gap with late-to-market players.

When it comes to our core products and technologies, such as mobile devices and TVs, we exceeded all records. In the mobile phone business, our chosen strategy of strengthening new category lineups for touchscreen phones and smart phones proved to be the right one. Our concerted focus to increase our market share in the emerging markets also yielded outstanding results. We attained a worldwide market share of 20%. In the TV business, we solidified our position in the LCD TV market by releasing a full range of LED TVs, and leading the 3D TV market. In 2009, we truly earned our status as a top-ranked global company.

"We are boosting our business capabilities, reaping the benefits of reorganization and optimizing smart growth opportunities."

Beginning the journey of Vision 2020

In the next few months, economies in the major developed countries are expected to begin recovery. Growth in emerging countries, particularly the BRICs, is predicted to accelerate. However, the financial crises in Eastern Europe and the Middle East remain risk factors. The industry will likely face continuing intense challenges as competitors emerge from restructuring efforts leaner and agile.

In this rapidly changing and uncertain environment, we intend to steer the company by focusing on efficiency and liquidity and by identifying relevant growth opportunities

Sharpening our edge

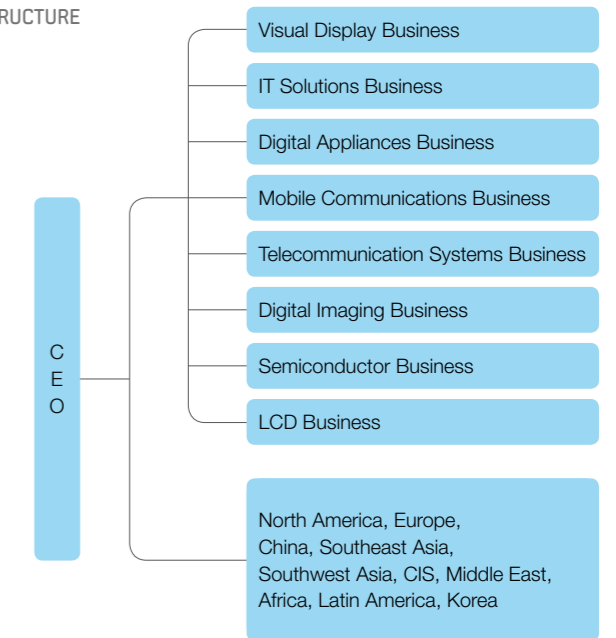
Looking ahead, we will strengthen our competitive advantages across all product lines and in all markets as we move toward our 2020 goals. For businesses where we already hold top ranking, including TVs, memory and LCDs, we expect to widen our lead in product selections and cost competitiveness, utilizing differentiating factors to further secure our first-place position. In the mobile phone arena, we are working to close the gap with the competition and increase the category growth potential of our smart phones. To fast-track other growing businesses, including printers, computers, digital home appliances, System LSI and network systems, we will dramatically scale up our business capabilities as we achieve top ranking.

Maximizing new synergies

We restructured and streamlined our organization from two businesses overseeing 10 divisions into eight independent businesses: (1) Visual Display Business; (2) IT Solutions Business; (3) Digital Appliances Business; (4) Mobile Communications Business; (5) Telecommunication Systems Business; (6) Digital Imaging Business; (7) Semiconductor Business; and (8) LCD Business. Going forward, this structure will maximize speed, cost-efficiency and business synergies.

With the goal of becoming more customer-focused and field-driven, we realigned sales operations both at home and abroad. The new sales operations will streamline our business structure and ensure that all businesses are operating on a similar platform. We can now fully capitalize on developing true convergence and differentiated products and services, taking advantage of our business expertise from components to sets.

2010 ORGANIZATIONAL STRUCTURE



Fostering growth and improving business structure

Fueled by advances in information technology, the global infotainment environment is rapidly evolving. With that in mind, we foresee future business opportunities in health, life care, and environmental and energy solutions, which we envision as the new growth pillars of Samsung Electronics over the next ten years. Guided by the New Business Team, our R&D hubs, technology centers and individual business units will collaborate to develop specific roadmaps that turn these opportunities into reality. We plan to shift focus from hardware to software and content, and to redirect our business structure toward delivering high-value services and solutions for our products.

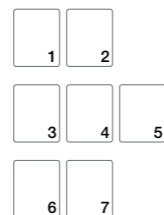
Samsung Electronics will do its best to secure the company's ongoing growth and value by accurately forecasting the future, step by step. We will be making aggressive investments in the future that include developing new core technologies. We will take the lead in demonstrating corporate citizenship and green management. These efforts will help us achieve a brighter tomorrow and fulfill our goals—Vision 2010: Inspire the World, Create the Future.

I invite you to witness our dedication and performance as we realize the Samsung Electronics vision for the next 100 years. We are reaching higher and wider. We hope you'll join our journey.

G S Choi

Geesung Choi
President & CEO
Samsung Electronics

"Building on a creative and progressive spirit, we are dedicated to delivering outstanding corporate and shareholder value through transparent and responsible management."



At Samsung Electronics, our board pursues sound and responsible corporate governance systems that support top management and maximize corporate value in a fast-changing world. The board is comprised of seven directors, four of whom are outside directors. As provided for by law, the board has set up and delegated authority to a number of committees staffed by directors with relevant experience and professional knowledge to aid in timely, efficient decision-making. The board presently operates five committees: the Management Committee, Audit Committee, Outside Director Recommendation Committee, Internal Transaction Committee and the Compensation Committee. In 2009, the board convened eight times to discuss and decide 34 agenda items.

1. Yoonwoo Lee

- Vice Chairman & Chairman of the BOD, Samsung Electronics (2010-Present)
- Vice Chairman & CEO, Head of Device Solution Business, Samsung Electronics (2009-2009)
- Vice Chairman & CEO, Samsung Electronics (2008-2009)
- Vice Chairman, Global Collaboration, Samsung Electronics (2007-2008)
- Vice Chairman, Global Collaboration, Corporate CTO, Samsung Electronics
- Vice Chairman, Samsung Advanced Institute of Technology (2005-2007)
- Vice Chairman, Global Collaboration, Samsung Electronics
- CEO, Samsung Advanced Institute of Technology (2004-2005)
- President & CEO, Semiconductor Business, Samsung Electronics (1996-2004)

2. Geesung Choi

- President & CEO, Samsung Electronics (2010-Present)
- President & Head, Digital Media & Communications Business, Samsung Electronics (2009-2009)
- Head, Telecommunications Networks Business, Samsung Electronics
- Head, Mobile Communications Division
- Head, Corporate Design Center (2007-2009)
- Head, Digital Media Business, Samsung Electronics (2003-2007)
- Head, Visual Display Division, Samsung Electronics (1998-2003)
- Head, Memory Sales and Marketing, Semiconductor Business, Samsung Electronics (1994-1998)

3. Juhwa Yoon

- Chief Finance Officer & President, Corporate Management Office, Samsung Electronics (2010-Present)
- President & Head, Corporate Auditing Team, Samsung Electronics (2009-2009)
- Head, Management Support Team, Corporate Executive Staff, Samsung Electronics
- Head, Global ERP Task Force, Corporate Executive Staff, Samsung Electronics (2007-2009)
- Head, Management Support Team, Corporate Executive Staff, Samsung Electronics
- Head, Management Innovation Team, Corporate Executive Staff, Samsung Electronics (2004-2007)
- Head, Management Support & Innovation Team, Corporate Executive Staff, Samsung Electronics (1998-2004)
- Head, Management Support & Innovation Group, Corporate Executive Staff, Samsung Electronics (1996-1998)

4. Dongmin 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)

5. Chaewoong Lee

- Outside Director (2006-Present)
- Ombudsman, Financial Supervisory Service (2009-Present)
- Professor of Economics, Sungkyunkwan University (1982-Present)
- President, Korean Economic Association (2005-2006)
- Vice Chancellor & Professor of Economics, Sungkyunkwan University (1999-2003)
- Member, Monetary Policy Committee, The Bank of Korea (1994-1998)

6. Inho Lee

- Outside Director (2010-Present)
- Corporate Advisor, Shinhan Bank (2009-Present)
- President & CEO, Shinhan Financial Group (2005-2009)
- President, Shinhan Bank (1999-2003)
- Vice President, Executive Vice President, Senior Executive Vice President, Shinhan Bank (1991-1999)

7. Ohsoo Park

- Outside Director (2006-Present)
- Professor, College of Business Administration, Seoul National University (1988-Present)
- President, Korean Academy Society of Business Administration (2008-2009)
- President, Korean Academy of Business Ethics (2007-2008)
- Dean, College of Business Administration, Seoul National University (2003-2005)
- President, Korean Academy of Management (2002-2003)

INSPIRE
THE
WORLD,

CREATE
THE
FUTURE

Enriching the lives of people around the globe
with innovation and creativity that throws
open the doors to tomorrow

First movers point the way to new civilizations as humans evolve and advance.
As a lifestyle architect, Samsung Electronics has pioneered technological
advances and transformed global markets, developing creative solutions that
inspire and shape the world we will live in tomorrow.



Identifying new opportunities while strengthening core businesses

In today's fast-paced, ever-changing environment, research and development drives our absolute commitment to technological leadership and market competitiveness. We have established an Open Innovation system in R&D hubs, including in Korea, North America and the United Kingdom, in order to expand strategic partnerships with the research community. We are restructuring our business to focus on life solutions. Building on our advanced hardware expertise, we are pursuing research and development into technology solutions and software that improve and enrich daily lives, including medical services and biotechnology; environmental products and renewable energy; and consumer conveniences and comfort.

Design not only infuses personality into a product but also embodies the brand image. The trendsetting look and feel of our products defines our core appeal and competitive advantage. Our designs communicate distinctive styling, ease of use and joy, with each telling a unique story. In addition, we have set up a network for our design centers around the world to encourage strategic design-oriented management. We will hone that competitive edge with consumer-centric, premium designs that harmonize style, technology and sensual enjoyment.

"We lead the industry by continuously developing differentiated products and innovation across the value chain. Our pioneering research starts by imagining what creates value for the customer—and we then think out of the box."

Building the brand customers love to love

We manage a range of marketing activities to support our brand as a life-enhancing, imaginative experience for consumers. On the strength of our unrivaled and customer-focused quality and technology, we have expanded our brand reputation worldwide. That success also stems from giving customized attention to each target market. We perform in-depth evaluations of customer lifestyles and needs before launching any marketing. And we make sure to speak directly to our customers.

Throughout 2009, and into early 2010, we continued our sports marketing activities, including international sponsorships of such high-profile events as the Vancouver 2010 Winter Olympic Games. We also sponsored other world-renowned events, festivals and exhibitions, and promoted marketing collaborations and co-sponsorships as we broadened our marketing focus to unique cultural and emotional marketing activities. For example, we participated in cross-marketing campaigns with global luxury brands and created products in partnership with companies in diverse industries, thus elevating our premium image. These and other efforts resulted in widespread recognition. In the 2009 brand value survey conducted by *BusinessWeek* and Interbrand, Samsung Electronics ranked 19th among the top 100 global brands.

Going forward, we will fortify our marketing systems by ensuring that every phase—from product planning and development to production and sales—operates from the perspective of creating value for the customer. And we will boost our brand value through systematic and consistent brand-marketing communications.

“With warm hearts, keen minds and advanced technology, we are engaging the senses and re-making the user experience. Whatever your vision, we make it come true. People love our products because we offer exceptional and joyful experiences—we’re making the Samsung Electronics brand irresistible.”





Creating products that touch the hearts of consumers

From touchscreen mobile phones that perform with a mere flick of the fingertip to innovative 3D TVs that frame vivid lifelike pictures, Samsung Electronics utilizes advanced functionalities and intuitive user interfaces to produce sophisticated products that deliver unique user experiences.

That comfortable and convenient product experience is key to how Samsung Electronics deepens customer satisfaction, bolsters brand value and succeeds in the marketplace. We plan and design our systems, products and services from the consumer's vantage point, ensuring that every user interaction is rewarding.

Continuous technological advances and multi-functionality options in digital devices are a two-edged sword. On the one hand, advances invite consumer interest and excitement. On the other, constant change can influence customer fatigue and widen the buying generation gap. In response, we are concentrating our capabilities so consumers enjoy all the benefits of digital advances and content without a steep learning curve. Our goal is convenience across the frontier for settings, operations and product usage.

We continue to rely on our leadership philosophy of the 4Cs: (1) content and services; (2) connectivity; (3) creativity; and (4) component capability. We are dedicated to delighting users and to providing new ways to share personalized digital experiences, anywhere and anytime. By keeping our ears and eyes firmly trained on our customers, Samsung Electronics will continue to generate cutting-edge products that engage the hearts and minds of global consumers.

“We make a habit of listening to the voices of our customers, drilling down to analyze every minor detail. If we learn what customers want from our products, we can more quickly develop next-generation innovations that they hadn't even thought possible. We want to guarantee that our customers remain satisfied.”

Encouraging creativity that improves the world

Human capital is Samsung Electronics' most important asset. We strongly believe that a company is its people. As a result, we invest in nurturing our employees and in shaping an environment in which they can develop to full potential. We established a long-term progressive reward system and also support social services programs to ensure high quality of life for employees. Our diverse training programs are overseen by the Human Resource Development Center.

We aim to work smart. We insist on a transparent culture that allows every individual to demonstrate his or her creative abilities. Inefficient practices are identified and remedied. We consistently emphasize the quality of results rather the quantity of time or effort. To encourage employees to share skills and knowledge and to raise the profile of selected technology experts, we created "think hard" programs. Also, we are actively pursuing Build Trust communications so every employee, from the chief executive to the shop floor worker, can efficiently and easily communicate and share information. The working atmosphere we foster emphasizes creativity, innovation and productivity so every employee moves toward unified goals.

Samsung Electronics will continue to invest in respecting employee differences and sensibilities. We want to be the dream workplace for global talent.

"I can do my best work in an environment that helps me stretch and reach my full potential. Anyone with an enterprising and challenging spirit, a clear sense of goals and flexible creativity, would like working at Samsung Electronics."

Jaeho Lee Global Training Group, Human Resource Development Center

Alexandra Sipos Content Service Team, Media Solution Center

Wasim Abbas Engineer, Advanced R&D Group, Digital Appliances Business





Working to be the company that people respect and admire

Samsung Electronics is committed to corporate philanthropy partnerships with community stakeholders such as NGOs (Non-Governmental Organizations), schools and the media. Throughout 2009, as in years past, we continued efforts to support a culture of community contributions and good works.

In Korea, we engage in a range of community activities, including helping teenagers build their future, supporting low-income families, and providing emergency rescue training as well as working with local volunteer centers. Around the world, we help meet the specialized needs of local communities, encouraging global volunteer participation from corporate headquarters. In North America, we continued Samsung's Four Seasons of Hope charity manufacturing event, which was launched in 2002. We also have a program that provides electronics for educational purposes.

In the Middle East and Africa, we implemented a Dream Tree project to raise the hopes and prospects of needy children. In China, we built ten Samsung charity schools to help earthquake victims in Sichuan province. We also funded eyesight recovery operations for cataract patients. In seven Southeast Asian countries, we built IT centers to support people who had been shut out of the contemporary digital world. In 17 European countries, we supported campaigns that battle breast cancer, while also providing education and sports equipment to prevent child obesity in more than 700 schools across five countries.

The overriding goal of Samsung Electronics corporate citizenship is to instill love and hope in every corner of the world, stepping past the barriers of race, age, gender and geographic location.

Planet First! Committing to green management

Putting the "Planet First," Samsung Electronics is pursuing environmentally friendly initiatives that address every phase of the manufacturing cycle, from production to consumption to recycling. We set a target of reducing greenhouse gas emissions from our business sites by 50% and by an aggregated 84 million tons from the use of our products by 2013, compared to totals of 2008. As we move to meet these goals, we are operating more greenhouse gas treatment and recycled energy facilities as well as launching green-management partnership programs with our suppliers.

Furthermore, we are becoming a leader in the green product market. In 2009, Samsung Electronics attracted praise for releasing a variety of eco-friendly products, including more energy-efficient LED TVs, solar-powered mobile phones and monitors manufactured from recycled plastic. These environmentally sound efforts—and smart business investments—will help make the planet healthier.

Building trust and growing together in win-win relationships

As markets and the economic climate shift, industry competition is zeroing in on supply chains. The key to remaining competitive is building innovative collaborations with suppliers. Anticipating this emerging trend, and as part of our ongoing efforts to grow together with our suppliers, in 2008, we set up an organization dedicated to such cooperation, the Partner Collaboration & Enhancement Office.

This group is tasked with supporting suppliers to become more productive and efficient, including offering technological and financial support, administrative and infrastructure aid and employee training. We provide the guidance of company experts as well as outside consultants, training supplier employees, for instance, in methods tailored for small and medium-size businesses. We also emphasize joint technology developments. Such programs help our partners choose facility investments, develop ERP (enterprise resource planning) systems and introduce new technology. The goal is to bolster supplier competitiveness in practical terms, resulting in process improvements, cost savings, greater on-time delivery rates and inventory reductions. The reason for such programs is simple: You can't produce world-class products without tapping world-class suppliers.

Looking ahead, we expect to fuel sustainable growth engines and improve our global competitiveness by emphasizing smart partnerships and collaboration.

BLAZE THE PATH,

Visual Display Business
IT Solutions Business
Digital Appliances Business
Mobile Communications Business
Telecommunication Systems Business
Digital Imaging Business
Semiconductor Business
LCD Business

BROADEN THE CHOICES

Pioneering differentiated products through continuous innovation

In the last year, we released several sophisticated products that capitalize on our next-generation technologies and advanced design. We are leading global digital trends as we forge new markets with original and inventive products.



**Premium Full-HD 3D LED TV
(LED-9000)**

With a gleaming brushed titanium frame and fashion-forward design, our LED 9000 Series TV boasts the world's slimmest profile, an ultimate-slim 7.98mm. The LED 9000 offers breathtaking 3D visual experiences as well as convenient features such as Internet@TV, automatic touchpad stand, touchscreen remote and more.

Staying a step ahead with the world's first full-HD 3D TV

Visual Display Business

In 2009, we ushered in the future of next-generation television, forged a new market and remained a big step ahead of the competition by launching our elegant and revolutionary LED TV. With worldwide sales of 30 million flat-screen television sets in 2009, we maintained No. 1 market share of Flat Panel TVs (FPTV) for the fourth consecutive year. Such achievements firmly establish our leadership both in popular demand and in producing top-quality products.

Samsung Electronics pioneered advanced 3D technology, launching 3D DLP TV in 2007, and 3D Plasma TV in 2008. Then, in March 2010, we were the first in the world to market a full-HD 3D LED TV, again confirming our leadership.

With the release of the Samsung Series 7000 and Series 8000, our LED TVs have garnered high media and consumer praise for perfectly reproducing the range of full-HD 3D images and for delivering true-to-life and easy-on-the-eyes picture quality. That innovation stems from the panels we produce exclusively for 3D TV, from 3D Hyperreal Engine technology and from using world-class 3D active glasses.

We have been charting the future of television through our 3D TV releases, which include LED TV, LCD TV and Plasma TV as well as 3D Blu-ray players, 3D home-theater systems and total 3D solutions that combine 3D active glass with 3D content. Now, we are extending our LED TV lineup with the premium Series 9000, a full-HD 3D TV that boasts the ultimate in forward-looking design, with a sleek profile of only 7.9mm.

We plan to enrich the television experience and the power of our products by maintaining our superior picture quality. We also will deepen value to customers by continued communications and by differentiated products, such as expanded Internet@TV features and the launch of our application marketplace, Samsung Apps. These strategic efforts will strengthen our premium brand image and help us secure the No. 1 market share this year, too—which would be our fifth in a row.

Offering integrated IT solutions for every market

IT Solutions Business

In 2009, we sold 6 million units of mobile PCs. This impressive performance was led by our premium netbook, the N310, and our ultra-slim laptop, the X420. Each is equipped with the critical essentials for a must-have laptop: remarkable design, sophisticated features and lightweight portability. Our laptops are setting new trends in mobile computing.

In the printer business—a strategic next-generation arena—we unveiled a mono laser printer and a multifunction printer with innovative one-touch print screen features. We also released a robust and high-speed A4 digital copier optimized for Managed Print Service (MPS) by corporate customers. Thanks to its innovative functions and design, our A4 laser printer ranked second in worldwide market share. We further ranked first and second in market share for mono laser/multifunction printers and color laser/multifunction printers, respectively. Our laser multifunction printer earned special success in 2009, achieving the top market share worldwide for the first time and demonstrating strong growth compared with 2008, despite the global economic downturn.

Looking ahead, we are focusing on synergies in sales and distribution by developing a program that provides exclusive channels for business partners. We expect to provide highly efficient and integrated IT solutions services by emphasizing convergence among our IT products and by leveraging cutting-edge advantages in research and development. In 2010, we anticipate 30% growth over 2009 in the IT product arena by launching new models, such as the premium laptop, R580, the sensuously sophisticated netbook, N210, the world's smallest laser printer, ML-1660, and the color laser multifunction printer, CLX-3185.

Ultra-Slim Laptop (X420)

Featuring the Intel Core 2 Duo chip, the latest high-performance mobile processor, our X420 laptop is built on the Intel Centrino 2 ultra-thin platform. The laptop boasts powerful performance for multimedia applications, even in a multitasking environment. We are leading the trends in ultra-slim and ultra-portable laptops.



Expanding energy-efficient and green product lines

Digital Appliances Business

Home appliances make our personal spaces more beautiful and convenient. As

key companions to our daily lives, appliances also instill the Samsung Electronics brand image into the hearts of customers.

In 2009, despite the worldwide economic downturn and reduced demand for home appliances, we recorded one of the industry's highest growth rates, a 27% jump over 2008, thanks to our differentiated and innovative products and marketing initiatives.

In Korea, our Side-by-Side Refrigerator and Kimchi Refrigerator maintained their lead, earning top-ranked market shares. In the North America, Europe and CIS (Commonwealth of Independent States) regions, sales of premium refrigerators, washing machines and air conditioners began climbing. The release of such forward-looking products as our fast steam-cooking oven and our robot vacuum cleaner consolidated our image as an innovative digital appliance manufacturer. With the home appliances market clearly divided into high- and low-end segments, we are building a premium brand founded on our reputation for innovative design, intuitive and advanced technology and superior quality. At the same time, we will continue to develop hit products tailored to the lifestyles and cultures of emerging markets.

In 2010, as we aggressively focus on again surpassing previous revenue records, we expect to expand our business-to-business channels. We will turn sharply more competitive in the areas of air conditioning solutions that improve air quality while providing customized appliances and solutions that support integrated lifestyles in the kitchen. In the meantime, strengthening our commanding profile in the premium appliance industry, we will continue to bring differentiated products to market, including environmentally-friendly and low-power options.

Front Loader Washer (WF9914LWE)

Using our proprietary Diamond Drum technology, and a drum dotted with diamond-shaped depressions, our front loader washer provides gentler, more effective cleaning. The quick-heating ceramic heater is more energy efficient. With premium design, easy-to-use controls and Aqua Stop to prevent leakage, the washer defines our leadership in the washing machine market.



WAVE (S8500)

Framed in aluminum, this superb new smart phone comes with Super AMOLED technology to deliver picture quality five times more vivid than existing AMOLED phones. Running on our new proprietary "bada" (Korean for "ocean") platform, the handset stands out for its intuitive menu structure—making it a must-have for buyers of every age.

Developing the smart phone that's a snap to use

Mobile Communications Business

We are a global leading mobile provider. Over time, we have

introduced a range of mobile devices that encapsulate the latest trends and cutting-edge technologies, including high-end premium phones, full touchscreen phones and eco-conscious phones. In 2009, Samsung Electronics recorded the largest market share in the North American region, for the sixth consecutive quarter, as well as exceeded a 25% market share in Europe. Not only have we maintained that stellar performance in the world's leading markets but we are also strengthening our competitive edge and brand awareness in emerging markets.

As a result, in 2009, Samsung Electronics recorded robust sales of 227 million units around the world, consolidating our standing as the world's second largest mobile phone player. We did particularly well in the full touchscreen phone category: Star, our worldwide hit, attracted global sales of 15 million units within nine months of release, while Corby, prized for its colorful design, sold more than 6 million units within four months of release.

In the MP3 player business, we have been leveraging synergies with the mobile business by marketing competitive products that offer improved multimedia usability, such as our premium MP3, M1, and the world's smallest DivX MP3 player, R1.

Looking at 2010 trends, we believe smart phones, full touchphones and messaging phones will lead growth in the global markets. We therefore intend to reinforce our top position in the high-end and leading markets, where demand is predicted to increase. We will continue to improve our standing in emerging markets by increasing the channel competitiveness of affordable models and strengthening cooperation among network operators. In addition, we expect to lead the smart phone market. To realize these goals, we will launch an online application store to provide a range of services and content. We will also release a variety of smart phones that meet the needs of individual consumers as well as corporate markets.

Mobile WiMAX Base Station (U-RAS Smart)

This eco-friendly mobile WiMAX base station provides dramatically improved performance along with lower energy consumption. It also significantly reduces operator expenses for network construction and maintenance.



Leading the worldwide mobile broadband market

Telecommunication Systems Business

Mobile WiMAX (WiBRO), developed by Samsung

Electronics and adopted as the worldwide technology standard in 2007, has been growing dramatically in leading mobile communications markets around the globe. Since we successfully provided full-blown commercial mobile WiMAX services in the US, Japan and Russia, as of early 2010, 139 operators in 75 countries have sought Mobile WiMAX businesses around the globe. This market is expected to expand, propelled by new operators in developing regions, such as Asia, the Middle East, Africa, Central and South America and Eastern Europe. Currently, we are developing next-generation mobile WiMAX products that offer improved performance, thus securing our status as the leader in next-generation mobile communications. We also are forging the path to standardization and product development for Long Term Evolution (LTE), another strong candidate technology for 4G mobile communications.

Simultaneously, we intend to be at the forefront of producing environmentally friendly base station products. In 2009, we unveiled U-RAS Smart, a mobile WiMAX base station that not only provides stronger coverage by doubling signal transmissions but reduces energy consumption by 35% compared with conventional models.

In the set-top box business, we have seen significant results in major markets, with sales mostly driven by the high-end features set-top boxes which support HD broadcasting and personal video recorder (PVR). We expect to take advantage of the growing trends in this market and increase our global market share by commercializing new products soon, including a set-top box that supports downloadable CAS and a multi-room set-top box.

Launching a new era in imaging with next-generation digital cameras

Digital Imaging Business

Samsung Electronics continues to strengthen its digital camera and camcorder offerings by,

first, improving basic features, such as picture taking, and also by making it more intuitive and more convenient for consumers to capture images and manage their photo albums.

We are continuing to integrate innovations in our world-first and top-quality digital cameras and camcorders, including, among other launches, the WB550, a premium compact digital camera; the ST550, a compact digital camera with dual screens, one on each side; and the HMX-H106, a full-HD digital camcorder with built-in 64GB SSD.

As a result, in 2009, Samsung Electronics' distinctive, customer-centric digital imaging products gained praise and popularity, with revenue from the premium segment rising and our digital camera earning a No. 3 share of the global market. Building on our growth in sales and quality, we established a robust platform to become a leading digital imaging player.

Moving forward, in 2010, we will continue to launch must-have products with groundbreaking features and design. We will lead the development of the digital imaging market and remain an industry trendsetter.

In particular, the NX10, our mirrorless interchangeable lens digital camera, has given us the lead in this new category. We also debuted a range of premium compact digital cameras with sophisticated designs and high-performance features. In addition, as the sole maker and distributor of dual LCD-screen digital cameras to date, we expect Samsung Electronics to become the top-of-mind brand for this category going forward. The diverse lineup of digital cameras and camcorders with fresh concepts and technologies is propelling the Samsung Electronics digital imaging business to the next level.

Mirrorless Interchangeable Lens Digital Camera (NX10)

A revolutionary new camera, the NX10 satisfies consumer demand to create personalized images and content using Internet and video capabilities. Equipped with DSLR, or professional digital single-lens reflex picture quality and performance, the NX10 is also 40% slimmer and lighter than conventional DSLRs. Yet this advanced interchangeable lens digital camera is as easy to operate as a compact digital camera.



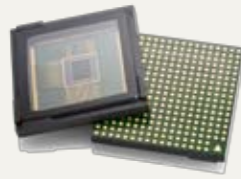


Image Sensor (1/4-inch 5-megapixel CIS with EDoF)

The S5K4E2 imager features a sensitive quarter-inch, 1.4 micron using Samsung Enhanced Energy Steering (SEES) pixel technology with an integrated Extended Depth of Field (EDoF) IP for sharp images. The EDoF enables in-focus range from 15cm to infinity, supporting barcode and business card features. Available May 2010, the 5-megapixel imager captures video images at up to 15 fps at full resolution and is designed for the slimmest smart phones.



30nm DDR3 DRAM

A world-first, the 30nm DRAM is 30% more energy efficient compared to the 50nm DRAM, offering high-level eco-conscious performance. The new 30nm will be commercially available in the second half of 2010.



External Hard Disk Drive, G Series (G2 Portable)

The G Series, an eco-friendly external hard disk drive, features low-power consumption, low-acoustic noise and meets RoHS regulation for eco-friendliness. The new casing design, a multi-leveled glitter surface that reflects the image of light on a beaded surface, protects the casing from fine scratches.

Boosting competitiveness with strategically differentiated products

Semiconductor Business

Our status as a global leader in the memory business has been solidified ever since 1993, when we first attained top ranking. In 2009, we adopted a green memory strategy that has further expanded our share of the world DRAM market, to 33%, up from 30% in 2008. Furthermore, we became the first company in the world to mass-produce the 30nm-class NAND Flash memory chip and, spurred by this achievement, we gained a 42% share in the global NAND Flash market. In 2010, we aim to sharpen that edge with advanced production of 30nm-class DRAM and 20nm-class NAND Flash memory chips.

The System LSI business division has reinforced its leadership in high-performance mobile devices by developing the world's first 45nm low-power 1GHz mobile application processor (AP). We took a significant step into the logic foundry business by establishing partnerships with leading fabless companies and by developing advanced logic processes. In addition, we have maintained No. 1 market share in display driver ICs, smart card ICs for SIM cards, media system-on-chips for MP3 players and APs for personal navigational devices, while recently also earning top ranking in CMOS image sensors for camera phones. Looking ahead, in 2010, we will focus on the fast-growing smart phone market that is expected to drive demand for advanced mobile application processors and further expand the adoption of our APs to other applications. In the foundry business, we are committed to developing 32/28nm high-k metal gate (HKMG) process technology to build long-term partnerships with our foundry customers.

In the Storage business division, we set the foundation for growth by launching the 2.5-inch, 250-gigabyte (GB) HDD. Its best-of-breed quality quickly propelled this new product into attracting a 10% share of the world market and the No. 1 spot in a 2009 customer quality survey conducted by major PC manufacturers. Additionally, the launch of a Samsung-branded external HDD was a significant achievement in our ongoing business restructuring. In 2010, we will build on that growth by launching a high-performance 2.5-inch, 320GB HDD and by working to increase sales of our external hard disk drives.

Presenting new display life with advanced LCDs

LCD Business

We have led the industry and achieved the No. 1 market share for LCD panels for eight consecutive years owing to our exceptional technology and product quality. In 2009, we strengthened that position by introducing such new products and technologies as Edge-Lit LED LCD panels and Super-Wide DID panels, which earned a 27.6% share of the world market. Strong sales not only came from mature markets such as North America and Europe, but also in emerging new markets, including China and Africa. In 2010, we pioneered the Green IT panel. This inventive technology, called "local dimming LED backlight technology," makes colors brighter and richer while still dramatically reducing power consumption. We began mass-producing full-HD LCD panels with 3D active glasses, applying the True 240Hz technology for 3D TV for the first time in the industry. With these innovative steps, Samsung Electronics is guiding the future of the LCD business.

In 2010, the market is expected to stabilize as the economy revives and demand for LCD grows. We will aggressively meet the increasing popularity of LED TVs, while also focusing on developing and differentiating new products. Unquestionably, Samsung Electronics will secure its lead in the new applied technology markets, including 3D TV panels and high-value-added IT products and DID panels. At the same time, we will work to expand our share of emerging markets. As we move forward, we will spare no effort in investing in the research and development for tomorrow, including our ongoing drive to commercialize R&D results in solar batteries.

3D TV Panel

3D active glasses and True 240Hz technologies are applied to this full-HD panel, allowing it to operate at an impressive 240 frames per second. Response time of the display was improved by 20% over earlier models. As a result, the panel more clearly delivers both natural 3D images as well as fast-moving 2D images.



ENRICH THE MOMENT, EXPAND THE POSSIBILITIES

We are creating the businesses of tomorrow

Samsung Electronics is a pioneer in building new markets.

As we look to the future, we aim to grow by creating products and services that move and motivate consumers worldwide,

instilling satisfaction, trust and excitement as we contribute to a better society.

We will secure our success and outstrip the competition by actively pursuing aggressive business strategies that develop new growth engines and technologies.

Today, we take the first of our many leaps forward as

a global top-tier company intent on marking our centennial anniversary.

We invite your participation as we conquer future challenges.

FINANCIAL STATEMENTS

| | |
|---|-----------|
| REPORT OF INDEPENDENT AUDITORS | 40 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| Balance Sheets | 42 |
| Statements of Income | 44 |
| Statements of Changes in Equity | 45 |
| Statements of Cash Flows | 47 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 49 |

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries including Samsung Card Co., Ltd., whose financial statements represent 19% and 21% of the consolidated total assets as of December 31, 2009 and 2008, respectively, and 26% and 25% of the consolidated total sales for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished us, and our opinion expressed herein, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Samsung Electronics Co., Ltd. and its subsidiaries as of December 31, 2009 and 2008, and the results of their operations, the changes in their equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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www.samil.com
LS Yongsan Tower, 191, Hangangno 2-ga,
Yongsan-gu, Seoul 140-702, Korea
(Yongsan P.O Box 266, 140-600)

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

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

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

Seoul, Korea
March 10, 2010

Samil PricewaterhouseCoopers

This report is effective as of March 10, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

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

| | 2009 | 2008 | 2009 | 2008 |
|---|----------------------|----------------------|-----------------------|----------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | ₩ 10,835,893 | ₩ 8,814,638 | \$ 9,285,255 | \$ 7,553,246 |
| Short-term financial instruments (Note 4) | 8,629,742 | 3,591,337 | 7,394,809 | 3,077,410 |
| Short-term available-for-sale securities (Note 5) | 2,104,420 | 982,067 | 1,803,273 | 841,531 |
| Trade accounts and notes receivable (Note 6) | 17,061,397 | 12,043,979 | 14,619,877 | 10,320,462 |
| Other accounts and notes receivable (Note 6) | 2,079,161 | 1,558,279 | 1,781,629 | 1,335,286 |
| Short-term financing receivables (Note 8) | 5,891,568 | 6,266,512 | 5,048,473 | 5,369,762 |
| Prepaid expenses and other current assets | 3,847,062 | 4,084,069 | 3,296,541 | 3,499,630 |
| Deferred income tax assets (Note 27) | 1,638,887 | 2,135,068 | 1,404,359 | 1,829,536 |
| Inventories (Note 7) | 9,981,064 | 9,492,607 | 8,552,754 | 8,134,196 |
| Total current assets | 62,069,194 | 48,968,556 | 53,186,970 | 41,961,059 |
| Property, plant and equipment, net of accumulated depreciation (Note 11) | 39,815,987 | 42,496,311 | 34,118,241 | 36,415,005 |
| Long-term available-for-sale securities (Note 9) | 2,910,513 | 2,618,262 | 2,494,013 | 2,243,584 |
| Long-term held-to-maturity securities (Note 9) | 314,933 | 334,460 | 269,865 | 286,598 |
| Equity-method investments (Note 10) | 5,523,913 | 4,356,862 | 4,733,430 | 3,733,386 |
| Deferred income tax assets (Note 27) | 345,475 | 379,087 | 296,037 | 324,839 |
| Intangible assets, net of accumulated amortization (Note 12) | 891,268 | 787,249 | 763,726 | 674,592 |
| Long-term financing receivables (Note 8) | 2,754,543 | 3,704,792 | 2,360,362 | 3,174,629 |
| Long-term deposits and other assets (Note 13) | 3,655,662 | 1,655,071 | 3,132,530 | 1,418,227 |
| Total assets | ₩ 118,281,488 | ₩ 105,300,650 | \$ 101,355,174 | \$ 90,231,919 |

continued

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

| | 2009 | 2008 | 2009 | 2008 |
|---|----------------------|----------------------|-----------------------|----------------------|
| Liabilities and Equity | | | | |
| Current liabilities | | | | |
| Trade accounts and notes payable | ₩ 8,234,318 | ₩ 5,587,137 | \$ 7,055,971 | \$ 4,787,607 |
| Short-term borrowings (Note 14) | 7,613,518 | 9,026,630 | 6,524,009 | 7,734,901 |
| Current maturities of long-term debts (Notes 15 and 16) | 3,127,998 | 2,263,380 | 2,680,375 | 1,939,486 |
| Other accounts and notes payable | 5,920,420 | 5,114,567 | 5,073,196 | 4,382,662 |
| Accrued expenses (Note 18) | 9,056,596 | 7,907,197 | 7,760,579 | 6,775,662 |
| Income taxes payable | 1,124,171 | 675,553 | 963,300 | 578,880 |
| Other current liabilities | 2,642,120 | 1,632,606 | 2,264,028 | 1,398,977 |
| Total current liabilities | 37,719,141 | 32,207,070 | 32,321,458 | 27,598,175 |
| Long-term debts (Note 15) | 3,545,012 | 5,773,957 | 3,037,714 | 4,947,692 |
| Foreign currency notes and bonds (Note 16) | 124,183 | 390,693 | 106,412 | 334,784 |
| Long-term accrued expenses (Note 18) | 383,273 | 177,774 | 328,426 | 152,334 |
| Accrued severance benefits (Note 17) | 827,805 | 850,233 | 709,344 | 728,563 |
| Deferred income tax liabilities (Note 27) | 875,725 | 1,486,287 | 750,407 | 1,273,596 |
| Other long-term liabilities | 1,752,057 | 1,490,682 | 1,501,334 | 1,277,363 |
| Total liabilities | 45,227,196 | 42,376,696 | 38,755,095 | 36,312,507 |
| Commitments and contingencies (Note 19) | | | | |
| Equity | | | | |
| Capital stock (Note 22) | | | | |
| Preferred stock | ₩ 119,467 | ₩ 119,467 | \$ 102,371 | \$ 102,371 |
| Common stock | 778,047 | 778,047 | 666,707 | 666,707 |
| Capital surplus | 6,652,110 | 6,588,861 | 5,700,180 | 5,645,982 |
| Capital adjustments | | | | |
| Treasury stock (Note 25) | (8,404,791) | (8,910,135) | (7,202,049) | (7,635,077) |
| Others | 149,132 | 313,122 | 127,791 | 268,313 |
| Accumulated other comprehensive income (Note 29) | 3,272,533 | 3,808,076 | 2,804,227 | 3,263,133 |
| Retained earnings (Note 23) | 64,261,204 | 55,419,571 | 55,065,299 | 47,488,921 |
| Total Shareholders' equity | 66,827,702 | 58,117,009 | 57,264,526 | 49,800,350 |
| Minority interests | 6,226,590 | 4,806,945 | 5,335,553 | 4,119,062 |
| Total equity | 73,054,292 | 62,923,954 | 62,600,079 | 53,919,412 |
| Total liabilities & equity | ₩ 118,281,488 | ₩ 105,300,650 | \$ 101,355,174 | \$ 90,231,919 |

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



CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2009 and 2008

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

| | 2009 | 2008 | 2009 | 2008 |
|--|---------------|-------------|----------------|----------------|
| Sales (Note 31) | ₩ 138,993,671 | 121,294,319 | \$ 119,103,403 | \$ 103,936,863 |
| Cost of sales (Note 31) | 98,945,032 | 89,762,355 | 84,785,803 | 76,917,185 |
| Gross profit | 40,048,639 | 31,531,964 | 34,317,600 | 27,019,678 |
| Selling, general and administrative expenses | 28,470,988 | 25,500,101 | 24,396,734 | 21,850,986 |
| Operating profit | 11,577,651 | 6,031,863 | 9,920,866 | 5,168,692 |
| Non-operating income | | | | |
| Interest and dividend income | 427,983 | 639,439 | 366,738 | 547,934 |
| Foreign exchange gains | 7,694,732 | 7,238,637 | 6,593,601 | 6,202,774 |
| Gain on foreign currency translation (Note 33) | 1,322,276 | 444,663 | 1,133,056 | 381,031 |
| Gain on valuation of equity method investments (Note 10) | 1,522,171 | 1,047,224 | 1,304,345 | 897,364 |
| Others | 1,216,196 | 1,454,307 | 1,042,156 | 1,246,193 |
| | 12,183,358 | 10,824,270 | 10,439,896 | 9,275,296 |
| Non-operating expenses | | | | |
| Interest expense | 546,524 | 670,271 | 468,315 | 574,354 |
| Foreign exchange losses | 8,154,660 | 7,597,640 | 6,987,712 | 6,510,403 |
| Loss on foreign currency translation (Note 33) | 1,054,106 | 933,940 | 903,261 | 800,291 |
| Loss on valuation of equity method investments (Note 10) | 121,702 | 209,357 | 104,286 | 179,398 |
| Others | 1,318,967 | 867,150 | 1,130,221 | 743,060 |
| | 11,195,959 | 10,278,358 | 9,593,795 | 8,807,506 |
| Net income before income tax | 12,565,050 | 6,577,775 | 10,766,967 | 5,636,482 |
| Income tax (Note 27) | 2,335,129 | 687,561 | 2,000,968 | 589,169 |
| Net income | ₩ 10,229,921 | ₩ 5,890,214 | \$ 8,765,999 | \$ 5,047,313 |
| Attributable to : | | | | |
| Controlling interests | 9,649,487 | 5,525,904 | 8,268,626 | 4,735,136 |
| Minority interests | 580,434 | 364,310 | 497,373 | 312,177 |
| Basic earnings per share (Note 28) (in Korean won and U.S. dollars) | ₩ 65,499 | ₩ 37,684 | \$ 56.13 | \$ 32.29 |
| Diluted earnings per share (Note 28) (in Korean won and U.S. dollars) | ₩ 65,194 | ₩ 37,340 | \$ 55.86 | \$ 32.00 |

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2009 and 2008

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

| | Capital Stock | Capital Surplus | Capital Adjustments | Accumulated Other Comprehensive Income | Retained Earnings | Minority Interests | Total |
|--|---------------|-----------------|---------------------|--|-------------------|--------------------|---------------|
| Balance at January 1, 2008 | ₩ 897,514 | ₩ 6,574,995 | ₩ (8,747,381) | ₩ 1,875,385 | ₩ 51,065,174 | ₩ 4,306,221 | ₩ 55,971,908 |
| Cash dividends appropriated in prior year | - | - | - | - | (1,098,098) | (102,138) | (1,200,236) |
| Retained earnings after appropriations | - | - | - | - | 49,967,076 | 4,204,083 | 54,771,672 |
| Interim cash dividends | - | - | - | - | (73,411) | (41,839) | (115,250) |
| Change in ownership interests, including new stock issues by consolidated subsidiaries | - | 37,370 | - | - | - | 221,516 | 258,886 |
| Cumulative effects of changes in scope of consolidation | - | - | - | - | - | (318) | (318) |
| Net income | - | - | - | - | 5,525,904 | 364,310 | 5,890,214 |
| Disposal of treasury stock | - | 4,039 | 247,357 | - | - | - | 251,396 |
| Stock option activities | - | 2,306 | (89,239) | - | - | - | (86,933) |
| Market value adjustments for available-for-sale securities, net | - | - | - | (578,674) | - | (121,288) | (699,962) |
| Change in share of equity method investees accumulated other comprehensive income, net | - | - | - | 313 | - | - | 313 |
| Translation of foreign currency financial statements | - | - | - | 2,527,591 | - | 207,537 | 2,735,128 |
| Others | - | (29,849) | (7,750) | (16,539) | 2 | (27,056) | (81,192) |
| Balance at December 31, 2008 | ₩ 897,514 | ₩ 6,588,861 | ₩ (8,597,013) | ₩ 3,808,076 | ₩ 55,419,571 | ₩ 4,806,945 | ₩ 62,923,954 |
| Balance at January 1, 2008 | \$ 769,078 | \$ 5,634,100 | \$ (7,495,614) | \$ 1,607,015 | \$ 43,757,647 | \$ 3,689,992 | \$ 47,962,218 |
| Cash dividends appropriated in prior year | - | - | - | - | (940,958) | (87,522) | (1,028,480) |
| Retained earnings after appropriations | - | - | - | - | 42,816,689 | 3,602,470 | 46,933,738 |
| Interim cash dividends | - | - | - | - | (62,906) | (35,851) | (98,757) |
| Change in ownership interests, including new stock issues by consolidated subsidiaries | - | 32,022 | - | - | - | 189,817 | 221,839 |
| Cumulative effects of changes in scope of consolidation | - | - | - | - | - | (272) | (272) |
| Net income | - | - | - | - | 4,735,136 | 312,177 | 5,047,313 |
| Disposal of treasury stock | - | 3,461 | 211,960 | - | - | - | 215,421 |
| Stock option activities | - | 1,976 | (76,469) | - | - | - | (74,493) |
| Market value adjustments for available-for-sale securities, net | - | - | - | (495,865) | - | (103,931) | (599,796) |
| Change in share of equity method investees accumulated other comprehensive income, net | - | - | - | 268 | - | - | 268 |
| Translation of foreign currency financial statements | - | - | - | 2,165,888 | - | 177,838 | 2,343,726 |
| Others | - | (25,577) | (6,641) | (14,173) | 2 | (23,186) | (69,575) |
| Balance at December 31, 2008 | \$ 769,078 | \$ 5,645,982 | \$ (7,366,764) | \$ 3,263,133 | \$ 47,488,921 | \$ 4,119,062 | \$ 53,919,412 |

continued

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

| | Capital Stock | Capital Surplus | Capital Adjustments | Accumulated Other Comprehensive Income | Retained Earnings | Minority Interests | Total |
|--|-------------------|---------------------|-----------------------|--|----------------------|---------------------|----------------------|
| Balance at January 1, 2009 | ₩ 897,514 | ₩ 6,588,861 | ₩ (8,597,013) | ₩ 3,808,076 | ₩ 55,419,571 | ₩ 4,806,945 | ₩ 62,923,954 |
| Cash dividends appropriated in prior year | - | - | - | - | (735,441) | (60,183) | (795,624) |
| Retained earnings after appropriations | - | - | - | - | 54,684,130 | 4,746,762 | 62,128,330 |
| Interim cash dividends | - | - | - | - | (73,507) | (2,042) | (75,549) |
| Change in ownership interests, including new stock issues by consolidated subsidiaries | - | 53,737 | - | - | - | 163,152 | 216,889 |
| Cumulative effects of changes in scope of consolidation | - | - | - | - | - | 721,953 | 721,953 |
| Net income | - | - | - | - | 9,649,487 | 580,434 | 10,229,921 |
| Disposal of treasury stock | - | (1,313) | 505,344 | - | - | - | 504,031 |
| Stock option activities | - | - | (172,874) | - | - | - | (172,874) |
| Market value adjustments for available-for-sale securities, net | - | - | - | 139,874 | - | 64,991 | 204,865 |
| Change in share of equity method investees accumulated other comprehensive income, net | - | - | - | 108,740 | - | - | 108,740 |
| Translation of foreign currency financial statements | - | - | - | (794,330) | - | (77,348) | (871,678) |
| Others | - | 10,825 | 8,884 | 10,173 | 1,094 | 28,688 | 59,664 |
| Balance at December 31, 2009 | ₩ 897,514 | ₩ 6,652,110 | ₩ (8,255,659) | ₩ 3,272,533 | ₩ 64,261,204 | ₩ 6,226,590 | ₩ 73,054,292 |
| Balance at January 1, 2009 | \$ 769,078 | \$ 5,645,982 | \$ (7,366,764) | \$ 3,263,133 | \$ 47,488,921 | \$ 4,119,062 | \$ 53,919,412 |
| Cash dividends appropriated in prior year | - | - | - | - | (630,198) | (51,571) | (681,769) |
| Retained earnings after appropriations | - | - | - | - | 46,858,723 | 4,067,491 | 53,237,643 |
| Interim cash dividends | - | - | - | - | (62,988) | (1,750) | (64,738) |
| Change in ownership interests, including new stock issues by consolidated subsidiaries | - | 46,047 | - | - | - | 139,805 | 185,852 |
| Cumulative effects of changes in scope of consolidation | - | - | - | - | - | 618,640 | 618,640 |
| Net income | - | - | - | - | 8,268,626 | 497,373 | 8,765,999 |
| Disposal of treasury stock | - | (1,125) | 433,028 | - | - | - | 431,903 |
| Stock option activities | - | - | (148,135) | - | - | - | (148,135) |
| Market value adjustments for available-for-sale securities, net | - | - | - | 119,858 | - | 55,691 | 175,549 |
| Change in share of equity method investees accumulated other comprehensive income, net | - | - | - | 93,179 | - | - | 93,179 |
| Translation of foreign currency financial statements | - | - | - | (680,660) | - | (66,279) | (746,939) |
| Others | - | 9,276 | 7,613 | 8,717 | 938 | 24,852 | 51,126 |
| Balance at December 31, 2009 | \$ 769,078 | \$ 5,700,180 | \$ (7,074,258) | \$ 2,804,227 | \$ 55,065,299 | \$ 5,335,553 | \$ 62,600,079 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2009 and 2008

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

| | 2009 | 2008 | 2009 | 2008 |
|--|-------------------|-------------------|-------------------|-------------------|
| Cash flows from operating activities | | | | |
| Net income | ₩ 10,229,921 | ₩ 5,890,214 | \$ 8,765,999 | \$ 5,047,313 |
| Adjustments to reconcile net income to net cash provided by operating activities : | | | | |
| Depreciation and amortization | 11,159,446 | 10,095,191 | 9,562,507 | 8,650,549 |
| Provision for severance benefits | 645,440 | 543,980 | 553,076 | 466,135 |
| Bad debt expenses | 337,075 | 532,429 | 288,839 | 456,237 |
| Loss on disposal of property, plant and equipment | 120,676 | 62,292 | 103,407 | 53,378 |
| Gain on disposal of property, plant and equipment | (66,636) | (110,962) | (57,100) | (95,083) |
| Loss on foreign currency translation | 1,059,493 | 1,070,358 | 907,877 | 917,188 |
| Gain on foreign currency translation | (1,347,894) | (447,885) | (1,155,008) | (383,792) |
| Loss on valuation of equity-method investments | 121,702 | 209,357 | 104,286 | 179,398 |
| Gain on valuation of equity-method investments | (943,339) | (748,398) | (808,345) | (641,301) |
| Deferred income taxes | (13,633) | (500,435) | (11,682) | (428,822) |
| Others | 1,385,560 | 1,289,732 | 1,187,284 | 1,105,169 |
| | 22,687,811 | 17,885,873 | 19,441,140 | 15,326,369 |
| Changes in operating assets and liabilities | | | | |
| Increase in trade accounts and notes receivable | (6,227,873) | (86,180) | (5,336,652) | (73,847) |
| Increase in inventories | (1,092,243) | (693,712) | (935,941) | (594,440) |
| Decrease (increase) in financing receivables | 915,952 | (1,313,573) | 784,877 | (1,125,598) |
| Increase (decrease) in trade accounts and notes payable | 3,474,003 | (1,514,400) | 2,976,866 | (1,297,686) |
| Increase (decrease) in accrued expenses | 1,051,084 | (207,881) | 900,672 | (178,133) |
| Increase (decrease) in income taxes payable | 499,800 | (751,619) | 428,278 | (644,061) |
| Payment of severance benefits | (520,020) | (301,887) | (445,604) | (258,686) |
| Increase in long-term accrued expenses | 519,200 | 408,324 | 444,901 | 349,892 |
| Others | (1,651,924) | (64,870) | (1,415,529) | (55,588) |
| Net cash provided by operating activities | 19,655,790 | 13,360,075 | 16,843,008 | 11,448,222 |

continued

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

| | 2009 | 2008 | 2009 | 2008 |
|---|---------------------|---------------------|---------------------|---------------------|
| Cash flows from investing activities | | | | |
| (Increase) decrease in short-term financial instruments | (5,057,503) | 1,445,781 | (4,333,764) | 1,238,887 |
| Proceeds from sale of short-term available-for-sale securities | 2,673,309 | 3,576,436 | 2,290,753 | 3,064,641 |
| Acquisition of short-term available-for-sale securities | (3,774,993) | (3,580,000) | (3,234,784) | (3,067,695) |
| Decrease (increase) in deposits and loans | ₩ 68,108 | | \$ 58,362 | |
| Proceeds from disposal of property, plant and equipment | 112,379 | | 96,297 | |
| Acquisition of property, plant and equipment | (8,182,197) | (14,088,184) | (7,011,308) | (12,072,137) |
| Proceeds from sale of long-term available-for-sale securities | 114,961 | 188,332 | 98,510 | 161,381 |
| Proceeds from sale of long-term held-to-maturity securities | 28,901 | 31,234 | 24,765 | 26,764 |
| Proceeds from sale of equity-method investments | 44,832 | 16,682 | 38,416 | 14,295 |
| Acquisition of long-term available-for-sale securities | (69,804) | (12,602) | (59,815) | (10,799) |
| Acquisition of equity-method investments | (261,539) | - | (224,112) | - |
| Others | (120,555) | (495,212) | (103,304) | (424,346) |
| Net cash used in investing activities | (14,424,101) | (13,128,424) | (12,359,984) | (11,249,721) |
| Cash flows from financing activities | | | | |
| Payment of dividends | (871,173) | (1,315,486) | (746,506) | (1,127,237) |
| Net (decrease) increase in short-term borrowings | (976,336) | 668,383 | (836,620) | 572,736 |
| Repayment of current maturities of long-term debts | (2,367,129) | (1,826,860) | (2,028,388) | (1,565,433) |
| Repayment of long-term debts | (675,677) | (415,275) | (578,986) | (355,848) |
| Proceeds from long-term debts | 940,960 | 4,346,404 | 806,307 | 3,724,425 |
| Others | 1,016 | 477,055 | 869 | 408,787 |
| Net cash (used in) provided by financing activities | (3,948,339) | 1,934,221 | (3,383,324) | 1,657,430 |
| Effect of exchange rate changes on cash and cash equivalents | 440,958 | 813,514 | 377,856 | 697,099 |
| Net increase in cash and cash equivalents from changes in consolidated subsidiaries | 296,947 | 3,263 | 254,453 | 2,796 |
| Net increase in cash and cash equivalents | 2,021,255 | 2,982,649 | 1,732,009 | 2,555,826 |
| Cash and cash equivalents | | | | |
| Beginning of year | 8,814,638 | 5,831,989 | 7,553,246 | 4,997,420 |
| End of the year | ₩ 10,835,893 | ₩ 8,814,638 | \$ 9,285,255 | \$ 7,553,246 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

1. The Company

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

As of December 31, 2009, SEC's shares are listed on the Korea Stock Exchange, and its global depository receipts are listed on the London and Luxembourg Stock Exchange.

Consolidated Subsidiaries

The consolidated financial statements include the accounts of SEC and its controlled subsidiaries (collectively referred to as "the Company"). Controlled subsidiaries generally include majority-owned entities and entities in which SEC owns more than 30% of the total outstanding voting stock and is the largest shareholder. Percentage of ownership is the sum of the percentage of direct and indirect ownership. The consolidated financial statements include the accounts of the consumer financing subsidiary, Samsung Card in accordance with the Statement of Korean Financial Accounting Standards ("SKFAS") No.25, *Consolidated Financial Statements*.

The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2009.

(In millions of Korean won)

| Subsidiaries | Primary Business | Equity | Percentage of Ownership (%) | Location |
|---|--|-----------|-----------------------------|-----------|
| Samsung Gwangju Electronics | Home appliances manufacturing | ₩ 768,530 | 94.3 | Korea |
| Samsung Card | Consumer financing | 4,421,513 | 35.3 | Korea |
| STECO | Semiconductor equipment manufacturing | 67,093 | 51.0 | Korea |
| SEMES | Semiconductor equipment manufacturing | 119,966 | 63.9 | Korea |
| Secron | Semiconductor equipment manufacturing | 38,846 | 50.6 | Korea |
| Samsung Electronics Service | Service center for electronic goods | 61,823 | 83.3 | Korea |
| Living Plaza | Sales | 136,254 | 100.0 | Korea |
| Samsung Electronics Logitech | Distribution | 49,404 | 100.0 | Korea |
| S-LCD | LCD manufacturing | 4,105,047 | 50.0 | Korea |
| Samsung Electronics Hainan Fiberoptics Korea (SEHF-K) | Optical cable manufacturing | 52,432 | 100.0 | Korea |
| Samsung Mobile Display | Mobile communication equipment display manufacturing | 1,525,564 | 50.0 | Korea |
| Samsung Electronics Canada (SECA) | Sale of electronic goods | 107,251 | 100.0 | Canada |
| Samsung Electronics America (SEA) | Sale of electronic goods | 3,769,120 | 100.0 | U.S.A |
| Samsung Receivables (SRC) | Financing | 2,168,112 | 100.0 | U.S.A |
| Samsung Semiconductor (SSI) | Semiconductor sales | 2,580,288 | 100.0 | U.S.A |
| Samsung Austin Semiconductor (SAS) | Semiconductor manufacturing | 2,359,866 | 100.0 | U.S.A |
| Samsung Information Systems America (SISA) | Information system research and development | 36,164 | 100.0 | U.S.A |
| Samsung International (SII) | Manufacturing and sale of electronic goods | 199,671 | 100.0 | U.S.A |
| Samsung Mexicana (SAMEX) | Manufacturing and sale of electronic goods | 56,540 | 100.0 | Mexico |
| Samsung Telecommunications America (STA) | Mobile phone sales and research and development | 345,046 | 100.0 | U.S.A |
| Samsung Electronics Latinoamerica (Zona Libre) (SELA) | Sale of electronic goods | 61,138 | 100.0 | Panama |
| Samsung Electronics Latinoamerica Miami (SEMI) | Sale of electronic goods and mobile phone | 32,957 | 100.0 | U.S.A |
| Samsung Electronica Columbia (SAMCOL) | Sale of electronic goods | 8,856 | 100.0 | Columbia |
| Samsung Electronics Mexico (SEM) | Manufacturing and sale of electronic goods | 120,588 | 100.0 | Mexico |
| Samsung Electronics Argentina (SEASA) | Sale of electronic goods | 7,038 | 100.0 | Argentina |
| Samsung Electronica da Amazonia (SEDA) | Sale and manufacturing of electronic goods | 655,613 | 100.0 | Brazil |

continued

(In millions of Korean won)

| Subsidiaries | Primary Business | Equity | Percentage of Ownership (%) | Location |
|--|--|----------|-----------------------------|---------------|
| Samsung Electronics Chile (SECH) | Sale of electronic goods | ₩ 22,120 | 100.0 | Chile |
| Samsung Electronics Iberia (SESA) | Sale of electronic goods | 162,538 | 100.0 | Spain |
| Samsung Electronics Nordic (SENA) | Sale of electronic goods | 116,032 | 100.0 | Sweden |
| Samsung Electronics Hungarian (SEH) | CTV manufacturing and sales | 686,709 | 100.0 | Hungary |
| Samsung Electronica Portuguesa (SEP) | Sale of electronic goods | 39,343 | 100.0 | Portugal |
| Samsung Electronics France (SEF) | Sale of electronic goods | 268,264 | 100.0 | France |
| Samsung Electronics (UK) (SEUK) | Sale of electronic goods | 487,153 | 100.0 | U.K. |
| Samsung Semiconductor Europe (SSEL) | Semiconductor sales | 66,109 | 100.0 | U.K. |
| Samsung Electronics Holding (SEHG) | Holding company (financing) | 433,185 | 100.0 | Germany |
| Samsung Semiconductor Europe GmbH (SSEG) | Semiconductor sales | 15,282 | 100.0 | Germany |
| Samsung Electronics GmbH (SEG) | Sale of electronic goods | 75,761 | 100.0 | Germany |
| Samsung Electronics Austria (SEAG) | Sale of electronic goods | 38,845 | 100.0 | Austria |
| Samsung Electronics Italia (SEI) | Sale of electronic goods | 170,430 | 100.0 | Italy |
| Samsung Electronics Europe Logistics (SELS) | Logistics | 76,488 | 100.0 | Netherlands |
| Samsung Electronics Benelux (SEBN) | Distribution and sale of electronic goods | 479,297 | 100.0 | Netherlands |
| Samsung Electronics LCD Slovakia (SELSK) | LCD manufacturing | 202,007 | 100.0 | Slovakia |
| Samsung Semiconductor Israel R&D Center (SIRC) | Research center | 2,607 | 100.0 | Israel |
| Samsung Electronics Rus (SER) | Marketing | 13,157 | 100.0 | Russia |
| Samsung Electronics Polska (SEPOL) | Sale of electronic goods and telephone | 102,537 | 100.0 | Poland |
| Samsung Electronics South Africa (SSA) | Sale of electronic goods | 50,397 | 100.0 | South Africa |
| Samsung Electronics Slovakia (SESK) | Monitor manufacturing | 856,674 | 100.0 | Slovakia |
| Samsung Electronics Overseas (SEO) | Sale of electronic goods | 1,169 | 100.0 | Netherlands |
| Samsung Electronics Turkey (SETK) | Sale of electronic goods | 19,271 | 100.0 | Turkey |
| Samsung Electronics Morocco (SEMRC) | Sale of electronic goods | 5,224 | 100.0 | Morocco |
| LLC Samsung Electronics Rus (SERC) | Sale of electronic goods | 222,184 | 100.0 | Russia |
| LLC Samsung Russia Service Center (SRSC) | Service | 14,950 | 100.0 | Russia |
| Samsung Electronics Baltics (SEB) | Sale of electronic goods | 3,505 | 100.0 | Latvia |
| Samsung Electronics Rus Kaluga (SERK) | CTV manufacturing | 196,296 | 100.0 | Russia |
| Samsung Electronics Ukraine Company (SEUC) | Sale of electronic goods | 2,241 | 100.0 | Ukraine |
| Samsung Electronics KZ and Central Asia (SEKZ) | Sale of electronic goods | 5,438 | 100.0 | Kazakhstan |
| Samsung Japan Corporation (SJC) | Sales | 503,662 | 51.0 | Japan |
| Samsung Yokohama Research Institute (SYRI) | Research center | 84,828 | 100.0 | Japan |
| Samsung Electronics Australia (SEAU) | Sale of electronic goods | 161,017 | 100.0 | Australia |
| Samsung Electronics (M) (SEMA) | Home appliances manufacturing | 163,837 | 100.0 | Malaysia |
| Samsung Gulf Electronics (SGE) | Sale of electronic good | 33,199 | 100.0 | Arab Emirates |
| Samsung Electronics Indonesia (SEIN) | AV manufacturing and sale of electronic goods | 164,519 | 100.0 | Indonesia |
| Samsung Telecommunications Indonesia (STIN) | Installation of telecom systems | 8,417 | 99.0 | Indonesia |
| Samsung Electronics Display (M) (SDMA) | Monitor manufacturing | 518,064 | 100.0 | Malaysia |
| Samsung India Electronics (SIEL) | CTV manufacturing and sale of electronic goods | 175,501 | 100.0 | India |

continued

(In millions of Korean won)

| Subsidiaries | Primary Business | Equity | Percentage of Ownership (%) | Location |
|---|--|----------|-----------------------------|-------------|
| Samsung India Software Operations (SISO) | Research and development | ₩ 37,933 | 100.0 | India |
| Samsung Asia (SAPL) | Sales | 360,513 | 70.0 | Singapore |
| Samsung Electronics Philippines (SEPCO) | Sale of electronic goods | 14,400 | 100.0 | Philippines |
| Samsung Electronics Asia Holding (SEAH) | Holding company | 445,373 | 100.0 | Singapore |
| Samsung Vina Electronics (SAVINA) | Manufacturing and sale of electronic goods | 43,399 | 80.0 | Vietnam |
| Thai Samsung Electronics (TSE) | CTV and washing machine manufacturing and sales | 372,747 | 91.8 | Thailand |
| Samsung Electronics Philippines Manufacturing (SEPHIL) | ODD Manufacturing | 121,845 | 100.0 | Philippines |
| Samsung Malaysia Electronics (SME) | Semiconductor and LCD sales | 16,338 | 100.0 | Malaysia |
| Samsung Electronics Vietnam (SEV) | Mobile phone manufacturing | 89,168 | 100.0 | Vietnam |
| Samsung Telecommunications Japan (STJ) | Sales of telecommunication products and maintenance | 17,032 | 100.0 | Japan |
| Samsung Electronics Hong Kong (SEHK) | Sales | 123,620 | 100.0 | China |
| Samsung Electronics Taiwan (SET) | Semiconductor sales and sale of electronic goods | 136,653 | 100.0 | Taiwan |
| Samsung Electronics Suzhou Semiconductor (SESS) | Semiconductor manufacturing | 524,253 | 100.0 | China |
| Samsung (China) Investment(SCIC) | Holding company | 386,247 | 100.0 | China |
| Tianjin Tongguang Samsung Electronics (TTSEC) | CTV manufacturing | 202,036 | 96.0 | China |
| Samsung Electronics (Beijing) Service (SBSC) | Service | 8,658 | 100.0 | China |
| Samsung Electronics Huizhou (SEHZ) | AV manufacturing | 486,295 | 100.0 | China |
| Tianjin Samsung Electronics Display (TSED) | Monitor manufacturing | 95,899 | 80.0 | China |
| Suzhou Samsung Electronics (SSEC) | Home appliances manufacturing | 203,966 | 88.3 | China |
| Tianjin Samsung Electronics (TSEC) | AV manufacturing | 211,855 | 91.1 | China |
| Samsung Electronics (Shandong) Digital Printing (SSDP) | Manufacturing and sales of facsimile, printer and telecommunication products | 155,490 | 100.0 | China |
| Tianjin Samsung Telecom Technology (TSTC) | Mobile phone manufacturing | 556,308 | 90.0 | China |
| Samsung Electronics Suzhou Computer (SESC) | Computer manufacturing | 94,325 | 100.0 | China |
| Samsung Electronics Suzhou LCD (SESL) | LCD manufacturing | 345,059 | 100.0 | China |
| Shenzhen Samsung Kejian Mobile Telecommunication Technology (SSKMT) | Mobile phone manufacturing | 192,307 | 60.0 | China |
| Shanghai Samsung Semiconductor (SSS) | Semiconductor sales | 28,898 | 100.0 | China |
| Samsung Semiconductor (China) R&D (SSCR) | Research center | 9,454 | 100.0 | China |
| Samsung Electronics Hainan Fiberoptics (SEHF) | Optical cable manufacturing | 56,982 | 100.0 | China |
| Beijing Samsung Telecom R&D Center (BST) | Research center | 11,377 | 100.0 | China |
| Samsung Suzhou Electronics Export (SSEC-E) | Manufacturing of electronic goods | 59,241 | 100.0 | China |
| Samsung Electronics Shanghai Telecommunications (SSTC) | Semiconductor sales | 52,058 | 100.0 | China |
| Dongguan Samsung Mobile Display (DSMD) | LCD manufacturing | 95,623 | 100.0 | China |
| Tianjin Samsung Mobile Display (TSMD) | LCD manufacturing | 52,058 | 95.0 | China |

A summary of financial information of subsidiaries as of and for the year ended December 31, 2009, included in the consolidated financial statements follows:

(In millions of Korean Won)

| Subsidiaries | Assets | Liabilities | Sales | Net Income (Loss) |
|---|-------------|-------------|-------------|-------------------|
| Samsung Gwangju Electronics | ₩ 1,066,202 | ₩ 297,672 | ₩ 3,204,650 | ₩ 42,589 |
| Samsung Card | 11,788,784 | 7,363,228 | 2,716,224 | 603,846 |
| S-LCD Corporation | 5,424,336 | 1,319,289 | 9,888,478 | 16,546 |
| Samsung Electronics America (SEA) | 5,812,373 | 2,043,252 | 13,068,827 | 111,872 |
| Samsung Semiconductor (SSI) | 4,257,524 | 1,677,236 | 9,738,183 | 28,921 |
| Samsung Austin Semiconductor (SAS) | 3,024,121 | 664,256 | 1,777,723 | (25,061) |
| Samsung Electronica da Amazonia (SEDA) | 1,971,877 | 1,316,264 | 3,329,080 | 186,600 |
| Samsung Electronics Hungarian (SEH) | 1,408,797 | 722,088 | 4,940,067 | 244,230 |
| Samsung Electronics France (SEF) | 1,122,021 | 853,756 | 4,289,067 | 41,464 |
| Samsung Electronics (UK) (SEUK) | 958,381 | 471,228 | 4,659,470 | 90,469 |
| Samsung Electronics Europe Logistics (SELS) | 1,253,132 | 1,176,644 | 11,581,562 | 12,759 |
| Samsung Electronics Slovakia (SESK) | 1,619,844 | 763,170 | 5,624,668 | 418,837 |
| Samsung Japan (SJC) | 1,919,374 | 1,415,711 | 11,144,915 | 34,267 |
| Samsung Telecommunications America (STA) | 1,264,860 | 919,814 | 8,722,995 | 22,866 |
| Samsung Electronics GmbH (SEG) | 885,642 | 809,881 | 3,715,064 | 3,513 |
| Samsung Electronics Italia (SEI) | 1,010,792 | 840,362 | 2,882,817 | 33,477 |
| Samsung (China) Investment (SCIC) | 1,888,153 | 1,501,906 | 5,119,458 | 171,010 |
| Samsung Electronics Huizhou (SEHZ) | 1,484,182 | 997,887 | 5,911,357 | 218,732 |
| Tianjin Samsung Telecom Technology (TSTC) | 1,215,150 | 658,842 | 5,659,334 | 145,293 |
| LLC Samsung Electronics Rus (SERC) | 1,229,874 | 1,007,690 | 3,731,662 | 60,259 |
| Others | 32,836,388 | 20,410,348 | 111,676,440 | 1,858,156 |

In accordance with the SKFAS No. 25, Consolidated Financial Statements, the following subsidiaries were excluded from consolidation as of December 31, 2009, because their total assets at the prior fiscal year end were less than ₩10,000 million:

(In millions of Korean won)

| Subsidiaries | Primary Business | Percentage of Ownership (%) | Location |
|---|-----------------------|-----------------------------|-------------|
| SEMES America | Service | 100.0 | U.S.A |
| Samsung Electronics Ukraine | Marketing | 100.0 | Ukraine |
| Samsung Electronics Kazakhstan | Marketing | 100.0 | Kazakhstan |
| Samsung Electronics Romania | Marketing | 100.0 | Romania |
| Samsung Electronics Levant | Sales | 100.0 | Jordan |
| Samsung Electronics European Holding | Holding company | 100.0 | Netherlands |
| Samsung Electronics Czech and Slovak s.r.o. | Sales | 100.0 | Czech |
| Samsung Electronics Poland Manufacturing | Manufacturing | 100.0 | Poland |
| Samsung Electronics Limited | Holding company | 100.0 | U.K. |
| Samsung Telecoms (UK) | Marketing | 100.0 | U.K. |
| Batino Realty Corporation | Real-properties lease | 39.8 | Philippines |
| Samsung Telecommunications Malaysia | Sales | 100.0 | Malaysia |
| Samsung Electronics China R&D Center | Research | 100.0 | China |
| Samsung Electronics Shenzhen | Semiconductor sales | 100.0 | China |
| Samsung Electronics Football Club | Sports services | 100.0 | Korea |

Changes in scope of consolidation

(a) Details of subsidiaries newly included in consolidation for the year ended December 31, 2009, are as follows:

| Location | Name of Subsidiaries | Remark |
|----------|---|--|
| Korea | Samsung Mobile Display (SMD) | Newly acquired |
| China | Dongguan Samsung Mobile Display (DSMD) Tianjin Samsung Mobile Display (TSMD) | Newly acquired Newly acquired |
| America | Samsung Electronics Chile (SECH) | Increase in total assets |
| Europe | Samsung Electronics Turkey (SETK) Samsung Electronics Morocco (SEMRC) | Increase in total assets Newly incorporated |

(b) No subsidiaries were deconsolidated for the year ended December 31, 2009.

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

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

Principles of Consolidation

The Company records differences between the investment account and corresponding capital account of subsidiaries as goodwill or negative goodwill, and such differences are amortized over five years using the straight-line method. However, differences which occur from additional investments acquired in consolidated subsidiaries are reported in a separate component of equity, and are not included in the determination of the results of operations. In accordance with the SKFAS No. 25, *Consolidated Financial Statements*, minority interests in consolidated subsidiaries are presented within equity and identified separately from shareholders' equity in the consolidated balance sheet.

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

The SEC and its consolidated subsidiaries follow the same fiscal year end.

Translation of Foreign Operations

Accounts of foreign subsidiaries are maintained in the currencies

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

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.

Investment in Securities

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

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

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

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

Equity-Method Investments

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

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

its equity-method investees is eliminated to the extent of the Company's ownership.

Differences between the investment amounts and corresponding capital amounts of the investees at the date of acquisition of the investment are recorded as part of investments and are amortized over five years using the straight-line method.

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

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

Allowance for Doubtful Accounts

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

Inventory

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

Property, Plant and Equipment, Net of Accumulated Depreciation

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

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

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

Maintenance and Repairs

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

Intangible Assets

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

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

Leases

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

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

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

Discounts and Premiums on Debentures

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

Accrued Severance Benefits

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

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

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

Revenue Recognition

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

Foreign Currency Translation

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

Deferred Income Tax Assets and Liabilities

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

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

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

Long-Term Receivables and Payables

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

Stock-Based Compensation

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

Earnings Per Share

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

shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

Provisions and Contingent Liabilities

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

Derivative Instruments

All derivative instruments are accounted for at fair value with the resulting valuation gain or loss recorded as an asset or liability. If the derivative instrument is not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.

Fair value hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss, both on the hedging derivative instrument and on the hedged item attributable to the hedged risk, is reflected in current operations.

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

Asset Impairment

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

3. United States Dollar Amounts

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩1,167 to US\$1, the exchange rate in effect on December 31, 2009. 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 2008 U.S. dollar amounts, which were previously expressed as ₩1,257 to US\$1, the rate in effect on December 31, 2008, have been restated to reflect the exchange rate in effect on December 31, 2009.

4. Cash Subject to Withdrawal Restrictions

Cash deposits subject to withdrawal restrictions as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | | 2009 | 2008 |
|-------------------------------------|--|-----------------|-----------------|
| Short-term financial instruments | Government-sponsored research and development projects | ₩ 54,336 | ₩ 24,505 |
| | Other activities | 15,731 | 36,228 |
| | | ₩ 70,067 | ₩ 60,733 |
| Long-term deposits and other assets | Special deposits | ₩ 51 | ₩ 60 |
| | Other activities | 8 | 9 |
| | | ₩ 59 | ₩ 69 |

5. Short-Term Available-For-Sale Securities

Short-term available-for-sale securities as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | 2008 | Maturity |
|---------------------------------------|--------------------|------------------|---------------|
| Beneficiary certificates ¹ | ₩ 2,104,420 | ₩ 982,067 | Within 1 year |
| | ₩ 2,104,420 | ₩ 982,067 | |

1. Beneficiary certificates as of December 31, 2009 and 2008, consist of the following

(In millions of Korean won)

| | 2009 | 2008 |
|-------------------------|-----------|---------|
| Call loan | ₩ 8,670 | ₩ 157 |
| Certificates of deposit | 118,689 | 231,561 |
| Bonds | 1,569,532 | 622,911 |
| Time deposits | 390,738 | 127,307 |
| Others | 16,791 | 131 |

For the years ended December 31, 2009 and 2008, changes in valuation gain or loss on short-term available-for-sale securities are as follows:

(In millions of Korean won)

| 2009 | Valuation Gain on Available-For-Sale Securities | | | | Valuation Loss on Available-For-Sale Securities | | | |
|-----------------------------|---|------------------|----------------------|------------------------------|---|------------------|----------------------|------------------------------|
| | Balance at January 1, 2009 | Valuation Amount | Included in Earnings | Balance at December 31, 2009 | Balance at January 1, 2009 | Valuation Amount | Included in Earnings | Balance at December 31, 2009 |
| Beneficiary certificates | ₩ 12,067 | ₩ 4,420 | ₩ 12,067 | ₩ 4,420 | ₩ - | ₩ - | ₩ - | ₩ - |
| Financial institution bonds | | | | | | | | |
| | ₩ 12,067 | ₩ 4,420 | ₩ 12,067 | ₩ 4,420 | ₩ - | ₩ - | ₩ - | - |
| Deferred income tax | | | | (1,070) | | | | |
| | | | | ₩ 3,350 | | | | ₩ - |

(In millions of Korean won)

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

6. Receivables and Payables

Accounts and notes receivable, and their allowance for doubtful accounts as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|---------------------------------------|---------------------|---------------------|
| Trade accounts and notes receivable | ₩ 17,190,192 | ₩ 12,133,793 |
| Less: Allowance for doubtful accounts | (128,795) | (89,814) |
| | ₩ 17,061,397 | ₩ 12,043,979 |
| Other accounts and notes receivable | ₩ 2,099,610 | ₩ 1,582,861 |
| Less: Allowance for doubtful accounts | (20,445) | (24,483) |
| Discounts on present value | (4) | (99) |
| | ₩ 2,079,161 | ₩ 1,558,279 |

As of December 31, 2009, the Company has credit insurance with Korea Export Insurance and overseas insurance companies against its export accounts receivable with their approved foreign customers.

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

(In millions of Korean won)

| Accounts | Face Value | Discount | Present Value | Period | Weighted-Average Interest Rate (%) |
|---------------------------------------|------------|----------|---------------|-----------------|------------------------------------|
| Long-term loans and other receivables | ₩ 143,217 | ₩ 10,173 | ₩ 133,044 | 2004.11~2014.11 | 4.8~8.7 |
| Long-term payables and other payables | 2,093,776 | 269,839 | 1,823,937 | 2002.12~2017.3 | 7.7~8.7 |

7. Inventories

Inventories, net of valuation losses, as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | 2008 |
|---|--------------------|--------------------|
| Finished goods and merchandise | ₩ 3,097,153 | ₩ 3,049,834 |
| Semi-finished goods and work-in-process | 1,903,079 | 2,067,935 |
| Raw materials and supplies | 3,207,619 | 3,113,563 |
| Materials-in-transit | 1,773,213 | 1,261,275 |
| | ₩ 9,981,064 | ₩ 9,492,607 |

Inventories are insured against fire and other casualty losses for up to ₩8,013,858 million as of December 31, 2009 (2008: ₩7,853,380 million).

As of December 31, 2009, losses on valuation of inventories, amounted to ₩386,802 million (2008: ₩651,296 million).

8. Financing Receivables

Financing receivables of the consumer financing subsidiary, Samsung Card Co., Ltd., as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| Accounts | | 2009 | 2008 |
|---|---------------|--------------------|--------------------|
| Short-term financing receivables | Detail | | |
| Credit card assets | | ₩ 5,188,235 | ₩ 5,193,739 |
| Installment finance | (1) | 161,281 | 306,221 |
| General loans | (1) | 175,470 | 569,332 |
| Lease assets | (2) | 169,236 | 182,898 |
| Call loans and others | | 467,997 | 470,232 |
| | | 6,162,219 | 6,722,422 |
| Less: Allowance for doubtful accounts | | (270,651) | (455,910) |
| | | 5,891,568 | 6,266,512 |
| Long-term financing receivables | Detail | | |
| Credit card assets | | 1,737,927 | 1,845,906 |
| Installment finance | (1) | 147,517 | 423,863 |
| General loans | (1) | 100,300 | 428,171 |
| Lease assets | (2) | 648,369 | 1,000,959 |
| Trust assets and others | | 184,676 | 198,088 |
| | | 2,818,789 | 3,896,987 |
| Less : Allowance for doubtful accounts | | (64,246) | (192,195) |
| | | 2,754,543 | 3,704,792 |
| | | ₩ 8,646,111 | ₩ 9,971,304 |

(1) Collection schedule of installment finance and general loans as of December 31, 2009, follows:

(In millions of Korean won)

| Year | Installment finance | General loans |
|------------|---------------------|------------------|
| 2010 | ₩ 161,281 | ₩ 175,470 |
| 2011 | 80,802 | 45,394 |
| 2012 | 54,458 | 33,637 |
| 2013 | 8,391 | 15,935 |
| 2014 | 3,690 | 4,717 |
| Thereafter | 176 | 617 |
| | ₩ 308,798 | ₩ 275,770 |

(2) Lease assets consist primarily of finance lease receivables and properties under operating leases.

Maturities of finance leases, as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | | 2008 | |
|----------------------------------|-----------------------|------------------|-----------------------|------------------|
| | Minimum Lease Payment | Present Values | Minimum Lease Payment | Present Values |
| Within one year | ₩ 129,454 | ₩ 124,868 | ₩ 29,973 | ₩ 29,225 |
| From one year to five years | 191,725 | 163,656 | 438,904 | 385,848 |
| Unguaranteed residual value | 70,855 | 64,414 | 88,790 | 78,199 |
| | 392,034 | ₩ 352,938 | 557,667 | ₩ 493,272 |
| Present value adjustment | (39,096) | | (64,395) | |
| Finance lease receivables | ₩ 352,938 | | ₩ 493,272 | |

As of December 31, 2009 and 2008, properties under operating leases are classified as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|--------------------------------|------------------|------------------|
| Automobiles | ₩ 768,821 | ₩ 993,712 |
| Electronic system | 3,997 | 6,410 |
| | 772,818 | 1,000,122 |
| Less: Accumulated depreciation | 324,430 | 315,471 |
| Accumulated impairment losses | 2,852 | 2,641 |
| Operating lease assets | ₩ 445,536 | ₩ 682,010 |

The minimum lease receipts relating to operating lease agreements as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|-----------------------------|------------------|------------------|
| Within one year | ₩ 168,731 | ₩ 242,325 |
| From one year to five years | 68,973 | 212,272 |
| | ₩ 237,704 | ₩ 454,597 |

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, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | Detail | 2009 | | 2008 |
|--|--------|--------------------|---------------------|---------------------|
| | | Acquisition Cost | Recorded Book Value | Recorded Book Value |
| Listed equities ¹ | (1) | ₩ 593,639 | ₩ 2,234,339 | ₩ 1,935,163 |
| Non-listed equities ¹ | (2) | 411,661 | 644,468 | 679,602 |
| Government and public bonds and others | | 31,706 | 31,706 | 3,497 |
| | | ₩ 1,037,006 | ₩ 2,910,513 | ₩ 2,618,262 |

1. Exclude equity-method investees.

1) Listed equities

Listed equities as of December 31, 2009 and 2008, consist of the following:

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

| | 2009 | | | | | 2008 |
|---------------------------------|------------------------|-----------------------------|------------------|--------------------------|---------------------|---------------------|
| | Number of Shares Owned | Percentage of Ownership (%) | Acquisition Cost | Market Value of Investee | Recorded Book Value | Recorded Book Value |
| Samsung Heavy Industries | 40,675,641 | 17.6 | ₩ 258,299 | ₩ 984,350 | ₩ 984,350 | ₩ 919,269 |
| Samsung Fine Chemicals | 2,969,730 | 11.5 | 61,374 | 139,726 | 139,726 | 114,186 |
| Hotel Shilla | 2,529,580 | 6.4 | 18,604 | 52,109 | 52,109 | 32,505 |
| Cheil Worldwide | 259,949 | 5.7 | 25,737 | 81,884 | 81,884 | 50,690 |
| Samsung Fire & Marine Insurance | 2,298,377 | 4.9 | 90,443 | 458,526 | 458,526 | 433,244 |
| Samsung Securities | 3,143,194 | 4.7 | 57,347 | 198,650 | 198,650 | 194,878 |
| Cheil Industries | 2,449,713 | 4.9 | 18,339 | 138,409 | 138,409 | 98,478 |
| Others | | | 63,496 | 180,685 | 180,685 | 91,913 |
| | | | ₩ 593,639 | ₩ 2,234,339 | ₩ 2,234,339 | ₩ 1,935,163 |

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

2) Non-listed equities

Non-listed equities as of December 31, 2009 and 2008, consist of the following:

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

| | 2009 | | | | | 2008 |
|--|------------------------|-----------------------------|------------------|----------------------------|---------------------|---------------------|
| | Number of Shares Owned | Percentage of Ownership (%) | Acquisition Cost | Net Book Value of Investee | Recorded Book Value | Recorded Book Value |
| Allat Corporation ¹ | 300,000 | 30.0 | ₩ 1,500 | ₩ 4,924 | ₩ 5,173 | ₩ 5,427 |
| iMarketKorea | 380,000 | 14.1 | 1,900 | 11,825 | 1,900 | 1,900 |
| Kihyup Technology Banking Corporation | 1,000,000 | 17.2 | 5,000 | 6,612 | 5,000 | 5,000 |
| Korea Digital Satellite Broadcasting | 240,000 | 0.7 | 3,344 | 738 | 3,000 | 3,000 |
| Pusan Newport | 1,135,307 | 1.0 | 5,677 | 4,181 | 5,677 | 5,677 |
| Renault Samsung Motors ² | 17,512,000 | 19.9 | 87,560 | 147,714 | 147,714 | 119,432 |
| Samsung Electronics Football Club ¹ | 400,000 | 100.0 | 2,000 | 1,990 | 2,000 | 2,000 |
| Samsung Everland ¹ | 641,123 | 25.6 | 64,112 | 547,405 | 256,452 | 256,452 |
| Samsung General Chemicals | 1,914,251 | 3.9 | 19,143 | 39,918 | 13,864 | 13,864 |
| Samsung Life Insurance | 131,588 | 0.7 | 92,112 | 47,194 | 92,112 | 92,112 |
| Samsung Petrochemical | 514,172 | 13.0 | 8,040 | 27,332 | 8,040 | 8,040 |
| Samsung Venture Investment Corporation | 980,000 | 16.3 | 4,900 | 7,274 | 4,900 | 4,900 |
| TU Media | 3,015,195 | 5.6 | 15,076 | 1,496 | 15,076 | 15,076 |
| Yong Pyong Resort | 400,000 | 1.1 | 1,869 | 2,931 | 1,869 | 1,869 |
| Others | | | 99,428 | 62,751 | 81,691 | 144,853 |
| | | | ₩ 411,661 | ₩ 914,285 | ₩ 644,468 | ₩ 679,602 |

1. As of December 31, 2009, these investments in affiliated companies were not valued using the equity method of accounting due to immateriality of their total asset balances or the Company's inability to exercise significant influence over the operating and financial policies.

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

Impairment losses on cost-method investments resulting from the decline in realizable value below the acquisition cost amounted to ₩3,040 million for the year ended December 31, 2009 (2008: ₩2,885 million).

As of December 31, 2009, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt.

Gain and loss on valuation of available-for-sale securities for 2009 are as follows:

(In millions of Korean won)

| Valuation Gain on Available-For-Sale Securities | | | Valuation Loss on Available-For-Sale Securities | | | | |
|---|------------------|----------------------|---|----------------------------|------------------|----------------------|------------------------------|
| Balance at January 1, 2009 | Valuation Amount | Included in Earnings | Balance at December 31, 2009 | Balance at January 1, 2009 | Valuation Amount | Included in Earnings | Balance at December 31, 2009 |
| ₩ 1,441,907 | ₩ 376,869 | ₩ 33,006 | ₩ 1,785,770 | ₩ (2,264) | ₩ 819 | ₩ (2) | ₩ (1,443) |
| Deferred income tax and Minority interest | | | (797,964) | | | | 942 |
| | | | ₩ 987,806 | | | | ₩ (501) |

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

(In millions of Korean won)

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

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

Long-term held-to-maturity securities as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | | 2008 | |
|-----------------------------|------------------|---------------------|------------------|---------------------|
| | Face Value | Recorded Book Value | Face Value | Recorded Book Value |
| Government and public bonds | ₩ 61 | ₩ 61 | ₩ 97 | ₩ 97 |
| ABS subordinated securities | 727,868 | 314,872 | 756,701 | 334,363 |
| | ₩ 727,929 | ₩ 314,933 | ₩ 756,798 | ₩ 334,460 |

The subordinate bonds of SangRokSoo 1st Securitization Specialty were previously impaired by ₩408,121 million prior to fiscal year 2009. The realizable value subsequently dropped and a loss of ₩2,083 million was recognized in 2009. The subordinate bonds of Badbank Heemangmoah Securitization Specialty were also previously impaired by ₩14,217 million prior to fiscal year 2009. As the subordinate bonds of Badbank Heemang Moah Securitization Specialty recovered, a gain of ₩11,424 million was recognized during 2009.

The maturities of long-term held-to-maturity securities as of December 31, 2009, 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 | ₩ 61 | ₩ 314,872 | ₩ 314,933 |

10. Equity-Method Investments

Equity-method investments as of December 31, 2009, consist of the following:

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

| Investee | Number of Shares Owned | Percentage of Ownership (%) | Acquisition Cost | Net Book Value of Investee | Balance at Beginning of Year | Earnings (Losses) From Equity -Method Investments | Other Increase (Decrease) | Balance at End of Year |
|---------------------------------|------------------------|-----------------------------|--------------------|----------------------------|------------------------------|---|---------------------------|------------------------|
| Samsung SDI | 9,282,753 | 19.7 | ₩ 423,722 | ₩ 981,299 | ₩ 874,079 | ₩ 42,582 | ₩ 45,475 | ₩ 962,136 |
| Samsung Electro-Mechanics | 17,693,084 | 22.8 | 359,237 | 586,946 | 445,244 | 61,342 | 77,905 | 584,491 |
| Samsung Techwin | 13,526,935 | 25.5 | 174,531 | 276,008 | 272,833 | 45,710 | (43,342) | 275,201 |
| Samsung SDS | 11,977,770 | 21.3 | 12,753 | 299,756 | 223,376 | 60,616 | (3,951) | 280,041 |
| Samsung Corning Precision Glass | 7,512,165 | 42.5 | 297,165 | 2,401,963 | 1,771,209 | 1,146,890 | (550,464) | 2,367,635 |
| Samsung Thales | 13,500,000 | 50.0 | 135,000 | 162,174 | 146,956 | 15,203 | - | 162,159 |
| Siltronic Samsung Wafers | - | 50.0 | 251,041 | 141,057 | 210,948 | (65,936) | (3,955) | 141,057 |
| Others | | | 649,508 | 715,825 | 412,217 | 94,062 | 244,914 | 751,193 |
| | | | ₩ 2,302,957 | ₩ 5,565,028 | ₩ 4,356,862 | ₩ 1,400,469 | ₩ (233,418) | ₩ (5,523,913) |

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

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

| Investee | Number of Shares Owned | Percentage of Ownership (%) | Acquisition Cost | Net Book Value of Investee | Balance at Beginning of Year | Earnings (Losses) From Equity -Method Investments | Other Increase (Decrease) | Balance at End of Year |
|---------------------------------|------------------------|-----------------------------|--------------------|----------------------------|------------------------------|---|---------------------------|------------------------|
| Samsung SDI | 9,282,753 | 19.7 | ₩ 423,722 | ₩ 892,938 | ₩ 893,419 | ₩ 7,175 | ₩ (26,515) | ₩ 874,079 |
| Samsung Electro-Mechanics | 17,693,084 | 22.8 | 359,237 | 445,531 | 445,205 | 13,708 | (13,669) | 445,244 |
| Samsung Techwin | 19,604,254 | 25.5 | 211,726 | 275,290 | 258,411 | 19,188 | (4,766) | 272,833 |
| Samsung SDS | 11,977,770 | 21.3 | 12,753 | 247,271 | 178,123 | 50,320 | (5,067) | 223,376 |
| Samsung Corning Precision Glass | 7,512,165 | 42.5 | 297,165 | 1,846,755 | 1,246,710 | 758,306 | (233,807) | 1,771,209 |
| Samsung Thales | 13,500,000 | 50.0 | 135,000 | 146,970 | 128,020 | 18,936 | - | 146,956 |
| Siltronic Samsung Wafers | - | 50.0 | 264,410 | 210,939 | 184,830 | (35,034) | 61,152 | 210,948 |
| Others | | | 397,265 | 408,134 | 447,695 | 5,268 | (40,746) | 412,217 |
| | | | ₩ 2,101,278 | ₩ 4,473,828 | ₩ 3,782,413 | ₩ 837,867 | ₩ (263,418) | ₩ 4,356,862 |

Eliminated unrealized gains and losses as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | | | 2008 | | |
|---------------------------------|-----------------|---|-----------------|-------------------|---|-------------------|
| | Inventories | Property, Plant and Equipment and Intangible Assets | Total | Inventories | Property, Plant and Equipment and Intangible Assets | Total |
| Samsung SDI | ₩ (349) | ₩ 37 | ₩ (312) | ₩ (645) | ₩ 170 | ₩ (475) |
| Samsung Electro- Mechanics | (2,334) | 183 | (2,151) | 3,125 | 8 | 3,133 |
| Samsung Techwin | 1,662 | (69) | 1,593 | 345 | 110 | 455 |
| Samsung SDS | (22) | 4,181 | 4,159 | (12) | 779 | 767 |
| Samsung Corning Precision Glass | 28,294 | 450 | 28,744 | (28,678) | (7,219) | (35,897) |
| Others | (2,614) | (6,566) | (9,180) | 395 | 312 | 707 |
| | ₩ 24,637 | ₩ (1,784) | ₩ 22,853 | ₩ (25,470) | ₩ (5,840) | ₩ (31,310) |

Amounts in the table represent eliminated unrealized gains and losses for the years ended December 31, 2009 and 2008, recognized as part of equity earnings (losses) from equity method investments.

Financial information of investees as of and for the years ended December 31, 2009 and 2008, follows:

(In millions of Korean won)

| Investee | 2009 | | | | 2008 | | | |
|---------------------------------|-------------|-------------|-------------|-------------------|-------------|-------------|-------------|-------------------|
| | Assets | Liabilities | Sales | Net Income (Loss) | Assets | Liabilities | Sales | Net Income (Loss) |
| Samsung SDI | ₩ 6,620,293 | ₩ 1,633,195 | ₩ 3,550,584 | ₩ 217,992 | ₩ 5,977,519 | ₩ 1,440,231 | ₩ 4,649,465 | ₩ 38,874 |
| Samsung Electro- Mechanics | 4,219,378 | 1,645,073 | 3,192,031 | 278,476 | 3,194,434 | 1,240,349 | 3,099,821 | 48,080 |
| Samsung Techwin | 2,445,950 | 1,361,868 | 2,693,331 | 173,278 | 2,390,100 | 1,308,833 | 3,595,145 | 73,623 |
| Samsung SDS | 1,988,156 | 578,897 | 2,494,052 | 265,423 | 1,796,987 | 634,455 | 2,519,425 | 232,968 |
| Samsung Corning Precision Glass | 6,298,736 | 652,530 | 5,231,245 | 2,597,892 | 4,946,350 | 605,129 | 3,852,299 | 1,828,627 |
| Samsung Thales | 535,776 | 211,428 | 623,271 | 30,408 | 558,973 | 265,033 | 575,199 | 37,851 |
| Siltronic Samsung Wafers | 966,501 | 684,386 | 245,659 | (131,855) | 1,189,880 | 767,931 | 132,128 | (70,064) |
| Others | 3,447,305 | 1,601,700 | 6,031,128 | 318,972 | 1,910,088 | 733,441 | 3,707,142 | 128,818 |

Market value information of publicly listed investees as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | | 2008 | |
|---------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Market Value of Investee | Recorded Book Value | Market Value of Investee | Recorded Book Value |
| Samsung SDI | ₩ 1,378,489 | ₩ 962,136 | ₩ 510,551 | ₩ 874,079 |
| Samsung Electro-Mechanics | 1,902,007 | 584,491 | 589,180 | 445,244 |
| Samsung Techwin | 1,228,246 | 275,201 | 558,721 | 272,833 |
| Samsung Digital Imaging | 267,706 | 45,618 | - | - |

Share of equity-method investees' other comprehensive income or loss as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | | | 2008 | | | | |
|--|----------------------------|------------------|----------------------|------------------------------|----------------------------|------------------|----------------------|------------------------------|
| | Balance at January 1, 2009 | Valuation Amount | Included in Earnings | Balance at December 31, 2009 | Balance at January 1, 2008 | Valuation Amount | Included in Earnings | Balance at December 31, 2008 |
| Share of equity-method investees' other comprehensive income | ₩ 257,328 | ₩ 104,588 | ₩ - | ₩ 361,916 | ₩ 251,591 | ₩ 5,737 | ₩ - | ₩ 257,328 |
| Share of equity-method investees' other comprehensive loss | (13,441) | 4,152 | - | (9,289) | (8,017) | (6,003) | (579) | (13,441) |
| | ₩ 243,887 | ₩ 108,740 | - | ₩ 352,627 | ₩ 243,574 | ₩ (266) | ₩ (579) | ₩ 243,887 |

As of December 31, 2009, share of equity-method investees' other comprehensive income and loss included the tax effect of ₩73,920 million and ₩615 million, respectively.

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

| Location | Subsidiaries | Percentage of Ownership (%) | Reason |
|----------|--|-----------------------------|----------------------------------|
| Korea | Samsung Everland ¹ | 25.6 | Absence of significant influence |
| | Allat ¹ | 30.0 | Absence of significant influence |
| | International Cyber Marketing ² | 45.0 | Limited assets |
| Asia | Future Technology & Service ² | 28.6 | Limited assets |

1. Investments are excluded from the application of equity method of accounting because the Company does not have the ability to exercise significant influence over the operating and financial policies, in accordance with the Monopoly Regulations and Fair Trade Law.

2. These investments are excluded from the application of equity-method of accounting because their total assets at the prior fiscal year end were less than ₩10,000 million and movement in their net assets is immaterial.

11. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | | | | | |
|-------------------------------------|--------------------|--------------------------|-------------------------|---|--------------------|---------------------|
| | Land | Buildings and Structures | Machinery and Equipment | Construction-In-Progress/Machinery-In-Transit | Tools and Vehicles | Total |
| Balance at January 1, 2009 | ₩ 3,212,092 | ₩ 9,031,893 | ₩ 24,027,462 | ₩ 5,035,038 | ₩ 1,189,826 | ₩ 42,496,311 |
| Acquisition | 15,147 | 161,443 | 582,713 | 6,985,199 | 437,695 | 8,182,197 |
| Transfer | 99,835 | 1,358,145 | 7,094,380 | (8,697,452) | 145,092 | - |
| Disposal | (7,164) | (41,984) | (176,696) | - | (63,677) | (289,521) |
| Depreciation | | (745,727) | (9,499,813) | - | (665,803) | (10,911,343) |
| Others ¹ | (13,562) | 102,615 | 276,466 | 1,283 | (28,459) | 338,343 |
| Balance at December 31, 2009 | ₩ 3,306,348 | ₩ 9,866,385 | ₩ 22,304,512 | ₩ 3,324,068 | ₩ 1,014,674 | ₩ 39,815,987 |
| Acquisition cost | 3,306,348 | 13,950,997 | 71,886,165 | 3,324,068 | 3,828,623 | 96,296,201 |
| Accumulated depreciation | - | (4,084,612) | (49,581,653) | - | (2,813,949) | (56,480,214) |

(In millions of Korean won)

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

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

In accordance with the Asset Revaluation Law, on January 1, 1980, 1982, 1998 and April 1, 1999, SEC revalued a substantial portion of its property, plant, equipment and investments in equity securities by ₩3,051,612 million. The remaining revaluation increments amounting to ₩1,208,872 million, net of revaluation tax, credits to deferred foreign currency translation losses and others, were credited to capital surplus, a component of equity. Also, in accordance with the Asset Revaluation Law, on October 1, 2000, Samsung Gwangju Electronics, an SEC subsidiary, revalued a portion of its property, plant and equipment by ₩63,326 million. The remaining revaluation increments amounting to ₩62,145 million, net of revaluation tax, were credited to capital surplus, a component of equity.

As of December 31, 2009 and 2008, a certain portion of overseas subsidiaries' property, plant and equipment amounting to ₩5,518 million equivalent to US\$ 4,726 thousand and ₩5,766 million equivalent to US\$ 4,585 thousand, respectively is pledged as collaterals for various loans from financial institutions.

Property, plant, equipment are insured against fire and other casualty losses, and business interruption losses of up to ₩92,254,561 million (2008: ₩85,564,185 million) and ₩22,234,148 million (2008: ₩22,764,493 million), respectively as of December 31, 2009.

The value of land owned by the SEC and its domestic subsidiaries based on the posted price issued by the Korean tax authority amounted to ₩4,782,545 million (2008: ₩4,675,376 million) as of December 31, 2009.

As of December 31, 2009 and 2008, Samsung Card, an SEC subsidiary, recorded ₩449,226 million (2008: ₩690,187 million) of operating lease assets, cancellation lease assets and prepaid finance lease assets acquired through the lease financing business (Note 8).

12. Intangible Assets

Changes in intangible assets for the years ended December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| Location | 2009 | 2008 |
|------------------------------|------------------|------------------|
| Goodwill | ₩ 67,402 | ₩ 9,885 |
| Intellectual property rights | 453,573 | 405,848 |
| Others | 370,293 | 371,516 |
| | ₩ 891,268 | ₩ 787,249 |

The amortization expense of intangible assets for the years ended December 31, 2009 and 2008, is allocated to the following accounts:

(In millions of Korean won)

| Account | 2009 | 2008 |
|-------------------------------------|------------------|------------------|
| Production costs | ₩ 43,113 | ₩ 32,801 |
| Selling and administrative expenses | 124,003 | 123,661 |
| Research and development expenses | 80,987 | 83,200 |
| | ₩ 248,103 | ₩ 239,662 |

13. Long-Term Deposits and Other Assets

Long-term deposits and other assets as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | 2008 |
|----------------------------------|--------------------|--------------------|
| Long-term guarantee deposits | ₩ 864,013 | ₩ 895,245 |
| Long-term trade receivables, net | 92,980 | 27,600 |
| Long-term prepaid expenses | 2,440,595 | 368,875 |
| Others | 258,074 | 363,351 |
| | ₩ 3,655,662 | ₩ 1,655,071 |

14. Short-Term Borrowings

Short-term borrowings as of December 31, 2009 and 2008 consist of the following:

(In millions of Korean won)

| | Annual Interest Rates (%) as of December 31, 2009 | 2009 | 2008 |
|---|--|--------------------|--------------------|
| General term loans from commercial banks | 1.6~6.5 | ₩ 578,500 | ₩ 1,177,500 |
| Notes discounted | 3.1 | 90,000 | 674,762 |
| Usance financing, including document against acceptance loans incurred from intercompany transactions | LIBOR + 1.2~1.7 | 3,534,129 | 3,065,346 |
| Short-term borrowings of overseas subsidiaries | 0.8~11.0 | 3,410,889 | 4,109,022 |
| | | ₩ 7,613,518 | ₩ 9,026,630 |

Certain bank deposits and property, plant and equipment are pledged as collaterals for the above borrowings. As of December 31, 2009 and 2008 overdraft facilities of the Company amount to ₩1,484,800 million and ₩930,500 million. In addition, SEC guarantees repayment of substantially all short-term borrowings of overseas subsidiaries (Note 19).

In addition, the above short-term borrowings include those of Samsung, a consumer financing subsidiary, amounting to ₩586,000 million (2008: ₩1,779,762 million) and current maturities of long-term debts of ₩2,894,277 million (2008: ₩2,243,426 million) as of December 31, 2009.

15. Long-Term Debts

Long-term debts as of December 31, 2009 and 2008 consist of the following:

(In millions of Korean won)

| | Reference | 2009 | 2008 |
|------------------------------------|-----------|--------------------|--------------------|
| Korean won loans | (A) | ₩ 932,132 | ₩ 768,638 |
| Foreign currency denominated loans | (B) | 1,132,941 | 1,346,158 |
| Debentures | (C) | 4,398,174 | 5,916,532 |
| | | 6,463,247 | 8,031,328 |
| Less: Current maturities | | (2,918,235) | (2,257,371) |
| | | ₩ 3,545,012 | ₩ 5,773,957 |

As of December 31, 2009, certain bank deposits, and property, plant and equipment are pledged as collaterals for the above long-term debts (Notes 4 and 11). In addition, SEC guarantees repayment of substantially all long-term debt of overseas subsidiaries (Note 19).

Included in the long-term debts are the borrowings of Samsung Card with an aggregate amount of ₩867,119 million (2008: ₩836,498 million) as of December 31, 2009.

(A) Korean won loans as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | Annual Interest Rates (%) as of December 31, 2009 | 2009 | 2008 |
|---|--|------------------|------------------|
| Samsung Shinhan 4th Special Purpose Company | - | ₩ - | ₩ 97,002 |
| Others | 3.1~10.0 | 932,132 | 671,636 |
| | | ₩ 932,132 | ₩ 768,638 |

(B) Long-term debts denominated in foreign currencies as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | Annual Interest Rates (%) as of December 31, 2009 | 2009 | 2008 |
|--|--|--------------------|--------------------|
| Mitsubishi Tokyo and others | 0.8~4.0 | 110,240 | 383,476 |
| Foreign financial institutions (Overseas subsidiaries) | 0.9~15.0 | 1,022,701 | 962,682 |
| | | ₩ 1,132,941 | ₩ 1,346,158 |

(C) Debentures outstanding as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | Annual Interest Rates (%) as of December 31, 2009 | 2009 | 2008 |
|---------------------------|--|--------------------|--------------------|
| Non-guaranteed debentures | 5.0~9.2 | ₩ 4,400,000 | ₩ 5,920,000 |
| | | 4,400,000 | 5,920,000 |
| Discounts | | (1,826) | (3,468) |
| | | ₩ 4,398,174 | ₩ 5,916,532 |

Maturities of long-term debts outstanding, excluding premiums and discounts on debentures, as of December 31, 2009, are as follows:

(In millions of Korean won)

| For the Years Ending December 31 | Local Currency Loans | Foreign Currency Loans | Debentures | Total |
|----------------------------------|----------------------|------------------------|--------------------|--------------------|
| 2010 | ₩ 624,852 | ₩ 193,834 | ₩ 2,100,000 | ₩ 2,918,686 |
| 2011 | 304,850 | 739,796 | 1,690,000 | 2,734,646 |
| 2012 | 2,430 | 36,549 | 480,000 | 518,979 |
| 2013 | - | 68,816 | 100,000 | 168,816 |
| Thereafter | - | 93,946 | 30,000 | 123,946 |
| | ₩ 932,132 | ₩ 1,132,941 | ₩ 4,400,000 | ₩ 6,465,073 |

16. Foreign Currency Notes and Bonds

Unsecured foreign currency notes and bonds as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| SEC and domestic subsidiary | Reference | Due Date | 2009 | 2008 |
|--|-----------|-----------------|------------------|------------------|
| SEC and domestic subsidiary | | | | |
| US dollar denominated straight bonds | (A) | October 1, 2027 | ₩ 105,084 | ₩ 119,463 |
| US dollar floating rate notes | (B) | August 28, 2010 | 204,330 | 220,063 |
| SEC and domestic subsidiary | | | | |
| US dollar denominated fixed rate notes | (C) | - | - | 31,438 |
| US dollar denominated fixed rate notes | (C) | April 1, 2030 | 29,190 | 31,438 |
| | | | 338,604 | 402,402 |
| Less: Discounts | | | (4,658) | (5,700) |
| | | | 333,946 | 396,702 |
| Current maturities | | | (209,763) | (6,009) |
| | | | ₩ 124,183 | ₩ 390,693 |

(A) US dollar denominated straight bonds

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

(B) US dollar floating rate notes

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

(C) Overseas subsidiaries

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

Maturities of foreign currency notes and bonds, outstanding as of December 31, 2009, are as follows:

(In millions of Korean won)

| For the Years Ending December 31 | Foreign Currency Notes and Bonds |
|----------------------------------|----------------------------------|
| 2010 | ₩ 210,168 |
| 2011 | 5,838 |
| 2012 | 5,838 |
| 2013 | 5,838 |
| Thereafter | 110,922 |
| | ₩ 338,604 |

17. Accrued Severance Benefits

Change in accrued severance benefits for the years ended December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | 2008 |
|--|------------------|------------------|
| Balance at the beginning of the year | ₩ 2,313,423 | ₩ 2,041,713 |
| Provision for severance benefits | 645,440 | 543,980 |
| Actual severance payments | (545,090) | (286,875) |
| Others ¹ | 80,757 | 14,605 |
| | 2,494,530 | 2,313,423 |
| Less: Cumulative deposits to the National Pension Fund | (8,814) | (10,190) |
| Severance insurance deposits | (400,029) | (1,391,194) |
| Retirement pension operating assets | (1,257,882) | (61,806) |
| Balance at the end of the year | ₩ 827,805 | ₩ 850,233 |

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

As of December 31, 2009, the Company funded 66.5% of severance payable through severance insurance deposits with Samsung Life Insurance and Samsung Fire & Marine Insurance. In addition, Samsung Card, one of SEC's domestic subsidiaries, implemented a defined benefit pension plan with Samsung Life Insurance in accordance with Employee Retirement Benefit Security Act. Retirement pension plan assets as of December 31, 2009 consist primarily of cash and cash equivalents (95.2%) and securities (2.7%).

18. Accrued expense

Changes in main liability provisions for the years ended December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | Reference | 2009 | | | | December 31, 2009 |
|----------------------------------|-----------|-----------------|-------------|-------------|---------------------|-------------------|
| | | January 1, 2009 | Increase | Decrease | Others ¹ | |
| Warranty reserves | (A) | ₩ 1,343,692 | ₩ 2,072,069 | ₩ 1,911,825 | ₩ (61,848) | ₩ 1,442,088 |
| Royalty expenses | (B) | 1,326,239 | 778,480 | 538,910 | (4,854) | 1,560,955 |
| Long-term incentives | (C) | 176,887 | 132,200 | 64,644 | - | 244,443 |
| Point reserves | (D) | 163,099 | 218,345 | 214,539 | - | 166,905 |
| Allowance for undrawn commitment | (E) | 232,880 | 5,716 | - | - | 238,596 |

(In millions of Korean won)

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

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

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

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

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

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

(E) Samsung Card, a domestic subsidiary, accrues allowance for undrawn commitment based on credit conversion factor and forward-looking criteria according to regulations on supervision of credit-specialized financial business.

19. Commitments and Contingencies

(A) As of December 31, 2009, SEC is contingently liable for guarantees of indebtedness, principally for related parties, approximating ₩9,791 million in loans and US\$1,401 million on drawn facilities which have a maximum limit of US\$4,655 million.

As of December 31, 2009, SEC is contingently liable for guarantees of indebtedness up to a limit of ₩138,848 million for employees' housing rental deposits.

As of December 31, 2009, SEC is providing a US\$23 million guarantee for Samsung Electronics Hungarian relating to the investment incentive contract with the Hungarian government.

In addition, as of December 31, 2009, the Company's overseas subsidiaries enter into "Cash Pooling Arrangement" contracts and "Banking Facility" agreements with overseas financial institutions to provide mutual guarantees of indebtedness.

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

(B) As of December 31, 2009, SEC and its domestic subsidiaries have been insured against future contract commitments of up to ₩151,354 million. In addition, Samsung Card has been provided with a guarantee amounting to US\$ 3 million from Woori Bank, in relation to its payment to AMEX, and ₩1,000 million from Hana Bank.

(C) As of December 31, 2009, the Company has technical assistance agreements with certain companies requiring payment for use of the technology or from sales of products manufactured using such technology.

(D) The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under finance lease agreements are included in property, plant and equipment with a net book value of ₩102,971 million (2008: ₩52,857 million). Depreciation expense for the finance lease assets amounted to ₩19,963 million (2008: ₩5,644 million) for the year ended December 31, 2009.

The minimum lease payments under finance lease agreements and their present value as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | | 2008 | |
|------------------------------------|------------------------|----------------|------------------------|----------------|
| | Minimum Lease Payments | Present Values | Minimum Lease Payments | Present Values |
| Within one year | ₩ 15,200 | ₩ 13,358 | ₩ 10,659 | ₩ 8,770 |
| From one year to five years | 58,441 | 49,213 | 32,866 | 25,045 |
| More than five years | 167,140 | 94,983 | 70,403 | 38,564 |
| | 240,781 | ₩ 157,554 | 113,928 | ₩ 72,379 |
| Present value adjustment | (83,227) | | (41,549) | |
| Financing lease liabilities | ₩ 157,554 | | ₩ 72,379 | |

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

(F) Based on the agreement entered on August 24, 1999, with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, Samsung Motor Inc.'s creditors ("the Creditors") filed a civil action against Mr. Kun Hee Lee, former chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450 billion for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest.

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

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

(G) As of December 31, 2009, the Company was named as a defendant in legal actions filed by 25 overseas companies including Sharp Corporation, and as the plaintiff in legal actions against 5 overseas companies including Spansion Inc. for alleged patent infringements.

On January 19, 2010, the Company and certain subsidiaries located in the United States, agreed to a settlement with Rambus Inc. Under the terms of the settlement, US \$200 million will be paid to Rambus Inc. for dismissal of the anti-trust litigation and the alleged patent infringement regarding DRAM. The settlement also included a royalty agreement for which certain amounts will be paid to Rambus, Inc. for the next five years: For 2010 and the first two quarters of 2011, the future royalty payment will be US \$25 million per quarter. For the remainder of the five year royalty period, the quarter payment will be based on the Company's sales volume of related product, subject to certain minimum and maximum amounts.

In addition, there is an agreement for which the Company would acquire 8.3% shares acquisition of Rambus for US \$200 million.

On February 5, 2010, the Company and Sharp Corporation announced that they agreed to enter into cross licensing agreement for the use of crystal liquid panel patents. As part of the agreement, the related lawsuits and claims were withdrawn.

In addition to cases mentioned above, the Company has been involved in various claims and proceedings during the normal course of business. The Company's management believes that, although the outcome of these matters is uncertain, the conclusion of these matters will not have a material adverse effect on financial position of the Company.

(H) As of December 31, 2009, Living Plaza has provided two notes amounting to ₩30,000 million, to financial institutions as collaterals for the fulfillment of certain contracts, which do not have a direct adverse effect on the operations or financial position of the Company.

(I) On December 15, 2009, the Company announced it would acquire Samsung Digital Imaging Co., Ltd., with a planned closing date of April 1, 2010. According to the terms of the transaction, the shareholders of Samsung Digital Imaging Co., Ltd. will receive 0.0577663 shares of the Company's common stock for each share of Samsung Digital Imaging Co., Ltd, common stock owned on the closing date.

20. Financial assets transferred to third parties

As of December 31, 2009, 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\$1,117 million can be sold. SEC and Living Plaza, one of SEC's domestic subsidiaries, have trade notes receivable discounting facilities with financial institutions, including Shinhan Bank with a combined limit of up to ₩785,000 million. SEC has trade financing agreement with 23 banks including Woori Bank for up to US\$10,229 million and an accounts receivable factoring agreement with Korea Exchange Bank for up to ₩150,000 million. In addition, SEC has a credit sales facility agreement with Woori Bank (up to ₩70,000 million) and assumes recourse obligations on the receivables where the extensions have been granted on the credit periods. The Company also has loan facilities with accounts receivable pledged as collaterals with four banks, including Woori Bank, for up to ₩1,049,200 million.

In addition, Samsung Mobile Display has trade financing agreement with Woori Bank for up to ₩340 million, trade note receivable loan facility with Korea Exchange Bank for up to ₩10,000 million, and export bill negotiation agreement with four banks including Woori Bank for up to US\$ 185 million as of December 31, 2009.

As of December 31, 2009, Samsung Card and three other domestic subsidiaries has entered into a letter of credit facility agreement with 4 banks including Shinhan bank for up to US\$ 48.5 million and ₩56,600 million.

SEMES and two other domestic subsidiaries have credit purchase facility agreements of up to ₩97,000 million with Korean banks, including Hana Bank, and S-LCD and one other domestic subsidiaries have general term loan facilities of up to ₩310,000 million with Kookmin Bank.

The outstanding balance of trade accounts and notes receivable sold to financial institutions as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|--|--------------------|--------------------|
| Asset-backed securities with recourse | ₩ 660,862 | ₩ 1,380,735 |
| Trade accounts receivable with recourse | 256,059 | 567,121 |
| Trade accounts receivable without recourse | 681,401 | 843,032 |
| | ₩ 1,598,322 | ₩ 2,790,888 |

As a consolidation entry to account for the sale of subsidiaries' receivables, the Company has recognized borrowings of ₩3,532,133 million and ₩3,055,270 million as of December 31, 2009 and 2008, respectively.

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

A transfer of the financial assets has been recognized as a sale, and accordingly has been derecognized from the financial statements. Total financial assets transferred amounted to ₩440,000 million for the year ended December 31, 2009 (2008: ₩1,575,061 million).

The outstanding balances of financing receivables sold to financial institutions as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|---|-------------|-------------|
| Asset-backed securities with limited recourse | ₩ 3,486,704 | ₩ 3,795,418 |

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

21. Derivatives

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

A summary of derivative transactions as of and for the year ended December 31, 2009 and 2008, follows:

(In millions of Korean won)

| Type | 2009 | | | 2008 |
|--------------------|-------------------|--------------------------------|-----------------------------------|-------------------|
| | Asset (Liability) | Gain (Loss) on Valuation (I/S) | Gain (Loss) on Valuation (Equity) | Asset (Liability) |
| Forward exchange | ₩ 16,242 | ₩ 18,318 | ₩ - | ₩ 59,105 |
| | (14,958) | (15,153) | - | (62,942) |
| Interest rate swap | ₩ 481 | ₩ - | ₩ - | ₩ 502 |
| | (13,934) | - | (13,453) | (39,717) |
| Currency swap | ₩ 44,535 | ₩ - | ₩ - | ₩ 122,385 |
| | - | (20,228) | (3,568) | - |

Of the amounts charged to accumulated other comprehensive income in equity from the valuation of derivative instruments, a loss of ₩3,937 million will be realized by December 31, 2010.

22. Capital Stock

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

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

SEC is authorized, subject to the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. As of December 31, 2009, 8,310,000 shares of common stock and 1,060,000 shares of non-voting preferred stock had been retired over three tranches, with the Board of Directors' approval.

As of December 31, 2009, 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.

SEC has issued global depository receipts ("GDR") to overseas capital markets. The number of outstanding GDR as of December 31, 2009 and 2008, are as follows:

| | 2009 | | 2008 | |
|------------------|----------------------------|--------------|----------------------------|--------------|
| | Non-voting Preferred Stock | Common Stock | Non-voting Preferred Stock | Common Stock |
| Outstanding GDR | | | | |
| - Share of Stock | 3,519,155 | 8,921,328 | 3,402,937 | 8,661,570 |
| - Share of GDR | 7,038,310 | 17,842,656 | 6,805,874 | 17,323,140 |

23. Retained Earnings

Retained earnings as of December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Appropriated | | |
| Legal reserve: | | |
| Earned surplus reserve ¹ | ₩ 450,789 | ₩ 450,789 |
| Discretionary reserve: | | |
| Reserve for improvement of financial structure | 204,815 | 204,815 |
| Reserve for business rationalization | 10,512,101 | 9,512,101 |
| Reserve for overseas market development | 510,750 | 510,750 |
| Reserve for overseas investment losses | 164,982 | 164,982 |
| Reserve for research and human resource development | 29,936,458 | 26,936,458 |
| Reserve for export losses | 167,749 | 167,749 |
| Reserve for loss on disposal of treasury stock | 3,100,000 | 3,100,000 |
| Reserve for capital expenditure | 9,632,937 | 8,816,905 |
| | 54,680,581 | 49,864,549 |
| Unappropriated | 9,580,623 | 5,555,022 |
| Total | ₩ 64,261,204 | ₩ 55,419,571 |

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.

24. Dividends

SEC declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2009 and 2008, and as year-end dividends for the years ended December 31, 2009 and 2008.

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

(A) Interim Dividends

(In millions of Korean won and number of shares)

| | | 2009 | 2008 |
|---|-----------------|--------------------|--------------------|
| Number of shares eligible for dividends | Common stock | 127,160,064 shares | 126,968,200 shares |
| | Preferred stock | 19,853,734 shares | 19,853,734 shares |
| Dividend rate | | 10% | 10% |
| Dividend amount | Common stock | ₩ 63,580 | ₩ 63,484 |
| | Preferred stock | 9,927 | 9,927 |
| | | ₩ 73,507 | ₩ 73,411 |

(B) Year-end Dividends

(In millions of Korean won and number of shares)

| | | 2009 | 2008 |
|---|-----------------|--------------------|--------------------|
| Number of shares eligible for dividends | Common stock | 128,271,387 shares | 127,035,908 shares |
| | Preferred stock | 19,853,734 shares | 19,853,734 shares |
| Dividend rate | Common stock | 150% | 100% |
| | Preferred stock | 151% | 101% |
| Dividend amount | Common stock | ₩ 962,035 | ₩ 635,180 |
| | Preferred stock | 149,896 | 100,261 |
| | | ₩ 1,111,931 | ₩ 735,441 |

(C) Dividend Payout Ratio

(In millions of Korean won and number of shares)

| | 2009 | 2008 |
|-----------------------|---------------|---------------|
| Dividends | ₩ 1,185,438 | ₩ 808,852 |
| Net income | 9,649,487 | 5,525,904 |
| Dividend payout ratio | 12.28% | 14.64% |

(D) Dividend Yield Ratio

(In millions of Korean won and number of shares)

| | 2009 | | 2008 | |
|---------------------------|--------------|-----------------|--------------|-----------------|
| | Common Stock | Preferred Stock | Common Stock | Preferred Stock |
| Dividend per share | ₩ 7,500 | ₩ 7,550 | ₩ 5,500 | ₩ 5,550 |
| Market price ¹ | 735,295 | 480,890 | 464,625 | 278,250 |
| Dividend yield ratio | 1.02% | 1.57% | 1.18% | 1.99% |

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

25. Treasury Stock

As of December 31, 2009, the Company holds 19,027,950 common shares and 2,979,693 preferred shares as treasury stocks.

26. Stock-Based Compensation

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

A summary of the terms and the number of outstanding stock options as of December 31, 2009 is as follows:

| | Date of the Grant | | | | | | | |
|---|-------------------------|------------------------|------------------------|-------------------------|-----------------------|-------------------------|---------------------------|---------------------------|
| | March 16, 2000 | March 9, 2001 | February 28, 2002 | March 25, 2002 | March 7, 2003 | April 16, 2004 | October 15, 2004 | December 20, 2005 |
| Total grants | 1,500,000 | 3,099,500 | 988,000 | 121,000 | 368,100 | 590,000 | 10,000 | 10,000 |
| Forfeitures and exercises prior to 2009 | 128,540 849,745 | 393,768 1,779,917 | 53,859 508,384 | 12,942 51,168 | 37,744 164,914 | 53,061 12,068 | - 10,000 | - - |
| Exercised during 2009 | 467,208 | 476,406 | 150,253 | 24,036 | 56,607 | 60,969 | - | - |
| Outstanding stock options | 54,507 | 449,409 | 275,504 | 32,854 | 108,835 | 463,902 | - | 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 | 2003.3.17~ 2010.3.16 | 2004.3.10~ 2011.3.9 | 2004.3.1~ 2012.2.29 | 2004.3.26~ 2012.3.25 | 2005.3.8~ 2013.3.7 | 2006.4.17~ 2014.4.16 | 2006.10.16~ 2008.10.15 | 2007.12.21~ 2015.12.20 |

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

2. All options currently in issue are fully vested.

27. Income Tax

Income tax expense for the years ended December 31, 2009 and 2008, consists of the following:

(In millions of Korean won)

| | 2009 | 2008 |
|----------------------------------|--------------------|------------------|
| Current income taxes | ₩ 2,070,999 | ₩ 1,198,146 |
| Deferred income taxes | 261,136 | (507,963) |
| Items charged directly to equity | 2,994 | (2,622) |
| | ₩ 2,335,129 | ₩ 687,561 |

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, 2009 and 2008:

(In millions of Korean won)

| | 2009 | 2008 |
|----------------------------------|--------------------|------------------|
| Income before tax | ₩ 12,565,050 | ₩ 6,577,775 |
| Statutory tax rate | 31.7% | 32.9% |
| Expected taxes at statutory rate | 3,982,749 | 2,161,473 |
| Tax credit | (801,854) | (1,084,311) |
| Changes in tax rates | (67,790) | (34,444) |
| Others, net | (777,976) | (355,157) |
| Actual taxes | ₩ 2,335,129 | ₩ 687,561 |
| Effective tax rate | 18.6% | 10.5% |

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, 2009, are as follows:

(In millions of Korea 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 | ₩ (1,282,294) | ₩ 637,483 | ₩ (644,811) | ₩ (296,129) | ₩ 140,085 | ₩ (156,044) | ₩ (156,044) | ₩ - |
| Equity-method investments and others | (5,222,534) | (3,809,948) | (9,032,482) | (596,130) | (350,286) | (946,416) | - | (946,416) |
| Depreciation | (58,463) | 32,049 | (26,414) | (54,503) | 1,004 | (53,499) | 22,373 | (75,872) |
| Capitalized interest Expense | (44,027) | 2,365 | (41,662) | (9,685) | (699) | (10,384) | (682) | (9,702) |
| Accrued income | (223,605) | 184,037 | (39,568) | (54,064) | 44,488 | (9,576) | (9,576) | - |
| Allowance(technical expense, others) | 3,326,258 | 552,867 | 3,879,125 | 846,053 | 123,636 | 969,689 | 161,835 | 807,854 |
| Deferred foreign exchange gains | 28,402 | (27,195) | 1,207 | 7,520 | (7,011) | 509 | (1,519) | 2,028 |
| Foreign currency translation | 486,833 | (361,269) | 125,564 | 115,933 | (86,868) | 29,065 | 29,065 | - |
| Impairment losses on investments | 516,958 | (45,036) | 471,922 | 113,823 | (373) | 113,450 | 105,882 | 7,568 |
| Others | 1,850,816 | 710,125 | 2,560,941 | 522,253 | 190,382 | 712,635 | 638,739 | 73,896 |
| | ₩ (621,656) | ₩ (2,124,522) | ₩ (2,746,178) | ₩ 595,071 | ₩ 54,358 | ₩ 649,429 | ₩ 790,073 | ₩ (140,644) |
| Deferred tax assets arising from the carryforwards | | | | | | | | |
| Undisposed accumulated deficit | ₩ 2,453,416 | ₩ (899,119) | ₩ 1,554,297 | ₩ 178,951 | ₩ (139,040) | 39,911 | 20,003 | 19,908 |
| Tax credit carryforwards | ₩ 1,342,115 | ₩ 168,034 | ₩ 1,510,149 | ₩ 933,544 | ₩ 122,990 | 1,056,534 | 1,005,604 | 50,930 |
| Deferred tax relating to items charged to equity | | | | | | | | |
| | ₩ (5,177,894) | ₩ 374,515 | ₩ (4,803,379) | ₩ (682,172) | ₩ 42,261 | (639,911) | (179,467) | (460,444) |
| | | | | | | ₩ 1,105,963 | ₩ 1,636,213 | ₩ (530,250) |

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

(In millions of Korea won)

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

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

Temporary differences, whose deferred tax effects were not recognized due to the uncertainty regarding ultimate realizability such assets, as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|---|-------------|-------------|
| I. Deductible temporary differences | | |
| Equity-method investments and others ² | ₩ 87,629 | ₩ 588,783 |
| Undisposed accumulated deficit | 1,391,786 | 1,700,465 |
| Tax credit carryforwards | 381,534 | 305,227 |
| Others | 53,658 | 50,383 |
| II. Taxable temporary differences | | |
| Land revaluation ¹ | (397,985) | (397,985) |
| Equity-method investments and others ² | (3,668,470) | (2,924,351) |
| Others | (1) | (201) |

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

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

Deferred income tax assets and liabilities and income tax expense charged directly to equity as of and for the years ended December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|--|--------------------|--------------------|
| I. Deferred income tax assets and liabilities | | |
| Gain (Loss) on valuation of available-for-sale securities and others | ₩ (639,912) | ₩ (682,172) |
| II. Income tax expense | | |
| Gain on sale of treasury stock and others | ₩ 2,994 | ₩ (2,622) |

28. Earnings Per Share

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

Basic earnings per share for the years ended December 31, 2009 and 2008, is calculated as follows:

(In millions, except per number of shares)

| | 2009 | 2008 |
|---|-----------------|-----------------|
| Net income as reported on the statements of income | ₩ 9,649,487 | ₩ 5,525,904 |
| Adjustments: | | |
| Dividends for preferred stock | (159,823) | (110,188) |
| Undeclared participating preferred stock dividend | (1,134,392) | (637,556) |
| Net income available for common stock | 8,355,272 | 4,778,160 |
| Weighted-average number of common shares Outstanding ¹ | 127,563,732 | 126,795,572 |
| Basic earnings per share (in Korean won) | ₩ 65,499 | ₩ 37,684 |

Diluted earnings per share for the years ended December 31, 2009 and 2008, is calculated as follows:

(In millions, except per share amounts)

| | 2009 | 2008 |
|---|-----------------|-----------------|
| Net income available for common stock | ₩ 8,355,272 | ₩ 4,778,160 |
| Net income available for common stock and common equivalent shares | 8,355,272 | 4,778,160 |
| Weighted-average number of shares of common stock and common shares equivalent ² | 128,161,094 | 127,963,702 |
| Diluted earnings per share (in Korean won) | ₩ 65,194 | ₩ 37,340 |

1. Common shares Outstanding

| | 2009 | | | 2008 | | |
|---------------------|------------------|---------|-------------------------|------------------|---------|-------------------------|
| | Number of Shares | Weight | Common Stock Equivalent | Number of Shares | Weight | Common Stock Equivalent |
| Common stock shares | 127,563,732 | 365/365 | 127,563,732 | 126,795,572 | 366/366 | 126,795,572 |

2. Common shares equivalent

| | 2009 | | | 2008 | | |
|---------------|------------------|---------|-------------------------|------------------|---------|-------------------------|
| | Number of Shares | Weight | Common Stock Equivalent | Number of Shares | Weight | Common Stock Equivalent |
| Stock options | 597,362 | 365/365 | 597,362 | 1,168,130 | 366/366 | 1,168,130 |

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.

29. Consolidated Comprehensive Income

Consolidated comprehensive income for the years ended December 31, 2009 and 2008, consist of:

(In millions of Korean won)

| | 2009 | 2008 |
|---|--------------------|--------------------|
| Net income | ₩ 10,229,921 | ₩ 5,890,214 |
| Changes in accumulated gain on valuation of available-for-sale securities, net of related income taxes of ₩51,242 million (2008: ₩371,759 million) | 204,192 | (660,687) |
| Changes in accumulated loss on valuation of available-for-sale securities, net of related income taxes of ₩246 million (2008: ₩30 million) | 673 | (28,799) |
| Changes in share of equity-method investees' accumulated other comprehensive income, net of related income taxes of ₩25,670 million (2008: ₩12,349 million) | 104,588 | 5,737 |
| Changes in share of equity-method investees' accumulated other comprehensive loss, net of related income taxes of ₩573 million (2008: ₩729 million) | 4,152 | (5,424) |
| Foreign currency translation adjustment, net of tax of ₩122,105 million (2008: ₩324,059 million) | (871,678) | 2,735,128 |
| Gain (loss) on valuation of derivative instruments, net of tax of ₩8,017 million (2008: ₩13,802 million) | 28,823 | (46,313) |
| Consolidated comprehensive income | ₩ 9,700,671 | ₩ 7,889,856 |
| Attributable to : | | |
| Controlling interests | ₩ 9,113,943 | ₩ 7,458,595 |
| Minority interests | 586,728 | 431,261 |
| | ₩ 9,700,671 | ₩ 7,889,856 |

30. Inter-Company transactions

(A) Significant transactions between SEC and its consolidated subsidiaries, which have been eliminated during consolidation, for the years ended December 31, 2009 and 2008, and the related receivables and payables as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| Subsidiaries | Sales | | Purchases | | Receivables ¹ | | Payables | |
|--------------|---------------------|---------------------|---------------------|---------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| SJC | ₩ 4,229,962 | ₩ 4,315,405 | ₩ 2,045,651 | ₩ 2,506,250 | ₩ 159,842 | ₩ 93,210 | ₩ 123,835 | ₩ 48,672 |
| SLCD | 2,489,354 | 2,056,610 | 5,906,870 | 3,879,111 | 774,249 | 861,718 | 593,445 | 295,930 |
| STA | 8,275,115 | 5,137,179 | 912,532 | 785,536 | 577,532 | 462,437 | 355,703 | 329,555 |
| SET | 6,300,109 | 5,495,042 | 1,230,643 | 943,183 | 563,481 | 212,309 | 64,460 | 5,811 |
| SSI | 8,633,887 | 6,666,062 | 58,036 | 48,213 | 837,738 | 561,770 | 71,469 | 15,458 |
| SAPL | 2,494,314 | 1,811,626 | 1,120,078 | 999,342 | 167,703 | 72,209 | 73,580 | 16,833 |
| SEHK | 3,643,168 | 2,684,351 | 2,057,119 | 1,416,165 | 232,550 | 292,780 | 138,677 | 7,130 |
| SEA | 1,689,291 | 1,090,980 | 3,187,784 | 2,375,123 | 290,861 | 24,773 | 232,836 | 68,949 |
| SSEG | 5,850,129 | 5,347,442 | 870,779 | 6,483 | 684,120 | 547,879 | 101,030 | - |
| SEHZ | 1,076,746 | 568,112 | 3,567,206 | 55,261 | 151,959 | 56,060 | 767,680 | 19,413 |
| SEUK | 2,035,465 | 1,687,522 | 331,034 | 291,741 | 74,842 | 30,794 | 97,698 | 100,428 |
| SEF | 1,801,689 | 1,556,652 | 120,963 | 99,795 | 187,314 | 163,232 | 50,368 | 33,204 |
| SSEL | 1,124,174 | 1,311,566 | 1,429 | 10,735 | 175,917 | 97,717 | 973 | 574 |
| SII | 1,585,445 | 737,947 | 4,002 | 5,507 | 45,856 | 63,881 | 52 | 1,141 |
| SEI | 887,363 | 578,121 | 91,911 | 131,800 | 32,000 | 10,628 | 38,142 | 61,078 |
| SELS | 718,100 | 561,185 | 3,339 | 9,393 | 256,101 | 123,956 | 701 | 196 |
| TSTC | 1,676,091 | 2,432,163 | 2,540,838 | 1,122,679 | 296,480 | 160,086 | 565,312 | 67,646 |
| SESC | 267,288 | 163,915 | 2,639,786 | 529,438 | 31,050 | 24,257 | 224,866 | 55,793 |
| Others | 21,584,340 | 14,973,998 | 12,653,424 | 11,295,168 | 3,679,961 | 2,077,204 | 1,861,506 | 1,545,259 |
| | ₩ 76,362,030 | ₩ 59,175,878 | ₩ 39,343,424 | ₩ 26,510,923 | ₩ 9,219,556 | ₩ 5,936,900 | ₩ 5,362,333 | ₩ 2,673,070 |

1. Include the sale of subsidiaries' receivables to third party financial institutions as of December 31, 2009 and 2008.

(B) Significant transactions among subsidiaries for the years ended December 31, 2009 and 2008, and the related receivables as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| Seller | Purchaser | Sales | | Receivables | |
|--------|-----------|---------------------|---------------------|--------------------|--------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| SESK | SELS | ₩ 5,406,374 | ₩ 4,832,457 | ₩ 402,097 | ₩ 396,408 |
| SII | SEA | 6,174,400 | 5,117,141 | 243,860 | 8,142 |
| SHE | SELS | 3,904,125 | 2,656,769 | 283,539 | 162,888 |
| SELS | SEUK | 1,736,763 | 1,602,037 | 26,420 | 11,523 |
| SELS | SEF | 1,582,988 | 1,427,862 | 26,593 | 13,414 |
| SSI | SII | 2,014,021 | 2,087,497 | 78,761 | 105,602 |
| SET | SII | 1,176,432 | 981,694 | 98,082 | 31,363 |
| SSEG | SESK | 1,438,256 | 1,437,963 | 140,164 | 159,960 |
| SET | SESK | 1,042,903 | 1,041,481 | 80,092 | 5,536 |
| TSED | SCIC | 745,296 | 556,563 | 60,214 | 55,270 |
| SET | SEH | 903,207 | 1,073,728 | 90,988 | 9,902 |
| SELS | SEG | 1,712,109 | 1,203,847 | 71,954 | 46,878 |
| SELS | SEI | 1,408,536 | 1,131,029 | 31,145 | 8,986 |
| SET | TSED | 367,217 | 721,469 | 25,992 | 16,983 |
| Others | | 36,272,207 | 31,267,766 | 4,264,193 | 3,385,936 |
| | | ₩ 65,884,834 | ₩ 57,139,303 | ₩ 5,924,094 | ₩ 4,418,791 |

The significant intercompany loans among subsidiaries for the year ended December 31, 2009, amount to ₩3,419,430 million (2008: ₩3,414,022 million).

31. Related Party Transactions

(A) Significant transactions between SEC and equity-method investees for the years ended December 31, 2009 and 2008, and the related receivables and payables as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| Equity-method Investees | Sales | | Purchases | | Receivables | | Payables | |
|---------------------------------|------------------|------------------|--------------------|--------------------|-----------------|-----------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Samsung SDI | ₩ 39,712 | ₩ 91,363 | ₩ 257,637 | ₩ 569,683 | ₩ 2,303 | ₩ 2,831 | ₩ 46,293 | ₩ 48,093 |
| Samsung SDS | 28,944 | 60,166 | 805,690 | 933,386 | 8,072 | 8,549 | 240,127 | 243,765 |
| Samsung Electro-Mechanics | 15,263 | 17,540 | 1,056,247 | 1,172,753 | 1,086 | 2,281 | 56,972 | 62,025 |
| Samsung Corning Precision Glass | 47,814 | 71,940 | 1,586,998 | 1,369,370 | 184 | 22,248 | 42,913 | 126,680 |
| Samsung Techwin | 33,953 | 77,804 | 298,545 | 507,263 | 11,092 | 24,985 | 16,963 | 88,973 |
| Seoul Commtech | 7,754 | 9,488 | 177,693 | 137,616 | 3,502 | 4,550 | 36,647 | 42,809 |
| Others | 116,725 | 126,854 | 382,843 | 353,786 | 45,044 | 29,534 | 103,634 | 86,137 |
| | ₩ 290,165 | ₩ 455,155 | ₩ 4,565,653 | ₩ 5,043,857 | ₩ 71,283 | ₩ 94,978 | ₩ 543,549 | ₩ 698,482 |

(B) Significant transactions between SEC subsidiaries and equity-method investees for the years ended December 31, 2009 and 2008, and the related receivables as of December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| Seller | Purchaser | Sales | | Receivables | |
|---------|-----------|--------------------|--------------------|------------------|------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| COR.P.G | SLCD | ₩ 1,146,626 | ₩ 914,389 | ₩ 46,982 | ₩ 92,448 |
| SDIC | SEA | 269,858 | - | 96,906 | - |
| SDI | SII | 200,495 | 300,780 | 3,088 | 3,209 |
| SDI | SESC | 165,676 | 79,484 | 21,210 | 28,255 |
| SJC | SEMC | 162,046 | 141,404 | 14,210 | 13,282 |
| SSEG | SLED | 156,409 | - | 10,784 | - |
| SJC | SDI | 134,022 | 230,836 | 28,084 | 52,276 |
| SDIC | SELS | 116,229 | - | 12,715 | - |
| SDI | SDMA | 95,419 | 82,969 | 3,145 | 4,928 |
| SDIC | SERC | 94,502 | - | 20,382 | - |
| Others | | 3,935,893 | 2,805,037 | 409,766 | 313,266 |
| | | ₩ 6,477,175 | ₩ 4,554,899 | ₩ 667,272 | ₩ 507,664 |

32. Research and Development Costs

Research and development costs incurred and expensed for the years ended December 31, 2009 and 2008, consist of the following:

(In millions of Korean won)

| | 2009 | 2008 |
|-------------------------------|--------------------|--------------------|
| Research expenses | ₩ 2,760,997 | ₩ 2,677,815 |
| Ordinary development expenses | 4,855,167 | 4,380,095 |
| | ₩ 7,616,164 | ₩ 7,057,910 |

33. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2009 and 2008, assets and liabilities denominated in foreign currencies are as follows:

(In millions of Korean won and foreign currencies)

| Account | Foreign Currency | Foreign Companies | | | Domestic Companies | | |
|---|------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2009 | | 2008 | 2009 | | 2008 |
| | | Foreign Currency Amount | Korean Won (Equivalent) | Korean Won (Equivalent) | Foreign Currency Amount | Korean Won (Equivalent) | Korean Won (Equivalent) |
| Cash and cash equivalent, and financial instruments | USD | 1,035 | ₩ 1,208,537 | ₩ 1,348,191 | 314 | ₩ 366,592 | ₩ 890,384 |
| | JPY | 2 | 31 | 55,110 | 6,227 | 78,634 | 139,389 |
| | EUR | 731 | 1,224,176 | 632,326 | 81 | 135,604 | - |
| | Others | 1,649,691 | 3,092,810 | 1,929,356 | | | - |
| | | 5,525,554 | 3,964,983 | | 580,830 | 1,029,773 | |
| Trade accounts and notes receivable | USD | 2,666 | 3,112,807 | 920,706 | 2,518 | 2,939,457 | 247,613 |
| | JPY | 105,759 | 1,335,551 | 1,303,857 | 17,368 | 219,331 | 35,778 |
| | EUR | 2,149 | 3,598,387 | 3,433,126 | 185 | 309,169 | 147,685 |
| | Others | 1,394,923 | 6,646,679 | 5,149,734 | 389 | 95,748 | 20,644 |
| | | 14,693,424 | 10,807,423 | | 3,563,705 | 451,720 | |
| Other assets | USD | 621 | 724,945 | 488,873 | 502 | 586,664 | 482,825 |
| | JPY | 20,723 | 261,695 | 381,956 | 6,828 | 86,226 | 105,990 |
| | EUR | 300 | 502,705 | 164,146 | 199 | 332,987 | 120,970 |
| | Others | 234,687 | 1,410,463 | 916,842 | 160,803 | 145,758 | 6,069 |
| | | 2,899,808 | 1,951,817 | | 1,151,635 | 715,854 | |
| Total foreign currency assets | | ₩ 23,118,786 | ₩ 16,724,223 | | ₩ 5,296,170 | ₩ 2,197,347 | |
| Trade accounts and notes payable | USD | 1,079 | 1,260,260 | 473,898 | 2,425 | 2,831,016 | 852,338 |
| | JPY | 72,341 | 913,539 | 923,185 | 13,292 | 167,854 | 262,333 |
| | EUR | 265 | 443,636 | 178,380 | 15 | 25,852 | 10,341 |
| | Others | 753,750 | 3,706,047 | 2,227,443 | 18 | 15,949 | 9,664 |
| | | 6,323,482 | 3,802,906 | | 3,040,671 | 1,134,676 | |
| Short-term borrowings (including document against acceptance) | | | 3,450,260 | 4,109,022 | | 3,286,339 | 2,990,203 |
| Other current liabilities | USD | 1,091 | 1,273,320 | 1,033,153 | 4,585 | 5,353,548 | 3,605,604 |
| | JPY | 9,092 | 114,810 | 165,918 | 6,761 | 85,385 | 302,878 |
| | EUR | 829 | 1,387,655 | 1,632,028 | 495 | 829,018 | 496,861 |
| | Others | 891,704 | 2,501,637 | 2,247,139 | 57,771 | 193,938 | 148,339 |
| | | 5,277,422 | 5,078,238 | | 6,461,889 | 4,553,682 | |
| Long-term other accounts payable | USD | - | - | 62,876 | 768 | 896,535 | 318,078 |
| | Others | 840 | 21,076 | 97,827 | - | - | 4,608 |
| | | | 21,076 | 160,703 | | 896,535 | 322,686 |
| Foreign currency notes and bonds (including current portions) | USD | 25 | 29,190 | 62,875 | 261 | 305,161 | 344,808 |
| Long-term debts (including current Maturities) | USD | 512 | 598,043 | 644,090 | 50 | 58,380 | 314,375 |
| | JPY | 5,736 | 72,435 | 77,500 | 4,107 | 51,860 | 69,101 |
| | EUR | 25 | 41,682 | - | - | - | - |
| | Others | 8,090 | 310,541 | 241,091 | - | - | - |
| | | 1,022,701 | 962,681 | | 110,240 | 383,476 | |
| Total foreign currency liabilities | | ₩ 16,124,131 | ₩ 14,176,425 | | ₩ 14,100,835 | ₩ 9,729,531 | |

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, 2009, amounted to ₩1,347,894 million and ₩1,059,493 million, respectively.

34. Segment Information

A summary of consolidated financial data by industry as of December 31, 2009 and 2008, and for the years then ended, are follows:

(In millions of Korean won)

| | Consolidated Balance Sheets by Industry | | | |
|-------------------------------|---|---------------------|---------------------|---------------------|
| | Non-financial Business | | Financial Business | |
| | 2009 | 2008 | 2009 | 2008 |
| Assets | | | | |
| Current assets | ₩ 55,107,422 | ₩ 40,405,529 | ₩ 6,959,876 | ₩ 8,562,959 |
| Investments | 8,835,350 | 7,255,750 | 4,606,027 | 5,570,976 |
| Property, plant and equipment | 39,745,848 | 42,448,832 | 71,072 | 48,364 |
| Intangible assets | 859,769 | 741,346 | 31,254 | 45,943 |
| Other non-current assets | 3,625,210 | 1,465,850 | 120,555 | 205,393 |
| Total assets | ₩ 108,173,599 | ₩ 92,317,307 | ₩ 11,788,784 | ₩ 14,433,635 |
| Liabilities | | | | |
| Current liabilities | ₩ 33,491,812 | ₩ 27,345,976 | ₩ 4,081,632 | ₩ 4,861,094 |
| Non-current liabilities | 4,368,768 | 4,366,119 | 3,281,596 | 5,803,507 |
| Total liabilities | ₩ 37,860,580 | ₩ 31,712,095 | ₩ 7,363,228 | ₩ 10,664,601 |

(In millions of Korean won)

| | Consolidated Statements of Income by Industry | | | |
|--|---|--------------------|--------------------|------------------|
| | Non-financial Business | | Financial Business | |
| | 2009 | 2008 | 2009 | 2008 |
| Sales | ₩ 136,288,987 | ₩ 118,376,276 | ₩ 2,716,224 | ₩ 2,926,714 |
| Cost of sales | 97,922,152 | 88,526,410 | 1,020,897 | 1,236,017 |
| Selling, general and administrative expenses | 27,446,572 | 24,141,296 | 1,031,763 | 1,367,467 |
| Operating profit | 10,920,263 | 5,708,570 | 663,564 | 323,230 |
| Non-operating income | 12,357,716 | 10,860,880 | 37,277 | 68,562 |
| Non-operating expenses | 11,187,647 | 10,255,568 | 10,407 | 22,791 |
| Income before income tax | 12,090,332 | 6,313,882 | 690,434 | 369,001 |
| Income tax expense | 2,248,541 | 616,473 | 86,588 | 71,088 |
| Net income | ₩ 9,841,791 | ₩ 5,697,409 | ₩ 603,846 | ₩ 297,913 |
| Attributable to: | | | | |
| Controlling interests | 9,649,487 | 5,525,904 | | |
| Minority interests | 192,304 | 171,505 | | |
| | ₩ 9,841,791 | ₩ 5,697,409 | | |

The company has following divisions:

- Digital Media and Communications ('DMC') - The DMC division is composed of Digital Media and Telecommunications reporting segments, and mainly manufactures and sells handsets, networking system and other consumer electronics (TV, monitor, printer, computer and home appliances).
- Device Solution ('DS') - The DS division is composed of Semiconductor and LCD reporting segments, and manufactures and sells memory, system LSI, TFT LCD and HDD.
- Others - Others primarily represent corporate headquarters, institute of technology, etc.

Operating data according to business segment as of and for the year ended December 31, 2009:

(In millions of Korean won)

| | 2009 Summary of Business by Segment | | | | | | | | |
|-------------------------------|-------------------------------------|---------------------|--------------------|---------------------|---------------------|------------------|---------------------|-----------------------|----------------------|
| | DMC | | | DS | | | Others | Elimination | Consolidated |
| | Digital Media | Tele-communication | Others | Semiconductor | LCD | Others | | | |
| Gross sale | ₩ 123,058,865 | ₩ 83,143,634 | ₩ 2,166,082 | ₩ 55,199,342 | ₩ 48,966,567 | ₩ 77,355 | ₩ 10,542,035 | ₩ (184,160,209) | ₩ 138,993,671 |
| Intersegment sales | (74,166,362) | (41,052,313) | (1,536,755) | (28,348,893) | (26,686,990) | (42,464) | (2,172,247) | 174,006,024 | - |
| Net sales ¹ | 48,892,503 | 42,091,321 | 629,327 | 26,850,449 | 22,279,577 | 34,891 | 8,369,788 | (10,154,185) | 138,993,671 |
| Operating profit ² | 2,846,955 | 4,129,480 | 7,202 | 2,415,691 | 1,384,207 | (1,965) | 796,081 | - | 11,577,651 |
| Total assets | ₩ 42,379,343 | ₩ 31,672,577 | ₩ 3,273,195 | ₩ 43,825,935 | ₩ 22,017,969 | ₩ 125,361 | ₩ 26,000,929 | ₩ (51,013,821) | ₩ 118,281,488 |

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

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

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

(In millions of Korean won)

| | 2008 Summary of Business by Segment | | | | | | | | |
|-------------------------------|-------------------------------------|---------------------|--------------------|---------------------|---------------------|-----------------|---------------------|-----------------------|----------------------|
| | DMC | | | DS | | | Others | Elimination | Consolidated |
| | Digital Media | Tele-communication | Others | Semiconductor | LCD | Others | | | |
| Gross sale | ₩ 90,443,226 | ₩ 64,676,221 | ₩ 2,239,473 | ₩ 41,760,580 | ₩ 42,707,995 | ₩ 201,285 | ₩ 24,024,623 | ₩ (144,759,084) | ₩ 121,294,319 |
| Intersegment sales | (48,251,458) | (30,107,544) | (1,591,245) | (19,407,221) | (21,190,427) | (84,476) | (15,290,075) | 135,922,446 | - |
| Net sales ¹ | 42,191,768 | 34,568,677 | 648,228 | 22,353,359 | 21,517,568 | 116,809 | 8,734,548 | (8,836,638) | 121,294,319 |
| Operating profit ² | 396,183 | 2,976,174 | (9,477) | (1,970) | 2,346,047 | 11,036 | 313,870 | - | 6,031,863 |
| Total assets | ₩ 32,469,249 | ₩ 24,536,836 | ₩ 7,034,251 | ₩ 38,054,435 | ₩ 22,112,165 | ₩ 51,290 | ₩ 18,950,265 | ₩ (37,907,841) | ₩ 105,300,650 |

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

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

The presentation and classification of 2008 was revised for comparability with 2009 presentation.

Operating data of entities classified according to geographic area as of and for the year ended December 31, 2009:

(In millions of Korean won)

| | 2009 Summary of Business by Geographic Area | | | | | | | |
|---------------------|---|----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|
| | Korea | | Americas | Europe | Asia | China | Elimination | Consolidated |
| | Domestic | Export | | | | | | |
| Gross sales | ₩ 23,621,415 | ₩ 89,803,515 | ₩ 57,989,166 | ₩ 61,858,546 | ₩ 31,974,561 | ₩ 57,906,677 | ₩ (184,160,209) | ₩ 138,993,671 |
| Intersegment sales | (7,675,455) | (81,114,716) | (24,280,566) | (25,675,454) | (11,267,712) | (34,146,306) | 184,160,209 | - |
| Net sales | ₩ 15,945,960 | ₩ 8,688,799 | ₩ 33,708,600 | ₩ 36,183,092 | ₩ 20,706,849 | ₩ 23,760,371 | - | ₩ 138,993,671 |
| Operating profit | | ₩ 7,159,467 | ₩ 693,309 | ₩ 1,519,223 | ₩ 900,295 | ₩ 1,372,120 | ₩ (66,763) | ₩ 11,577,651 |
| Total assets | | ₩ 107,984,087 | ₩ 21,718,611 | ₩ 17,188,362 | ₩ 8,659,632 | ₩ 13,744,617 | ₩ (51,013,821) | ₩ 118,281,488 |

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

(In millions of Korean won)

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

The presentation and classification of 2008 was revised for comparability with 2009 presentation.

35. Transaction Not Affecting Cash Flows

Significant transactions not affecting cash flows for the years ended December 31, 2009 and 2008, are as follows:

(In millions of Korean won)

| | 2009 | 2008 |
|---|-----------|------------|
| Write-off of accounts receivables and others | ₩ 330,405 | ₩ 502,243 |
| Increase in gain on valuation of available-for-sale securities | 195,045 | 656,703 |
| Increase in loss on valuation of available-for-sale securities | 673 | 28,656 |
| Decrease in gain on valuation of available-for-sale securities due to disposal | 9,147 | 3,983 |
| Decrease in loss on valuation of available-for-sale securities due to disposal | - | 143 |
| Increase in share of equity-method investees' accumulated other comprehensive income | 104,588 | 7,111 |
| Decrease in share of equity-method investees' accumulated other comprehensive loss | 4,152 | 6,309 |
| Current maturities of long-term prepaid expenses | 2,279,226 | 217,812 |
| Current maturities of long-term debts | 4,852 | 71,465 |
| Reclassification of construction-in-progress and machinery-in-transit to other property, plant and equipment accounts | 8,697,452 | 10,297,439 |
| Current maturities of other long-term liabilities | 1,702,836 | 303,914 |
| Current maturities of long-term advances received | - | 168,650 |
| Current maturities of long-term accrued expenses | 321,500 | 270,702 |

36. Subsequent Event

Subsequent to December 31, 2009, Samsung Card, one of SEC domestic subsidiary issued unguaranteed bonds amounting to ₩320,000 million (bond issue number 1831 through 1844) as of the date of this report.

37. Transition to International Financial Reporting Standards as Adopted by the Republic of Korea from Generally Accepted Accounting Principle in the Republic of Korea.

The Company will adopt the International Financial Reporting Standards as Adopted by the Republic of Korea ("Korean IFRS") from the fiscal year 2010 (the date of first-time adoption to Korean IFRS: January 1, 2010). The Company's approach to adopt Korean IFRS is illustrated as follows:

Preparation and implementation of Korean IFRS adoption

The Company formed a task force to prepare for its transition from Generally Accepted Accounting Principle in the Republic of Korea ("Korean GAAP") to Korean IFRS. The three phases being conducted for the transition to Korean IFRS by the task force are as follows:

- (1) Analysis and Planning Phase : This phase includes a preliminary analysis and impact assessments over the Company's current accounting policies, financial reporting process including determination of reporting entity, and the IT systems to identify key areas that would be impacted by the transition to Korean IFRS.
- (2) Design Phase: This phase includes further detailed analysis and employee training on the impact assessments over the Company's current accounting policies, financial information generating process and information systems.
- (3) Implementation Phase: This phase includes applying and embedding the changes identified above in the Company's operational processes and system. The Company anticipates the completion of this phase enables the Company to provide accountable financial information in accordance with Korean IFRS.

As of the date of the report, all three phases as described above are substantially completed. The Company has been preparing financial statements under Korean IFRS from the date of transition and onwards and expects that financial information for the fiscal year 2010 will be Korean IFRS compliant.

Significant differences in accounting policies

Significant differences between the accounting policies chosen by the Company under Korean IFRS and under previous Korean GAAP are as follows:

(1) First time adoption of Korean IFRS

The Company elected the following exemptions upon the adoption of Korean IFRS in accordance with Korean IFRS 1011, *First-time adoption of international financial reporting standards*:

- 1) Business combination: Past business combinations that occurred before the date of transition to Korean IFRS will not be retrospectively restated under Korean IFRS 1103, Business combinations.
- 2) Fair value as deemed cost: The Company elects to measure certain land assets at fair value at the date of transition to Korean IFRS and use the fair value as its deemed cost. Valuations were made on the basis of recent market transactions on the arm's length terms by independent valuers.
- 3) Cumulative translation differences: All cumulative translation gains and losses arising from foreign subsidiaries and associates as of the date of transition to Korean IFRS are reset to zero.

(2) Employee 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. Under the previous severance policy pursuant to Korean GAAP, Accrued severance benefits represented the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the end of the reporting period. However, under Korean IFRS, the liability is determined based on the present value of expected future payments calculated and reported using actuarial assumptions.

(3) Intangible assets

Under Korean GAAP the Company recorded expenditures related to research and development activities as current expense. Under Korean IFRS if such costs related to development activities meet certain criteria they are recorded as intangible assets.

(4) Goodwill or bargain purchase acquired by business combinations

Under Korean GAAP, the Company amortizes goodwill or recognizes a gain in relation to bargain purchase (negative goodwill¹) acquired as a result of business combinations on a straight-line method over five years from the year of acquisition. Under Korean IFRS, goodwill is not amortized but reviewed for impairment annually. Bargain purchase is recognized immediately in the statement of income.

1. Negative goodwill under Korean GAAP is referred to as bargain purchase under Korean IFRS

(5) Derecognition of financial assets

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under Korean IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

(6) Deferred Tax

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and

liabilities were classified based on the periods the temporary differences were expected to reverse. Under Korean IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position. As a result, there is an increase in the amount of deferred tax assets and liabilities offset against each other under Korean IFRS.

In addition, there is a difference between Korean IFRS and Korean GAAP in terms of recognition of deferred tax assets or liabilities relating to investments in subsidiaries. Under Korean GAAP there is specific criteria as to when deferred tax assets and liabilities relating to investments in subsidiaries should be recognized, whereas under Korean IFRS, the related deferred tax assets or liabilities are recognized according to sources of reversal of the temporary differences.

Changes in scope of consolidation

At the date of transition, changes in the scope of consolidation as a result of adoption of Korean IFRS are as follows:

(In millions of Korean won)

| Changes | Description | Name of Entity |
|-------------|---|--|
| Newly added | Under the former 'Act on External Audit of Stock companies' in the Republic of Korea, companies whose total assets are less than 10 billion Korean won were not subject to consideration, but they are subject to consolidation under Korean IFRS. | World Cyber Games, Samsung Electronics Football Club SEMES America, Samsung Electronics Ukraine, Samsung Electronics Romania, Samsung Electronics Kazakhstan, Samsung Electronics Czech and Slovak s.r.o. Samsung Electronics Levant, Samsung Electronics European Holding, Batino Realty Corporation, Samsung Telecommunications Malaysia, Samsung Electronics Shenzhen, Samsung Electronics China R&D Center, Samsung Electronics Limited, Samsung Electronics Poland Manufacturing, Samsung Telecoms (UK) |
| Newly added | Under Korean GAAP, a union is not regarded as a legal entity and excluded from scope of consolidation. However, it is subject to consolidation under Korean IFRS | Samsung Venture Capital Union #6, #7 and #14 |
| Excluded | Under Korean GAAP, entities where the Company owns more than 30% of shares and is the largest shareholder with the largest voting rights were included in scope of consolidation. Under Korean IFRS, such entities are not subject to consolidation unless control over the entity is established | Samsung Card |

The effects of the adoption of Korean IFRS on the statement of financial position and the results of operation

Reconciliation of the effect of the transition to Korean IFRS from Korean GAAP on the balance sheet and net income of the Company has been prepared on a consolidation basis and subject to change following the subsequent GAAP difference analysis or amendment of standards.

(1) Adjustments to the balance sheet as of the date of transition, January 1, 2009.

(In millions of Korean won)

| | Asset | Liabilities | Equity |
|--|---------------------|---------------------|---------------------|
| Korean GAAP | ₩ 105,300,650 | ₩ 42,376,696 | ₩ 62,923,954 |
| Adjustments: | | | |
| Change in scope of consolidation | (12,972,168) | (10,649,400) | (2,322,768) |
| Fair valuation of land(*) | 3,816,293 | 927,141 | 2,889,152 |
| Derecognition of financial asset | 1,807,675 | 1,807,675 | - |
| Capitalization of R&D costs | 200,478 | - | 200,478 |
| Pension and compensated absence | - | 186,978 | (186,978) |
| Deferred assets on investments in equity and reclassification to non-current | (1,434,287) | (1,332,886) | (101,401) |
| Financial statement presentation | (95,064) | - | (95,064) |
| Effect of the adoption of Korean IFRS for jointly controlled entities and associates | 155,163 | - | 155,163 |
| Tax-effect on adjustments | (141) | 2,010 | (2,151) |
| Total | (8,522,051) | (9,058,482) | 536,431 |
| Korean IFRS | ₩ 96,778,599 | ₩ 33,318,214 | ₩ 63,460,385 |

(*) The adjustment includes the effect of deferred tax

(2) The effect of the adoption of Korean IFRS on the balance sheet and net income of the Company as of and for the year ended December 31, 2009.

(In millions of Korean won)

| | Assets | Liabilities | Equity | Net income for the current period |
|--|----------------------|---------------------|---------------------|-----------------------------------|
| Korean GAAP | ₩ 118,281,488 | ₩ 45,227,196 | ₩ 73,054,292 | ₩ 10,229,921 |
| Adjustments: | | | | |
| Change in scope of consolidation | (10,120,256) | (7,372,830) | (2,747,426) | (383,703) |
| Fair valuation of land(*) | 3,804,404 | 924,525 | 2,879,879 | (9,273) |
| Derecognition of financial asset | 754,969 | 754,969 | - | - |
| Capitalization of R&D costs | 214,451 | - | 214,451 | 13,973 |
| Pension and compensated absence | - | 153,357 | (153,357) | 33,621 |
| Deferred assets on investments in equity and reclassification to non-current | (874,056) | (564,016) | (310,040) | (170,028) |
| Financial statement presentation | (143,058) | - | (143,058) | (47,994) |
| Effect of the adoption of Korean IFRS for Jointly controlled entities and associates | 266,742 | - | 266,742 | 108,163 |
| Tax-effect on adjustments | (4,895) | 11,386 | (16,281) | (14,130) |
| Total | (6,101,699) | (6,092,609) | (9,090) | (469,371) |
| Korean IFRS | ₩ 112,179,789 | ₩ 39,134,587 | ₩ 73,045,202 | ₩ 9,760,550 |

(*) The adjustment includes the effect of deferred tax

GLOBAL NETWORK

GLOBAL HEADQUARTERS

Samsung Electronics Co., Ltd.

Samsung Electronics Bldg.
1320-10, Seocho 2-dong
Seocho-gu, Seoul 137-857, Korea
Tel: 82-2-2255-0114
www.samsung.com

REGIONAL HEADQUARTERS

North America

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

Latin America

Samsung Electronics
Latin America Headquarters
Samsung Electronica Da Amazonia Ltda.
Avenida das Nacoes Unidas,
12901, 8 andar, Torre Oeste,
Brooklin Novo, CEP 04578-000,
São Paulo, SP, Brazil

Europe

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

Southeast Asia

Samsung Electronics
Southeast Asia & Oceania Headquarters
3 Church Street #26-01 Samsung Hub,
Singapore 049483, Singapore

China

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

CIS

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

Middle East

Samsung Electronics
Middle East Headquarters
PO BOX 500047, Concord Tower
19F AL Soufouh Rd.
Media City, Dubai, UAE

Africa

Samsung Electronics
Africa Headquarters
2021 Medscheme Park,
Phase 1, 10 Muswell Road South,
Bryanston Johannesburg
Republic of South Africa

Southwest Asia

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

Korea

Samsung Electronics
Korea Headquarters
22nd Floor, Samsung Life Bldg.,
1321-15 Seocho 2-dong,
Secho-gu, Seoul 137-955, Korea

PRODUCTION NETWORK

KOREA

Suwon Complex

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

Gumi Plant 1

259, Gongdan-dong,
Gumi, Gyeongsangbuk-do
Tel: 82-54-479-5114

Gumi Plant 2

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

Giheung Complex

San-24, Nongseo-dong Giheung-gu,
Yongin, Gyeonggi-do
Tel: 82-31-209-7114

Hwaseong Plant

San-16, Banweol-dong Hwaseong,
Gyeonggi-do
Tel: 82-31-209-7114

Onyang Plant

San-723, Buksu-ri Baebang-eup,
Asan, Chungcheongnam-do
Tel: 82-41-540-7114

Tangjeong Plant

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

Cheonan Plant

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

Gwangju Plant

271, Oseon-dong
Gwangsan-gu, Gwangju
Tel: 82-62-950-6114

ASIA PACIFIC

China

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

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

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

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

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

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

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

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

Tianjin Samsung Opto-Electronics
Co., Ltd. (TSOE), Tianjin
Tel: 86-22-2388-7788

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

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

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

India

Samsung India Electronics
of Production Ltd. (SIEL-P), Noida
Tel: 91-120-256-8251

Indonesia

P.T. Samsung Electronics Indonesia
of Production (SEIN-P), Cikarang
Tel: 62-21-8983-7130

Malaysia

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

Samsung Electronics Malaysia
Sdn. Bhd. (SEMA), Klang
Tel: 60-3-3176-2050

Philippines

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

Thailand

Thai Samsung Electronics
of Production Co., Ltd.
(TSE-P), Bangkok
Tel: 66-38-320-777

Vietnam

Samsung Vina Electronics Co., Ltd.
(SAVINA), Ho Chi Minh City
Tel: 84-8-3896-5500

Samsung Electronics Vietnam
(SEV), Bac Ninh City
Tel: 84-241-856-000

CIS

Russia

Samsung Electronics Russia
(SERK), Kaluga
Tel: 7-484-38-67-000

EUROPE

Hungary

Samsung Electronics Hungarian
of Production Co., Ltd. (SEH-P),
Jaszfenyszaru
Tel: 36-57-522-200

Slovakia

Samsung Electronics Slovakia,
S.R.O. (SESK), Galanta
Tel: 421-31-7882-111

Poland

Samsung Electronics
Poland (SEPM), Wronki
Tel: 48-608-157-197

NORTH & SOUTH AMERICA**Brazil**

Samsung Electronica Da Amazonia Ltda. (SEDA-P(M)), Manaus
Tel: 55-92-4009-1010

Samsung Eletronica Da Amazonia Ltda (SEDA-P(C)), Campinas
Tel: 55-19-4501-2001

Mexico

Samsung Electronics Mexico (SEM-P), Querétaro
Tel: 52-442-296-9003

Samsung Mexicana S.A. de C.V. (SAMEX), Tijuana
Tel: 1-619-671-1669

United States

Samsung Austin Semiconductor, Llc (SAS), Austin
Tel: 1-512-672-1000

SALES NETWORK**ASIA PACIFIC****Australia**

Samsung Electronics Australia Pty. Ltd. (SEAU), Sydney
Tel: 61-2-9763-9700

China

Shanghai Samsung Semiconductor (SSS), Shanghai
Tel: 86-21-5258-2211

Samsung (China) Investment (SCIC), Beijing
Tel: 86-10-6566-8100

Hong Kong

Samsung Electronics H.K. Co., Ltd. (SEHK-Set), Hong Kong
Tel: 852-2862-6300 (6900)

India

Samsung India Electronics of Sales Ltd. (SIEL-S), New Delhi
Tel: 91-11-5151-1234

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

Indonesia

P.T. Samsung Electronics Indonesia of Sales (SEIN-S), Jakarta
Tel: 62-21-5299-1777

Japan

Samsung Japan Corporation (SJC), Tokyo
Tel: 81-3-6234-2111

Malaysia

Samsung Malaysia Electronics (SME-Set) Sdn. Bhd., Kuala Lumpur
Tel: 60-3-2263-6600

Philippines

Samsung Electronics Philippines Co. (SEPCO), Manila
Tel: 63-2-722-7777

Singapore

Samsung Asia Pte. Ltd. (SAPL), Singapore
Tel: 65-6833-3106

Taiwan

Samsung Electronics Taiwan Co., Ltd. (SET-Set), Taipei
Tel: 886-2-6603-5168

Samsung Electronics Taiwan Co., Ltd. (SET-Semi), Taipei

Tel: 886-2-2656-8686

Thailand

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

Vietnam

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

CIS & BALTICS**Russia**

Samsung Electronics Russia Ltd. (SERC), Moscow
Tel: 7-095-797-2344

Ukraine

Samsung Electronics Ukraine Company (SEUC), Kiev
Tel: 380-44-390-5333

Kazakhstan

Samsung Electronics KZ LLP (SEKZ), Almaty
Tel: 7-3272-585-965

EUROPE**Austria**

Samsung Electronics Austria GmbH (SEAG), Vienna
Tel: 43-1-516-1563

Samsung Electronics (Vienna Branch), Vienna
Tel: 43-1-516-1551

France

Samsung Electronics France (SEF), St. Denis
Tel: 33-1-4921-7000

Germany

Samsung Electronics GmbH (SEG), Schwalbach
Tel: 49-6196-6660

Samsung Semiconductor Europe GmbH (SSEG), Eschborn
Tel: 49-6196-66-3300

Greece

Samsung Electronics Co., Ltd. Athens Branch, Athens
Tel: 30-210-689-6235

Hungary

Samsung Electronics Hungary Private Co., Ltd. (SHE-S), Budapest
Tel: 36-1-453-1180

Rumania

Samsung Electronics Co., Ltd. (Bucharest Branch) Voluntari
Tel: 40-31-620-8152

Italy

Samsung Electronics Italia Spa (SEI), Milan
Tel: 39-02-921-891

Netherlands

Samsung Electronics Benelux B.V. (SEBN), Delft
Tel: 31-15-219-6100

Poland

Samsung Electronics Polska (SEPOL), Warsaw
Tel: 48-22-607-4400

Portugal

Samsung Electronica Portuguesa S.A. (SEP), Porto Salvo
Tel: 351-21-425-1000

Spain

Samsung Electronics Iberia, S.A. (SESA), Madrid
Tel: 34-91-714-3700

Sweden

Samsung Electronics Nordic AB (SENA), Upplands Väsby
Tel: 46-8-555-05700

United Kingdom

Samsung Electronics U.K. Ltd. (SEUK), Chertsey
Tel: 44-1932-455-000

Samsung Semiconductor Europe Ltd. (SSEL), Weybridge
Tel: 44-1932-823-500

Czech

Samsung Electronics Czech (SECZ), Prague
Tel: 420-225-020-710

Latvia

Samsung Electronics Baltics (SEB), Riga
Tel: 371-6750-8500

MIDDLE EAST & AFRICA**United Arab Emirates**

Samsung Gulf Electronics Co., Ltd.
(SGE), Dubai
Tel: 971-4-364-8600

South Africa

Samsung Electronics South Africa
(Pty) Ltd. (SSA), Johannesburg
Tel: 27-11-463-5678

Turkey

Samsung Electronics Turkey Ltd.
(SETK), Istanbul
Tel: 90-212-407-0600

Iran

Samsung Electronics Co., Ltd.
Tehran Branch
Tel: 98-21-875-8551

Israel

Samsung Electronics Co., Ltd.
Tel-Aviv Branch
Tel: 972-77-902-6276/16

Saudi Arabia

Samsung Electronics Co., Ltd.
Jeddah L/Branch
Tel: 966-2-665-0940

Jordan

Samsung Electronics Co., Ltd.
(SELV), Amman
Tel: 962-6-577-7457

Morocco

Samsung Electronics Co., Ltd.
(SEMRC), Casablanca
Tel: 212-22-335-383

Algeria

Samsung Electronics Co., Ltd.
Algiers Branch
Tel: 213-21-59-1029/30

Tunisia

Samsung Electronics Co., Ltd.
Tunis Branch
Tel: 216-1-860-275/234

Kenya

Samsung Electronics Co., Ltd.
Nairobi Branch
Tel: 254-2-273-0434

Pakistan

Samsung Electronics Co., Ltd.
Lahore Branch
Tel: 92-42-3594-1281

Nigeria

Samsung Electronics Co., Ltd.
(SEWA), Lagos
Tel: 234-1-461-7611

NORTH AMERICA**Canada**

Samsung Electronics Canada Inc.
(SECA), Toronto
Tel: 905-542-3535

Mexico

Samsung Electronics Mexico Sales
(SEM-S), Mexico City
Tel: 52-55-5747-5100

United States

Samsung Electronics America, Inc.
(SEA), Ridgefield Park
Tel: 1-201-229-4000

Samsung Semiconductor, Inc.
(SSI), San Jose
Tel: 1-408-544-4000

Samsung Telecommunications
America (STA), Dallas
Tel: 972-761-7000

LATIN AMERICA**Argentina**

Samsung Electronics Argentina, S.A.
(SEASA), Buenos Aires
Tel: 54-11-4109-4000

Brazil

Samsung Electronica Da Amazonia
of Sales Ltda. (SEDA-S), São Paulo
Tel: 55-11-5644-6400

Chile

Samsung Electronics Co., Ltd.
Santiago Office (SECH), Santiago
Tel: 56-2-485-8500

Colombia

Samsung Electronics Colombia S.A.
(SAMCOL), Bogotá
Tel: 57-1-487-0707

Panama

Samsung Electronics Latino America
S.A. (SELA), Panama City
Tel: 507-210-1122

Peru

Samsung Electronics Co., Ltd.
(SEPR), Lima
Tel: 51-1-711-4891