

Samsung Engineering Co., Ltd.
Non-consolidated Financial Statements
in accordance with Korean Accounting Standards
December 31, 2007

Samsung Engineering Co., Ltd.

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December 31, 2007

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Report of Independent Auditors

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

We have audited the accompanying non-consolidated balance sheet of Samsung Engineering Co., Ltd. (the “Company”) as of December 31, 2007, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year 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 audit. The financial statements of the Company as of and for the year ended December 31, 2006, presented herein for comparative purposes, were audited by other auditors whose report dated January 19, 2007, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements as of and for the year ended December 31, 2007, referred to above present fairly, in all material respects, the financial position of Samsung Engineering Co., Ltd. as of December 31, 2007, and the results of its operations, the changes in its retained earnings, the changes in its shareholders' equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

As discussed in Note 14 to the accompanying non-consolidated financial statements, the Company and 30 other Samsung Group affiliates (the “Affiliates”) entered into an agreement with the institutional creditors (the “Creditors”) of Samsung Motors Inc. (“SMI”) in September 1999. In accordance with this agreement, the Company and the Affiliates agreed to sell 3,500,000 shares of Samsung Life Insurance Co., Ltd. (the “Shares”), which were previously transferred to the Creditors in connection with the petition for court receivership of SMI. The Shares were to be disposed of by December 31, 2000, and if the sales proceeds fell short of ₩2,450 billion (the “Shortfall”), the Company and the Affiliates agreed to compensate the Creditors for the Shortfall by other means, including participating in any equity offering or subordinated debentures issued by the Creditors. Any excess proceeds over ₩2,450 billion were to be distributed to the Company and the Affiliates. In the event of non-performance to this agreement, default interest on the Shortfall was agreed to be paid to the Creditors by the Company and the Affiliates.

As of December 31, 2007, the sale of the Shares had not been completed and on December 9, 2005, the Creditors filed a civil action against Mr. Kun-Hee Lee, the Chairman of Samsung Group companies, the Company and 27 of the remaining Affiliates, in connection with this agreement claiming the agreed sales proceeds in the amount of ₩2,450 billion plus interest of 6% per annum and penalties.

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

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

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

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

A handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The script is fluid and cursive, with the letters connected in a continuous line.

Seoul, Korea

February 29, 2008

This report is effective as of February 29, 2008, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying 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.

Samsung Engineering Co., Ltd.
Non-Consolidated Balance Sheets
December 31, 2007 and 2006

<i>(In millions of Korean won, in thousands of US dollars (Note 3))</i>	2007	2006	2007	2006
Assets				
Current assets				
Cash and cash equivalents	₩ 274,150	₩ 193,524	\$ 292,271	\$ 206,316
Short-term financial instruments (Note 4)	345,574	271,497	368,416	289,442
Current portions of held-to-maturity securities (Note 7)	2,814	4,152	3,000	4,427
Trade accounts and notes receivable, net of allowance for doubtful accounts (Notes 5)	326,631	462,390	348,220	492,953
Other accounts and notes receivable	39,912	29,525	42,550	31,477
Inventories	-	26	-	28
Currency forwards (Note 14)	7,111	420	7,581	448
Accrued income	9,326	8,832	9,942	9,416
Advanced payment	36,017	19,198	38,397	20,467
Prepaid construction cost	14	11,059	15	11,790
Prepaid expenses	31,170	18,894	33,230	20,143
Short-term deferred income tax assets (Note 22)	2,360	5,148	2,516	5,489
Others	42	148	47	156
Total current assets	<u>1,075,121</u>	<u>1,024,813</u>	<u>1,146,185</u>	<u>1,092,552</u>
Long-term available-for-sale securities (Note 6)	52,648	38,051	56,128	40,566
Held-to-maturity securities (Note 7)	4,519	6,520	4,818	6,950
Equity-method investments (Note 8)	24,953	11,074	26,602	11,806
Property, plant and equipment, net of accumulated depreciation (Note 9)	163,883	146,804	174,715	156,507
Intangible assets, net of accumulated amortization (Note 10)	4,048	3,730	4,316	3,977
Guarantee deposits	51,907	34,413	55,338	36,688
Other non-current assets	819	1,520	873	1,620
Total other assets	<u>302,777</u>	<u>242,112</u>	<u>322,790</u>	<u>258,114</u>
Total assets	<u>₩1,377,898</u>	<u>₩1,266,925</u>	<u>\$1,468,975</u>	<u>\$1,350,666</u>

Samsung Engineering Co., Ltd.
Non-Consolidated Balance Sheets
December 31, 2007 and 2006

<i>(In millions of Korean won, in thousands of US dollars (Note 3))</i>	2007	2006	2007	2006
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts and notes payable	₩ 252,107	₩ 322,213	\$ 268,771	\$ 343,511
Other accounts and notes payable	53,069	42,016	56,576	44,793
Currency forwards (Note 14)	40	606	43	646
Advances from customers	389,435	323,682	415,176	345,077
Accrued expenses (Notes 12 and 13)	11,208	33	11,949	35
Income taxes payable (Note 22)	30,765	33,711	32,799	35,939
Provision for construction losses (Note 13)	15,740	18,173	16,781	19,374
Others	26,906	9,423	28,683	10,046
Total current liabilities	779,270	749,857	830,778	799,421
Guarantee deposits received	54,789	49,209	58,410	52,462
Long-term accrued expenses, less present value discount account (Notes 12 and 13)	2,421	6,044	2,582	6,444
Accrued severance benefits, net (Note 11)	12,705	14,940	13,546	15,927
Provision for construction warranties (Note 13)	8,649	10,337	9,220	11,020
Long-term deferred income tax liabilities (Note 22)	6,709	1,325	7,152	1,412
Total liabilities	864,543	831,712	921,688	886,686

Samsung Engineering Co., Ltd.
Non-Consolidated Balance Sheets
December 31, 2007 and 2006

<i>(In millions of Korean won, in thousands of US dollars (Note 3))</i>	2007	2006	2007	2006
Commitments and contingencies (Note 14)				
Shareholders' equity				
Capital stock				
Common stock (Note 16)	₩ 200,000	₩ 200,000	\$ 213,220	\$ 213,220
Capital surplus				
Paid-in capital in excess of par value	56,624	56,624	60,367	60,367
Capital adjustments				
Treasury stock (Note 18)	(57,609)	(4,535)	(61,417)	(4,834)
Loss on disposal of treasury stock	(408)	(295)	(435)	(315)
Stock options (Note 20)	346	474	369	505
Accumulated other comprehensive income (Note 19)	9,316	879	9,932	937
Retained earnings (Note 17)	<u>305,086</u>	<u>182,066</u>	<u>325,251</u>	<u>194,100</u>
Total shareholders' equity	<u>513,355</u>	<u>435,213</u>	<u>547,287</u>	<u>463,980</u>
Total liabilities and shareholders' equity	<u>₩1,377,898</u>	<u>₩1,266,925</u>	<u>\$1,468,975</u>	<u>\$1,350,666</u>

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

Samsung Engineering Co., Ltd.
Non-Consolidated Statements of Income
For the years ended December 31, 2007 and 2006

*(In millions of Korean won,
in thousands of US dollars (Note 3))*

	2007	2006	2007	2006
Sales (Note 15)	₩1,878,161	₩1,716,961	\$2,002,304	\$1,830,449
Cost of sales (Note 15)	<u>1,533,655</u>	<u>1,452,725</u>	<u>1,635,027</u>	<u>1,548,748</u>
Gross profit	344,506	264,236	367,277	281,701
Selling and administrative expenses (Note 28)	<u>217,866</u>	<u>150,624</u>	<u>232,267</u>	<u>160,580</u>
Operating income	<u>126,640</u>	<u>113,612</u>	<u>135,010</u>	<u>121,121</u>
Non-operating income				
Interest income	22,661	18,238	24,159	19,443
Dividend income	777	381	828	406
Commission income	7,510	7,647	8,006	8,153
Gain on foreign currency transactions	11,870	12,961	12,654	13,818
Gain on foreign currency translation (Note 21)	5,653	1,645	6,026	1,754
Gain on currency forwards transactions (Note 14)	4,342	101	4,628	108
Gain on valuation of currency forwards (Note 14)	6,968	420	7,429	448
Gain on valuation of equity-method investments (Note 8)	26,862	13,052	28,638	13,915
Reversal of allowance for doubtful accounts	3,012	45	3,211	48
Rental income	3,706	3,628	3,951	3,868
Reversal of provision for construction warranties	1,435	-	1,530	-
Others	<u>3,106</u>	<u>8,475</u>	<u>3,314</u>	<u>9,033</u>
	<u>97,902</u>	<u>66,593</u>	<u>104,374</u>	<u>70,994</u>

Samsung Engineering Co., Ltd.
Non-Consolidated Statements of Income
For the years ended December 31, 2007 and 2006

*(In millions of Korean won,
in thousands of US dollars (Note 3))*

	2007	2006	2007	2006
Non-operating expenses				
Interest expenses	₩ 576	₩ 1,495	\$ 615	\$ 1,593
Loss on foreign currency transactions	12,047	18,754	12,844	19,994
Loss on foreign currency translation (Note 21)	1,605	567	1,711	605
Commission expenses	1,431	1,012	1,526	1,079
Loss on currency forwards transactions (Note 14)	792	97	844	104
Loss on valuation of currency forwards (Note 14)	27	560	29	597
Loss on valuation of equity-method investments (Note 8)	-	557	-	594
Donations	1,316	896	1,403	956
Others	562	231	598	243
	<u>18,356</u>	<u>24,169</u>	<u>19,570</u>	<u>25,765</u>
Income before income taxes	206,186	156,036	219,814	166,350
Income tax expenses (Note 22)	<u>51,225</u>	<u>45,479</u>	<u>54,610</u>	<u>48,485</u>
Net income	<u>₩ 154,961</u>	<u>₩ 110,557</u>	<u>\$ 165,204</u>	<u>\$ 117,865</u>
 Basic earnings per share (Note 23) (in Korean won and U.S. dollars)	 <u>₩ 3,992</u>	 <u>₩ 2,796</u>	 <u>\$ 4.26</u>	 <u>\$ 2.98</u>
Diluted earnings per share (Note 23) (in Korean won and U.S. dollars)	<u>₩ 3,967</u>	<u>₩ 2,770</u>	<u>\$ 4.23</u>	<u>\$ 2.95</u>

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

Samsung Engineering Co., Ltd.
Non-Consolidated Statements of Appropriations of Retained Earnings
For the years ended December 31, 2007 and 2006
(Date of appropriations : March 28, 2008 and February 28, 2007
for the years ended December 31, 2007 and 2006, respectively)

(In millions of Korean won,
in thousands of US dollars (Note 3))

	2007	2006	2007	2006
Retained earnings before appropriations				
Unappropriated retained earnings carried over				
from prior year	₩ 1,625	₩ 1,009	\$ 1,732	\$ 1,075
Net income	<u>154,961</u>	<u>110,557</u>	<u>165,204</u>	<u>117,865</u>
	<u>156,586</u>	<u>111,566</u>	<u>166,936</u>	<u>118,940</u>
Appropriation of retained earnings				
Legal reserve	16,000	10,000	17,058	10,661
Reserve for research and human resource				
development	42,000	38,000	44,775	40,512
Reserve for investment	50,000	30,000	53,305	31,983
Reserve for loss on disposal of treasury stock	408	295	435	314
Cash dividends (Note 17)				
Dividends(ratio) per common share:				
₩1,200 (24%) in 2007,				
₩ 800 (16%) in 2006	<u>46,454</u>	<u>31,646</u>	<u>49,525</u>	<u>33,738</u>
	<u>154,862</u>	<u>109,941</u>	<u>165,098</u>	<u>117,208</u>
Unappropriated retained earnings				
carried over to subsequent year	<u>₩ 1,724</u>	<u>₩ 1,625</u>	<u>\$ 1,838</u>	<u>\$ 1,732</u>

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

Samsung Engineering Co., Ltd.
Non-Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2007

(in millions of Korean won)

	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive Income	Retained earnings	Total
Balances as of January 1, 2007	₩ 200,000	₩ 56,624	₩ (4,356)	₩ 879	₩ 182,066	₩ 435,213
Dividends (Note 17)	-	-	-	-	(31,646)	(31,646)
Purchase of treasury stock	-	-	(54,586)	-	-	(54,586)
Disposal of treasury stock	-	-	1,104	-	-	1,104
Gain on valuation of available-for-sale securities (Note 6)	-	-	-	5,300	-	5,300
Loss on valuation of available-for-sale securities (Note 6)	-	-	-	1,949	-	1,949
Gain on valuation of equity-method investments (Note 8)	-	-	-	768	-	768
Loss on valuation of equity-method investments (Note 8)	-	-	-	420	-	420
Stock options	-	-	(128)	-	-	(128)
Loss on disposal of treasury stock	-	-	295	-	(295)	-
Net income	-	-	-	-	154,961	154,961
Balances as of December 31, 2007	<u>₩ 200,000</u>	<u>₩ 56,624</u>	<u>₩ (57,671)</u>	<u>₩ 9,316</u>	<u>₩ 305,086</u>	<u>₩ 513,355</u>

Samsung Engineering Co., Ltd.
Non-Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2007

(in thousands of US dollars (Note 3))

	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive Income	Retained earnings	Total
Balances as of January 1, 2007	\$ 213,220	\$ 60,367	\$ (4,644)	\$ 937	\$ 194,100	\$ 463,980
Dividends (Note 17)	-	-	-	-	(33,738)	(33,738)
Purchase of treasury stock	-	-	(58,194)	-	-	(58,194)
Disposal of treasury stock	-	-	1,176	-	-	1,176
Gain on valuation of available-for-sale securities (Note 6)	-	-	-	5,650	-	5,650
Loss on valuation of available-for-sale securities (Note 6)	-	-	-	2,077	-	2,077
Gain on valuation of equity-method investments (Note 8)	-	-	-	820	-	820
Loss on valuation of equity-method investments (Note 8)	-	-	-	448	-	448
Stock options	-	-	(136)	-	-	(136)
Loss on disposal of treasury stock	-	-	315	-	(315)	-
Net income	-	-	-	-	165,204	165,204
Balances as of December 31, 2007	<u>\$ 213,220</u>	<u>\$ 60,367</u>	<u>\$ (61,483)</u>	<u>\$ 9,932</u>	<u>\$ 325,251</u>	<u>\$ 547,287</u>

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

Samsung Engineering Co., Ltd.
Non-Consolidated Statements of Cash Flows
For the years ended December 31, 2007 and 2006

*(In millions of Korean won,
in thousands of US dollars (Note 3))*

	2007	2006	2007	2006
Cash flows from operating activities				
Net income	<u>₩ 154,961</u>	<u>₩ 110,557</u>	<u>\$ 165,204</u>	<u>\$ 117,865</u>
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	10,933	8,863	11,655	9,449
Amortization of intangible assets	2,783	1,792	2,967	1,910
Provision for severance benefits	18,869	13,016	20,116	13,876
Loss on foreign currency translation	1,506	408	1,606	435
Gain on foreign currency translation	(2,989)	(945)	(3,186)	(1,007)
Loss on valuation of equity-method investments	-	557	-	594
Gain on valuation of equity-method investments	(26,862)	(13,052)	(28,638)	(13,915)
Dividends receipt from the equity- method investments	14,672	4,961	15,642	5,289
Loss on valuation of currency forwards	27	560	29	597
Gain on valuation of currency forwards	(6,968)	(420)	(7,429)	(448)
Reversal of allowance for doubtful accounts	(3,012)	(45)	(3,211)	(48)
Reversal of provision for construction warranties	(1,435)	-	(1,530)	-
Others	<u>433</u>	<u>344</u>	<u>462</u>	<u>367</u>
	<u>7,957</u>	<u>16,039</u>	<u>8,483</u>	<u>17,099</u>

Samsung Engineering Co., Ltd.
Non-Consolidated Statements of Cash Flows
For the years ended December 31, 2007 and 2006

*(In millions of Korean won,
in thousands of US dollars (Note 3))*

	2007	2006	2007	2006
Changes in operating assets and liabilities				
Decrease (Increase) in trade accounts and notes receivable	₩ 141,088	₩ (169,329)	\$ 150,413	\$ (180,521)
Decrease (Increase) in other accounts and notes receivable	(10,345)	2,797	(11,028)	2,982
Increase (Decrease) in trade accounts and notes payable	(71,060)	126,233	(75,757)	134,577
Increase in other accounts and notes payable	11,019	1,290	11,748	1,376
Increase in advances from customers	65,752	171,210	70,099	182,526
Payment of severance benefits	(10,979)	(2,776)	(11,705)	(2,960)
Increase in severance benefit deposits	(5,090)	(6,975)	(5,427)	(7,436)
Increase in pension plan assets	(5,091)	-	(5,427)	-
Deferred income taxes	4,936	5,293	5,263	5,643
Others	6,114	22,686	6,516	24,185
	<u>126,344</u>	<u>150,429</u>	<u>134,695</u>	<u>160,372</u>
Net cash provided by operating activities	<u>289,262</u>	<u>277,025</u>	<u>308,382</u>	<u>295,336</u>
Cash flows from investing activities				
Net decrease in short-term financial instruments	(74,077)	(79,850)	(78,972)	(85,127)
Proceeds from redemption of current portions of held-to-maturity securities	4,425	-	4,717	-
Acquisition of long-term available-for-sale securities	(4,611)	-	(4,916)	-
Acquisition of property, plant and equipment	(28,083)	(10,874)	(29,940)	(11,594)
Acquisition of intangible assets	(3,101)	(2,492)	(3,306)	(2,657)
Net increase in guarantee deposits	(17,434)	(11,271)	(18,587)	(12,016)
Others	<u>(344)</u>	<u>(1,622)</u>	<u>(367)</u>	<u>(1,728)</u>
Net cash used in investing activities	<u>(123,225)</u>	<u>(106,109)</u>	<u>(131,371)</u>	<u>(113,122)</u>

Samsung Engineering Co., Ltd.
Non-Consolidated Statements of Cash Flows
For the years ended December 31, 2007 and 2006

*(In millions of Korean won,
in thousands of US dollars (Note 3))*

	2007	2006	2007	2006
Cash flows from financing activities				
Exercise of stock options	₩ 821	₩ 682	\$ 875	\$ 727
Payment of current portions of long-term debt	-	(40,000)	-	(42,644)
Payment of dividends	(31,646)	(15,774)	(33,738)	(16,817)
Purchase of treasury stocks	<u>(54,586)</u>	<u>-</u>	<u>(58,193)</u>	<u>-</u>
Net cash used in financing activities	<u>(85,411)</u>	<u>(55,092)</u>	<u>(91,056)</u>	<u>(58,734)</u>
Net increase in cash and cash equivalents	80,626	115,824	85,955	123,480
Cash and cash equivalents (Note 26)				
Beginning of the year	<u>193,524</u>	<u>77,700</u>	<u>206,316</u>	<u>82,836</u>
End of the year	<u>₩ 274,150</u>	<u>₩ 193,524</u>	<u>\$ 292,271</u>	<u>\$ 206,316</u>

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

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
December 31, 2007 and 2006

1. The Company

Samsung Engineering Co., Ltd (the “Company”) was established on January 20, 1970 under the Commercial Law of the Republic of Korea to engage in the engineering services for plant and other construction. The Company listed its shares on the Korea Stock Exchange on December 24, 1996.

As of December 31, 2007, major shareholders of the Company are as follows

Name of Shareholder	Number of Shares	Percentage of Ownership (%)
Cheil Industries Inc.	5,238,299	13.10%
Capital Research & Management Company	3,738,190	9.35%
Korea Investment Trust Management Co., Ltd.	2,667,315	6.67%
Samsung SDI Co., Ltd	2,036,966	5.09%
Fidelity	1,611,127	4.03%
Capital Group International Incorporated	1,292,195	3.23%

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-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 Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. 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. Certain information attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company’s financial position, results of operations, cash flows or changes in shareholders’ equity is not presented in the accompanying non-consolidated financial statements.

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
December 31, 2007 and 2006

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards, established by the Korean Financial and Supervisory Commission. The Company has adopted SKFAS No.1 through No.23, except No.14, in its financial statements as of and for the year ended December 31, 2007. Significant accounting policies adopted by the Company for the annual financial statement are identical to the accounting policies followed by the Company for the annual financial statements for the year ended December 31, 2006, except for SKFAS Nos. 11, 21 through 23, which became effective for the Company on January 1, 2007. However, the non-consolidated statement of changes in shareholders' equity is not presented comparatively as allowed under SKFAS No. 21.

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 these estimates.

Revenue Recognition

Revenues from construction contracts are recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred to date to total estimated contract costs.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the aggregate estimated collectibility off the receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the moving-average cost method. Losses on valuation of inventories and losses on inventory obsolescence are recorded as part of cost of sales.

Investments in Securities

Costs of securities are determined using the moving-weighted average method. 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. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

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Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

Equity-Method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

Property, plant and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

	Estimated Useful Lives	Depreciation Method
Building	20 - 40 years	Straight line method
Structures	20 - 40 years	Straight line method
Machinery	6 years	Declining balance method
Vehicles	4 years	Declining balance method
Furniture and Fixtures	4 - 20 years	Declining balance method

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment.

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Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on using the following depreciation method and estimated useful lives:

	Estimated Useful Lives	Depreciation Methods
Software	4 years	Declining balance method

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment.

Government Grants

Government grants received, which are to be repaid, are recorded as liability, while grants without obligation to be repaid are offset against cost of assets purchased with such grants. Grants received for a specific purpose are offset against the specific expense for which it was granted, and other grants are recorded as a gain for the period.

Valuation of Assets and Liabilities at Present Value

Receivables and payables resulting from on long-term installment payment transactions, long-term cash loans or other similar borrowings, are valued at their present values, discounted at an appropriate discount rate when the difference between the nominal value and present value is material. The present value discounts are amortized or recovered using the effective interest rate method and are recognized as interest income or expense over the term of the contract.

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.

The Company has partially funded the accrued severance benefits through severance insurance deposits with an insurance company. Deposits made by the Company are recorded as deductions from accrued severance benefits. The excess portion of deposits over accrued severance benefits is recorded as other investments.

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The Company also has a defined contribution pension plan, and accrues severance benefits for current employees and pension payables for retired employees. Pension plan assets are presented as a deduction from the total accrued severance benefits and pension payables. The excess of pension plan assets over pension plan liabilities is recorded as investment assets.

The Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as deduction from accrued severance benefits.

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.

Translation of Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the balance sheet date, and the resulting translation gains and losses are recognized in current operations.

Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized under the shareholders' equity under accumulated other comprehensive income and expense.

Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

Approval of Financial Statements

The December 31, 2007 financial statements of the Company were approved by the board of directors on February 11, 2008.

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3. United States Dollar Amounts

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

4. Financial Instruments Subject to Withdrawal Restrictions

As of December 31, 2007, cash deposits amounting to ₩2,027 million (2006: ₩1,497 million) are subject to withdrawal restrictions as they are related to government-sponsored research and development project. Long-term financial instruments amounting to ₩18 million (2006: ₩20 million) are subject to withdrawal restrictions to maintain checking accounts.

5. Trade Accounts and Notes Receivable

Accounts and notes receivable with respective allowance for doubtful accounts as of December 31, 2007 and 2006, consist of following:

<i>(in millions of Korean won)</i>	2007	2006
Trade accounts and notes receivable	₩ 343,124	₩ 481,476
Less: Allowance for doubtful accounts	(16,493)	(19,086)
	<u>₩ 326,631</u>	<u>₩ 462,390</u>

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6. Long-Term Available-For-Sale Securities

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

		2007			2006
		Acquisition Cost	Market Value or Net Book Value	Recorded Book Value	Recorded Book Value
<i>(In millions of Korean won)</i>	Detail				
Listed equities ¹	(1)	₩ 9,732	₩ 22,025	₩ 22,025	₩ 12,027
Non-listed equities ¹	(2)	27,126	28,507	25,616	21,017
Investments in partnerships	(3)	5,007	6,041	5,007	5,007
		<u>₩ 41,865</u>	<u>₩ 56,573</u>	<u>₩ 52,648</u>	<u>₩ 38,051</u>

¹ Excludes equity-method investees.

(1) Listed equity (excluding equity-method investments)

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

	2007							2006	
	Number	Percentage					Recorded	Recorded	
(In millions of Korean won)	of Shares Owned	of Ownership (%)	Acquisition Cost	Market Value			Book Value	Book Value	Book Value
Samsung Fine Chemicals Co. Ltd.	219,946	85	₩ 7,813	₩ 9,678	₩ 9,678	₩ 9,678	₩ 5,125		
Samsung Heavy Industries Co. Ltd.	302,159	13	1,766	12,146	12,146		6,738		
Daeyang Packing Co. Ltd.	280,000	29	95	127	127		105		
IRPC PUBLIC Company Ltd.	369,482	34	58	74	74		59		
			₩ 9,732	₩ 22,025	₩ 22,025	₩ 12,027			

The difference between the acquisition cost and market value of the investments is recorded under other comprehensive income, a separate component of shareholders' equity.

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(2) Non-listed equity (excluding equity-method investments)

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

<i>(In millions of Korean won)</i>	2007						2006	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value	Recorded Book Value	Recorded Book Value	Recorded Book Value
iMarketkorea Inc.	190,000	7.05	₩ 950	₩ 4,191	₩ 950	₩ 950	₩ 950	₩ 950
PT Samsung Engineering Indonesia ¹	250,000	100.00	196	-	-	-	-	-
SECL Philippines., Inc. ¹	1,998	39.96	7	-	-	-	-	-
Samsung Engineering Magyarország KFT ²	-	-	-	-	-	-	13	13
Samsung Engineering Consulting (Shanghai) Co., Ltd. ¹	-	100.00	437	378	437	437	437	437
SETIS Co., Ltd. ¹	62,181	49.00	157	198	157	157	157	157
Samsung Ingenieria Minatitlan, S.A de C.V. ¹	49,950	99.90	5	3,092	5	5	5	5
Samsung Engineering India Private Ltd. ¹	15,749,990	99.99	3,230	3,265	3,230	3,230	3,230	3,230
Triko Engineering Co., Ltd. ¹	-	100.00	9	367	9	9	9	9
Samsung Ingenieria Tampico, S.A. de C.V. ¹	99,900	99.90	10	111	10	10	-	-

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(In millions of Korean won)	Number of Shares Owned	Percentage of Ownership (%)	2007		2006	
			Acquisition Cost	Net Book Value	Recorded Book Value	Recorded Book Value
Samsung Veolia Incheon WasteWater Co., Ltd.	1,436,298	19.90	₩ 7,181	₩ 5,212	₩ 7,181	₩ 7,181
Veolia Samsung Operating Co., Ltd. ³	1,990	19.90	10	890	10	10
KG Energy Co., Ltd.	199,775	11.10	1,998	1,448	963	963
Dongbu Environment Co., Ltd. ³	392,040	19.80	1,960	1,729	1,960	1,960
ENTECH ENC. Co., Ltd.	51,000	9.61	294	127	27	27
Hwasung Enviro Co., Ltd.	293,398	19.80	1,467	1,618	1,467	1,467
Incheon United Football Club	1,000	0.03	5	-	-	-
Yong-in Clean Water Co., Ltd.	1,628,218	19.90	8,141	4,553	8,141	4,559
Thai Petrochemical Industry Polene Public Company Ltd.	47,123	0.02	49	308	49	49
Purun Anseong Co., Ltd.	204,000	12.00	1,020	1,020	1,020	-
			₩ 27,126	₩ 28,507	₩ 25,616	₩ 21,017

¹ As of December 31, 2007, these investment were not valued using the equity method of accounting due to the immateriality of their total asset balance.

² The equity method is applied to the investments in Samsung Engineering Magyarorszag KFT starting 2007 (Note 8).

³ The investments in Samsung Veolia Incheon Waste Water Co., Ltd. and Dongbu Environment Co., Ltd. are pledged as collaterals for project financing as of December 31, 2007 (Note 14).

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(3) Investments in Partnerships

Investment in partnerships as of December 31, 2007 and 2006, consist of the following:

<i>(In millions of Korean won)</i>	2007						2006	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value	Recorded Book Value	Recorded Book Value	Recorded Book Value
Engineering Financial Cooperative	113	0.02	₩ 12	₩ 24	₩ 12	₩ 12	₩ 12	₩ 12
Korea Electric Engineering Association	200	0.15	20	28	20	20	20	20
Information & Communication Financial Cooperative	100	0.01	21	26	21	21	21	21
Construction Guarantee	4,429	0.12	4,829	5,797	4,829	4,829	4,829	4,829
Electronic Contractors' Financial Cooperative	300	0.01	58	84	58	58	58	58
Plant & Medichanical Contractors Financial Cooperative of Korea	74	0.02	67	82	67	67	67	67
			₩ 5,007	₩ 6,041	₩ 5,007	₩ 5,007	₩ 5,007	₩ 5,007

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(4) Recognition of Impairment

Non-listed equities and investments in partnerships under available-for-sale securities have been valued using the cost method of accounting as their fair values were not determinable. The Company has recognized impairment loss on the investments whose book values are not expected to recover in the near future.

Details of accumulated impairment losses on available-for-sale securities as of December 31, 2007, are as follows:

<i>(In millions of Korean won)</i>	Accumulated Impairment Losses	
PT Samsung Engineering Indonesia	₩	197
SECL Philippines., Inc.		6
KG Energy Co., Ltd.		1,035
ENTECH ENC. Co., Ltd.		267
Incheon United Football Club		5
	₩	<u>1,510</u>

(5) Valuation from Available-For-Sale Securities

Changes in gain and loss from available-for-sale securities recorded as other comprehensive income in 2007 and 2006 are as follows:

<i>(In millions of Korean won)</i>	Valuation Gain on Available-For-Sale Securities			
	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007
Listed equities	₩ 3,613	₩ 7,310	₩ -	₩ 10,923
Deferred income taxes				(2,010)
				<u>₩ 8,913</u>

<i>(In millions of Korean won)</i>	Valuation Loss on Available-For-Sale Securities			
	Balance at January 1, 2007	Valuation Amount	Included in Earnings	Balance at December 31, 2007
Listed equities	₩ 1,949	₩ (2,688)	₩ -	₩ (739)
Deferred income taxes				739
				<u>₩ -</u>

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<i>(In millions of Korean won)</i>	Valuation Gain on Available-For-Sale Securities			
	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006
Listed equities	₩ 2,639	₩ 1,343	₩ -	₩ 3,982
Deferred income taxes				(369)
				<u>₩ 3,613</u>

<i>(In millions of Korean won)</i>	Valuation Loss on Available-For-Sale Securities			
	Balance at January 1, 2006	Valuation Amount	Included in Earnings	Balance at December 31, 2006
Listed equities	₩ 362	₩ 2,189	₩ -	₩ 2,551
Deferred income taxes				(602)
				<u>₩ 1,949</u>

7. Held-To-Maturity Securities

Held-to-maturity securities consist of government and public bonds. Details of held-to-maturity securities as of December 31, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007			2006
	Acquisition Cost	Par Value	Book Value	Book Value
Maturity				
Within a year	₩ 2,814	₩ 2,814	₩ 2,814	₩ 4,152
Over 1 year and within 5 years	4,519	4,519	4,519	6,520
	<u>₩ 7,333</u>	<u>₩ 7,333</u>	<u>₩ 7,333</u>	<u>₩ 10,672</u>

Interest income earned from held-to-maturity securities amounted to ₩341 million in 2007 (2006: ₩578 million).

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8. Equity-Method Investments

(1) Equity-method investments as of December 31, 2007 and 2006, are as follows:

(in millions of Korean won)

Investee	2007				
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Net Book Value	Recorded Book Value
Samsung Engineering (Malaysia) SDN, BHD ²	250,000	100.00	₩ 68	₩ (107)	₩ -
Samsung Ingenieria Mexico S.A. de C.V ²	148,500	99.66	18	(52)	-
Samsung Saudi Arabia Co., Ltd.	3,000	75.00	965	6,908	6,908
Samsung Engineering (Thailand) Co., Ltd. ²	82,500	33.00	277	(19,583)	-
Samsung Engineering Construction (Shanghai) Co., Ltd.	-	100.00	1,006	6,045	6,045
Samsung Engineering Magyarország KFT ¹	-	100.00	13	12,000	12,000
			<u>₩ 2,347</u>	<u>₩ 5,211</u>	<u>₩ 24,953</u>

¹ The equity method is applied to the investments in Samsung Engineering Magyarország KFT starting 2007 as the investee's total assets were over ₩7 billion as of December 31, 2006. It was valued using cost method of accounting up to December 31, 2006.

² The application of the equity method of accounting has been suspended as the Company's share in the accumulated losses of the investee exceeded the costs of the investments.

(in millions of Korean won)

Investee	2006				
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Net Book Value	Recorded Book Value
Samsung Engineering (Malaysia) SDN, BHD	250,000	100.00	₩ 68	₩ (94)	₩ -
Samsung Ingenieria Mexico S.A. de C.V	148,500	99.00	18	(11)	-
Samsung Saudi Arabia Co., Ltd.	3,000	75.00	965	2,845	2,845
Samsung Engineering (Thailand) Co., Ltd.	82,500	33.00	277	(13,364)	-
Samsung Engineering Construction (Shanghai) Co., Ltd.	-	100.00	1,006	8,229	8,229
			<u>₩ 2,334</u>	<u>₩ (2,395)</u>	<u>₩ 11,074</u>

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(2) Changes in the book values of equity-method investments in 2007 and 2006, are as follows:

(In millions of Korean won)		2007						
Investee	Beginning Balance		Earnings from Equity-Method Investments		Other Increase (Decrease)	Ending Balance		
Samsung Engineering (Malaysia) SDN. BHD	₩	-	₩	-	₩	-		
Samsung Ingenieria Mexico S.A. de C.V.		-		-		-		
Samsung Saudi Arabia Co. Ltd.		2,845		3,814		6,908		
Samsung Engineering (Thailand) Co. Ltd.		-		-		-		
Samsung Engineering Construction (Shanghai) Co. Ltd.		8,229		6,638		6,045		
Samsung Engineering Magyarorszag KFT		-		16,410		12,000		
	₩	11,074	₩	26,862	₩	(12,983)	₩	24,953
(In millions of Korean won)		2006						
Investee	Beginning Balance		Earnings from Equity-Method Investments		Other Increase (Decrease)	Ending Balance		
Samsung Engineering(Malaysia) SDN. BHD	₩	557	₩	(557)	₩	-	₩	-
Samsung Ingenieria Mexico S.A. de C.V.		-		-		-		-
Samsung Saudi Arabia Co. Ltd.		2,787		3,528		(3,470)		2,845
Samsung Engineering (Thailand) Co. Ltd.		-		-		-		-
Samsung Engineering Construction (Shanghai) Co. Ltd.		-		9,524		(1,295)		8,229
	₩	3,344	₩	12,495	₩	(4,765)	₩	11,074

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- (3) Changes in gain and loss on valuation of equity-method investments recorded as other comprehensive income accounted for using the equity method in 2007 and 2006, are as follows:

(In millions of Korean won)

	2007				
	Beginning Balance	Valuation Gain/Loss	Realized Valuation Gain/Loss	Deferred income tax	Ending Balance
Gain on valuation of equity-method investments (other comprehensive income)	₩ -	₩ 1,059	₩ -	₩ (291)	₩ 768
Loss on valuation of equity-method investments (other comprehensive income)	(785)	615	-	(195)	(365)
	<u>₩ (785)</u>	<u>₩ 1,674</u>	<u>₩ -</u>	<u>₩ (486)</u>	<u>₩ 403</u>

(In millions of Korean won)

	2006				
	Beginning Balance	Valuation Gain/Loss	Realized Valuation Gain/Loss	Deferred income tax	Ending Balance
Gain on valuation of equity-method investments (other comprehensive income)	₩ -	₩ -	₩ -	₩ -	₩ -
Loss on valuation of equity-method investments (other comprehensive income)	(198)	(810)	-	223	(785)
	<u>₩ (198)</u>	<u>₩ (810)</u>	<u>₩ -</u>	<u>₩ 223</u>	<u>₩ (785)</u>

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- (4) As of December 31, 2007 and 2006, details of equity method investees whose financial statements were adjusted to reconcile their accounting policies with those of the Company's, are as follows:

(In millions of Korean won)

Investee	2007					
	Net Asset Before Adjustment		Adjustment		Net Asset after Adjustment	
Samsung Engineering (Malaysia) SDN. BHD1	₩	(269)	₩	162	₩	(107)
Samsung Ingenieria Mexico S.A. de C.V.		(52)		-		(52)
Samsung Saudi Arabia Co. Ltd.		9,210		-		9,210
Samsung Engineering (Thailand) Co. Ltd.		(59,343)		-		(59,343)
Samsung Engineering Construction (Shanghai) Co. Ltd. ¹		5,870		175		6,045
Samsung Engineering Magyarország KFT ¹		17,209		(5,209)		12,000

(In millions of Korean won)

Investee	2006					
	Net Asset before Adjustment		Adjustment		Net Asset after Adjustment	
Samsung Engineering (Malaysia) SDN. BHD ¹	₩	191	₩	(285)	₩	(94)
Samsung Ingenieria Mexico S.A. de C.V.		(12)		-		(12)
Samsung Saudi Arabia Co. Ltd.		65,555		(61,761)		3,794
Samsung Engineering (Thailand) Co. Ltd.		(40,497)		-		(40,497)
Samsung Engineering Construction (Shanghai) Co. Ltd. ¹		12,780		(4,551)		8,229

¹ The financial statements of the investees were adjusted to reconcile the accounting policies on revenue recognition of the Company.

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(5) As of December 31, 2007, details of investees from which the application of the equity method of accounting has been suspended, as the Company's share in the accumulated losses of the investee exceeded the costs of the investments, are as follows:

<i>(In millions of Korean won)</i>	Acquisition Cost	Accumulative Valuation Losses	Recognized Valuation Losses	Unrecognized Valuation Losses
Samsung Engineering (Malaysia) SDN. BHD	₩ 68	₩ (175)	₩ (68)	₩ (107)
Samsung Ingenieria Mexico S.A. de C.V.	19	(71)	(19)	(52)
Samsung Engineering (Thailand) Co. Ltd.	278	(19,861)	(278)	(19,583)

(6) Summary of financial information of equity method investees is as follows:

<i>(In millions of Korean won)</i>	2007			
	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Engineering (Malaysia) SDN. BHD	₩ 607	₩ 715	₩ 2,018	₩ (6)
Samsung Ingenieria Mexico S.A. de C.V.	121	173	24	(68)
Samsung Saudi Arabia Co. Ltd.	169,761	160,552	251,953	5,085
Samsung Engineering (Thailand) Co. Ltd.	31,805	91,148	5,742	(5,175)
Samsung Engineering Construction (Shanghai) Co. Ltd.	18,234	12,189	36,125	6,639
Samsung Engineering Magyarorszag KFT	22,831	10,831	57,654	10,229

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	2006					Net Income	
	Assets		Liabilities		Sales	(Loss)	
Samsung Engineering (Malaysia) SDN. BHD	₩	965	₩	1,059	₩	885	₩ (637)
Samsung Ingenieria Mexico S.A. de C.V.		124		136		-	469
Samsung Saudi Arabia Co. Ltd.		147,094		143,300		136,662	4,703
Samsung Engineering (Thailand) Co. Ltd.		20,039		60,536		15,528	9,904
Samsung Engineering Construction (Shanghai) Co. Ltd.		17,076		8,847		31,082	9,524

9. Property, Plant and Equipment

Changes in property, plant and equipment as of December 31, 2007 and 2006, are as follows:

	2007						
(in millions of Korean won)	Land	Buildings	Structures	Machinery	Vehicles	Furniture & Fixtures	Total
Balance as of January 1, 2007	₩ 46,696	₩ 90,651	₩ 91	₩ 1,904	₩ 573	₩ 6,889	₩ 146,804
Acquisition	5,254	8,788	18	3,143	681	10,200	28,084
Disposal	-	-	-	-	(1)	(71)	(72)
Depreciation	-	(3,010)	(6)	(1,321)	(641)	(5,955)	(10,933)
Balance as of December 31, 2007	<u>₩ 51,950</u>	<u>₩ 96,429</u>	<u>₩ 103</u>	<u>₩ 3,726</u>	<u>₩ 612</u>	<u>₩ 11,063</u>	<u>₩ 163,883</u>
Acquisition cost	<u>₩ 51,950</u>	<u>₩ 112,839</u>	<u>₩ 132</u>	<u>₩ 6,088</u>	<u>₩ 3,566</u>	<u>₩ 36,966</u>	<u>₩ 211,541</u>
Accumulated depreciation	<u>₩ -</u>	<u>₩ 16,410</u>	<u>₩ 29</u>	<u>₩ 2,362</u>	<u>₩ 2,954</u>	<u>₩ 25,903</u>	<u>₩ 47,658</u>

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(in millions of Korean won)	2006						
	Land	Buildings	Structures	Machinery	Vehicles	Furniture & Fixtures	Total
Balance as of							
January 1, 2006	₩ 46,696	₩ 90,904	₩ 44	₩ 438	₩ 457	₩ 6,277	₩ 144,816
Acquisition	-	2,520	50	2,165	720	5,419	10,874
Disposal	-	-	-	-	(14)	(9)	(23)
Depreciation	-	(2,773)	(3)	(699)	(590)	(4,798)	(8,863)
Balance as of							
December 31, 2006	<u>₩ 46,696</u>	<u>₩ 90,651</u>	<u>₩ 91</u>	<u>₩ 1,904</u>	<u>₩ 573</u>	<u>₩ 6,889</u>	<u>₩ 146,804</u>
Acquisition cost	<u>₩ 46,696</u>	<u>₩ 104,051</u>	<u>₩ 115</u>	<u>₩ 2,945</u>	<u>₩ 2,905</u>	<u>₩ 28,600</u>	<u>₩ 185,312</u>
Accumulated depreciation	<u>₩ -</u>	<u>₩ 13,400</u>	<u>₩ 24</u>	<u>₩ 1,041</u>	<u>₩ 2,332</u>	<u>₩ 21,711</u>	<u>₩ 38,508</u>

As of December 31, 2007, buildings, and furniture and fixtures are insured against fire and other casualty losses for up to ₩45,000 million (2006: ₩42,000 million) and ₩3,000 million (2006: ₩3,000 million), respectively. In addition, as of December 31, 2007, the Company maintains insurance policies for the performance of its construction work for up to ₩559,390 million and on its cargoes for up to ₩202,042 million.

As of December 31, 2007, the value of the Company's land based on the posted price issued by the Korean tax authority was ₩79,992 million (2006: ₩66,546 million).

10. Intangible Assets

Changes in property, plant and equipment as of December 31, 2007 and 2006, are as follows:

(in millions of Korean won)	Software	
	2007	2006
Beginning balance	₩ 3,730	₩ 3,030
Acquisition	3,101	2,492
Amortization	<u>(2,783)</u>	<u>(1,792)</u>
Ending balance	<u>₩ 4,048</u>	<u>₩ 3,730</u>
Acquisition cost	<u>₩ 11,473</u>	<u>₩ 8,372</u>
Accumulated amortization	<u>₩ 7,425</u>	<u>₩ 4,642</u>

Research and development costs charged to operations for the year ended December 31, 2007, are ₩885 million (2006: ₩1,042 million).

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11. Accrued Severance Benefits

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

<i>(in millions of Korean won)</i>	2007		2006	
Beginning Balance	₩	39,678	₩	29,438
Increase		18,869		13,016
Payment		10,980		2,776
		<u>47,567</u>		<u>39,678</u>
Less: Deposits to National Pension Fund		(380)		(438)
Severance benefit insurance		(14,680)		(24,300)
Pension plan assets		<u>(19,801)</u>		<u>-</u>
Ending balance	₩	<u>12,706</u>	₩	<u>14,940</u>

Pension plan assets as of December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	2007	
Cash and cash equivalents	₩	3,386
Short-term financial instruments		11,847
Available-for-sale securities		<u>4,568</u>
	₩	<u>19,801</u>

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12. Valuation of Assets and Liabilities at Present Value

Accounts payable to executives and employees that are valued at present value as of December 31, 2007 (including current portions), are as follows:

(In millions of Korean won)

Accounts	Face Value	Discount	Present Value	Maturity	Discount rate
Accounts payable to executives and employees	₩ 5,250	₩ -	₩ 5,250	December 31, 2007	6.13%
	5,957	-	5,957	December 31, 2007	5.21%
	1,805	60	1,745	December 31, 2008	5.21%
	781	105	676	December 31, 2009	5.21%
	<u>₩ 13,793</u>	<u>₩ 165</u>	<u>₩ 13,628</u>		

13. Liability Provisions

Changes of material provisions in 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	Balance at 1/1/2007	Increase	Decrease	Balance at 12/31/2007
Provision for construction losses ¹	₩ 18,173	₩ 3,520	₩ (5,953)	₩ 15,740
Provision for construction warranties ²	10,337	2,452	(4,140)	8,649
Long-term incentives ³	6,044	7,750	(166)	13,628

<i>(in millions of Korean won)</i>	Balance at 1/1/2006	Increase	Decrease	Balance at 12/31/2006
Provision for construction losses ¹	₩ 23,094	₩ 312	₩ (5,233)	₩ 18,173
Provision for construction warranties ²	12,347	7,072	(9,082)	10,337
Long-term incentives ³	2,663	3,381	-	6,044

¹ The Company accrues provision for construction losses for the estimated losses of construction contracts.

² The Company accrues provision for construction warranties for the estimated costs of future repairs, based on experience and the expectation of future repairs.

³ 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 accruing for the period. The incentive is expected to be paid in or after 2008.

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14. Commitments and Contingencies

(A) The Company pledged four blank notes and 30 notes with an aggregate face value of ₩96,169 million to customers as collateral for performance guarantees and construction warranties as of December 31, 2007.

(B) As of December 31, 2007, the Company has bank overdraft facilities with six Korean banks amounting to ₩26,800 million and a letter of credit facility agreement with five Korean banks with an aggregate credit limit of ₩30,000 million and US\$ 100 million.

(C) The Company has entered into foreign currency forward contracts to hedge the exposure to change into foreign exchange rates.

Details of foreign currency forwards outstanding as of December 31, 2007, which were entered into with banks, are as follows:

(Only Korean won in millions)

Banks	Selling		Buying		Forward rate
	Currency	Amount	Currency	Amount	
Korea Exchange Bank	US\$	37,232,605.63	EUR	26,536,640	1.3059 - 1.4359
Woori Bank	US\$	29,443,298.34	EUR	21,006,600	1.3886 - 1.4065
Calyon Bank	US\$	993,249.77	CHF	1,094,500	1.0996 - 1.1031
	US\$	35,391,321.53	EUR	25,310,352	1.3519 - 1.4162
Citi Bank	KRW	470,633	JPY	54,378,875	865.47
	US\$	29,398,050.06	EUR	21,006,600	1.3877 - 1.4039
	US\$	333,439.68	GBP	166,065	2.0015 - 2.0157
SC First Bank	US\$	1,228,269.09	CHF	1,466,000	1.1913 - 1.1938
	US\$	34,940,345.99	EUR	25,079,200	1.3354 - 1.4689
	US\$	1,555,363.11	JPY	169,200,000	108.24 - 111.61

As a result of the above foreign currency forward contracts, the Company recognized a foreign currency transaction gain and loss of ₩4,342 million and ₩792 million, respectively, and the ₩6,968 million gain and ₩27 million loss on valuation of currency forward contracts are charged to current operations.

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

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

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

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

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

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

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- (E) As of December 31, 2007, the Company is involved in a lawsuit as the plaintiff with claims amounting to approximately ₩7,100 million, and one case as the defendant, excluding the Samsung Motors Inc. case mentioned above (D), amounting to approximately ₩1,516 million.

Company's management believes that although the outcome of these matters is uncertain, the outcome will not have a material adverse effect on the operations or financial position of the Company.

- (F) Long-term financial instruments amounting to ₩18 million were pledged as security for maintaining the Company's checking accounts as of December 31, 2007.
- (G) As of December 31, 2007, the Company's land amounting to ₩38,226 million has been provided as a collateral for the leasehold deposits with Kookmin Bank.
- (H) As of December 31, 2007, Samsung Veolia Incheon Waste Water Co., Ltd. securities amounting to ₩7,181 million have been provided as collaterals for projects financed by Hana Bank, an agent of the creditor banks.
- (I) As of December 31, 2007, Dongbu Environment Co., Ltd. securities amounting to ₩1,960 million have been provided as collaterals for projects financed by Kookmin Bank and Pusan Bank.
- (J) As of December 31, 2007, the Company has been provided with guarantees in the amounts of ₩405,381 million, US\$ 697,258 thousand, EUR 10,228 thousand, SAR 548,169 thousand, THB 2,396,569 thousand, AED 34,766 thousand, INR 1,193,200 thousand and JPY 102,777 thousand from various financial institutions in regard to construction contract performance, warranties and others.
- (K) As of December 31, 2007, the Company has provided guarantees on the performance of joint project construction work jointly and severally with the other parties participating in the joint projects.

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15. Engineering Contracts

Details of the engineering and construction contracts outstanding as of December 31, 2007, are as follows:

(in millions of Korean won)

Contractor	Project	Contract Amount	Duration of Project
Advanced Polypropylene Co., Ltd.	APPC PDH/PP Project	₩ 405,134	May 2005 ~ June 2008
Saudi Ethylene & Polyethylene Co., Ltd.	Saudi TASNEE Ethylene	569,481	Jul 2005 ~ Nov 2008
Eastern Petrochemical Co., Ltd.	SHARQ EG Project	279,662	Jul 2005 ~ Feb 2008
Saudi European Petrochemical Co., Ltd.	Ibn Zahr PP-III Project	199,884	June 2006 ~ Sep 2008
Map Ta Phut Olefins Co., Ltd.	MOC Cracker Project in Thailand	232,024	Nov 2006 ~ Dec 2009
Saudi Arabian Mining Co., Ltd.	Maaden Ammonia Project	649,659	May 2007 ~ Dec 2010
Abu Dhabi Polymers Co., Ltd.	UAE Borouge OCU	283,829	Jul 2007 ~ Dec 2009
Yongin Clean Water Co., Ltd.	Yongin sewage treatment facility	144,572	Dec 2005 ~ Jun 2008
Samsung Electronics Co., Ltd. in Tangeong	Construction of Tangeong T.C waste water disposal plant (step 3-2)	66,477	Jul 2006 ~ Dec 2008
Operation system of Daejeon Express Transit 1st lane Inc.	Operation system of Daejeon Express Transit 1st lane	293,443	Mar 2002 ~ May 2009
Semes Co., Ltd.	Construction of new plant in Cheonan of Semes Co., Ltd.	32,690	Dec 2006 ~ Mar 2008
Samsung Corning Precision Glass Co., Ltd.	Construction of R-Project service center	38,035	Jun 2007 ~ Jan 2008
Samsung Corning Precision Glass Co., Ltd.	Expansion of KN05~08 of SCP Co., Ltd.	90,000	Aug 2007 ~ Dec 2008
PTT Public Co., Ltd.	PTT Ethane Separation Plant	317,296	Aug 2007 ~ Mar 2010
PTT Public Co., Ltd.	PTT GSP-6 project	420,031	Sep 2007 ~ Mar 2010
PEMEX REFINACION	Pemex Minatitlan Package 6	69,964	Feb 2005 ~ Nov 2009
Saudi Arabian Oil Co., Ltd.	Ras Tanura DHT	226,320	Dec 2007 ~ Jun 2010
Others	Others	<u>3,488,511</u>	Jan 1995 ~ Dec 2024
		<u>₩ 7,807,012</u>	

The Company is responsible for contract performances and construction warranties related to the contracts. The Company has also been provided with guarantees by financial institutions with respect to the contracts (Notes 13 and 14).

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The Company recognized ₩8,649 million as a provision for construction warranties representing estimated costs of future repairs, as well as provision for construction losses amounting to ₩15,740 million for the estimated losses of construction contracts (Note 13).

As of December 31, 2007, construction losses are estimated at ₩15,740 million, the details of which are as follows:

<i>(in millions of Korean won)</i>	Expected Construction Revenue		Expected Construction Cost		Expected Loss	
Maintenance on Yangpyung sewage drainage system	₩	2,244	₩	3,182	₩	938
Maintenance on sewage drainage system of section 4, Hangang		17		19		2
Maintenance on sewage drainage system of section 2, Hangang		7,424		8,166		742
Construction of 4th section of Kyoungchun electric railway		24,584		35,777		11,193
Expansion of GE Plastics Nansha		5,273		7,986		2,713
Construction of new plant in Cheonan of Semes Co., Ltd.		5,098		5,247		149
Installation of liming equipment for #7, 8 Dangjin thermal power generators		29		32		3
	₩	44,669	₩	60,409	₩	15,740

The major joint-engineering projects as of December 31, 2007, are as follows:

<i>(In millions of Korean won)</i>	Contract amount Contract amount		Contract amount of the Company's Share		Share of the Company (%)	Lead Party
Reclamation of land and appurtenant work in metropolitan area #3	₩	189,869	₩	146,272	77.00	The Company
Yongin sewage treatment facility		278,023		144,572	52.00	The Company
Pavement and expansion on four-lane road between Ulsan and Gangdong		203,264		94,717	46.60	The Company
Construction of 4th section of Kyoungchun electric railway		170,300		71,526	42.00	The Company
Maintenance on sewage drainage system of section 2, Hangang		158,312		79,156	50.00	GS Engineering & Construction Co., Ltd.

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16. Capital Stock

Under its Articles of Incorporation, the Company is authorized to issue 60,000 thousand shares with a par value of ₩5,000 per share, of which 3,500 thousand shares are cumulative, participating preferred stock that are non-voting and entitled to a cash dividend approved by the Board of Directors, or a committee authorized by the Board of Directors, with a minimum cash dividend at 1% of par value. As of December 31, 2007, 40,000 thousand shares of common stock are issued.

The Company 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.

In addition, the Company is authorized to issue to investors, other than current shareholders, convertible debentures and debentures with warrants with face values of up to ₩100 billion each. The convertible debentures amounting to ₩60 billion and ₩40 billion are assigned to common stock and preferred stock, respectively. The debentures with warrants amounting to ₩60 billion and ₩40 billion are likewise assigned to common stock and preferred stock, respectively. As of December 31, 2007, there is no outstanding preferred stock or debenture issued on these terms.

The Company 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 exercise of stock option, general public subscription, urgent financing with financial institutions, and strategic alliance up to 30% of number of shares authorized.

The Company has a stock option plan under which options to purchase shares of common stock may be granted to key employees or directors who have contributed or are expected to contribute to the management and technological innovation of the Company. There are 264,200 shares of stock options granted and outstanding as of December 31, 2007 (Note 20).

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17. Retained Earnings

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

<i>(in millions of Korean won)</i>	2007	2006
Appropriated		
Legal Reserve	₩ 19,000	₩ 9,000
Discretionary Reserve		
Reserve for research and human resource development	75,000	37,000
Reserve for investment	52,500	22,500
Reserve for loss on disposal of treasury stock	2,000	2,000
	<u>148,500</u>	<u>70,500</u>
Unappropriated	<u>156,586</u>	<u>115,566</u>
	<u>₩ 305,086</u>	<u>₩ 186,066</u>

Legal Reserve

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

Reserve under the Special Tax Treatment Control Law

The Company appropriates a certain portion of its retained earnings as a reserve for research and human resource development under the Special Tax Treatment Control Law. This reserve may be transferred to discretionary reserve and distributed as dividends.

The Company declared year-end cash dividends to shareholders of common stock for the years ended December 31, 2007 and 2006.

	2007	2006
Number of shares eligible for dividends:		
Common stock	38,712 thousand	39,558 thousand
Dividend rate	24%	16%
Dividend amount	₩ 46,454 million	₩ 31,646 million
Dividend payout ratio		
(Dividends/Net income)	29.98%	28.62%
Dividend yield ratio		
(Dividend per share/Market price)	1.28%	1.85%

18. Treasury Stock

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As of December 31, 2007, the Company holds 1,288,296 common shares purchased at the market price, including 1,000,000 common shares purchased on the Korean Stock Exchange in 2007, recorded as treasury stock capital under the adjustment account. The Company intends to distribute the treasury shares upon exercise of stock options or to dispose of depending on the market conditions.

19. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2007 and 2006, consists of the following:

<i>(in millions of Korean won)</i>	2007	2006
Gain on valuation of available-for-sale securities (Note 6)	₩ 8,913	₩ 3,613
Loss on valuation of available-for-sale securities (Note 6)	-	(1,949)
Gain on valuation of equity method investments (Note 8)	768	-
Loss on valuation of equity method investments (Note 8)	<u>(365)</u>	<u>(785)</u>
	<u>₩ 9,316</u>	<u>₩ 879</u>

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20. Share-Based Payments

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.

Details of stock options granted follow:

	Date of the Grant				
	March 17, 2000	March 5, 2001	February 28, 2002	February 28, 2003	February 27, 2004
Shares granted	240,000	300,000	66,000	55,000	75,000
Exercise price ¹	₩ 6,300	₩ 5,000	₩ 5,200	₩ 5,000	₩ 5,200
Exercise period from the date of the grant ²	3~10 years	3~10 years	2~10 years	2~10 years	2~10 years

¹ The exercise price can be adjusted in the case of the issuance of new shares, stock dividends, stock splits, or stock mergers. Shares to be issued for stock options are nominative common stocks and the shares will be granted through issuance of shares or distribution of treasury shares.

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

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

	Date of the Grant				
	March 17, 2000	March 5, 2001	February 28, 2002	February 28, 2003	February 27, 2004
Risk-free interest rates	9.325%	6.31%	6.63%	4.99%	5.33%
Expected stock price volatility	10.9292%	10.0452%	5.8349%	5.9953%	4.2721%
Expected life	4 years	4 years	6 years	8 years	8 years
Expected dividend yield	-	-	-	-	-

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Changes in stock options in 2007 and 2006 are as follows:

	2007		2006	
	Stock Options	Weighted-avg. Exercise Price	Stock Options	Weighted-avg. Exercise Price
Beginning	418,400	₩ 5,550	541,100	₩ 5,552
Grant	-	-	-	-
Forfeiture	-	-	-	-
Exercise	<u>(154,200)</u>	5,338	<u>(122,700)</u>	5,556
Ending	<u>264,200</u>	₩ 5,684	<u>418,400</u>	₩ 5,550

The weighted-average price per share measured on the exercise date is ₩89,740 and the weighted-average remaining period, from December 31, 2007 to expiration, is 3.43 years

The details of compensation costs and remaining compensation costs as of December 31, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Compensation costs	₩ -	₩ 10
Remaining compensation costs (shares and stock options)	-	-

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21. Monetary Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2007 and 2006, assets and liabilities dominated in foreign currencies and related gains and losses on foreign currency translation for the year ended December 31, 2007, are as follows:

(in millions of Korean won and foreign currencies)

Account	2007					2006	
	Foreign Currencies		Korean won Equivalent	Translation Loss	Translation Gain	Korean won Equivalent	
Cash and cash equivalents	EUR	10,342,500	₩ 14,286	₩ -	₩ 324	₩ 7,135	
	US\$	58,670,238	55,044	99	2,336	134	
	Others		86	-	4	13,619	
			69,416	99	2,664	20,888	
Trade accounts and notes receivable	SKK	228,072,521	9,372	1	-	-	
	THB	988,631,800	30,974	-	455	20	
	US\$	175,711,827	164,853	9	2,293	33,120	
	Others		1,625	-	25	5,306	
			206,824	10	2,773	38,446	
Other accounts and notes receivable	INR	3,836,578	92	-	10	-	
	MYR	2,000,000	566	-	29	526	
	Others		39	-	3	186	
			697	-	42	712	
Other assets	US\$	5,376,455	5,045	1	64	440	
	Others		66	2	2	18	
			5,111	3	66	458	
Trade accounts and notes payable	EUR	11,231,620	15,514	208	1	9,388	
	INR	172,688,288	4,122	23	4	144	
	US\$	60,060,010	56,348	737	-	31,732	
	Others		5,451	88	97	2,507	
			81,435	1,056	102	43,771	
Other accounts and notes payable	US\$	7,079,185	6,642	36	3	2,399	
	Others		207	1	1	19	
			6,849	37	4	2,418	
Other long-term liabilities	SKK	167,128,269	6,867	394	2	-	
	Others		238	6	-	1	
			7,105	400	2	1	
Total				₩ 1,605	₩ 5,653		

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22. Income Tax

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

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

<i>(in millions of Korean won)</i>	2007	2006
Current income taxes	₩ 47,921	₩ 41,687
Deferred income taxes	6,385	3,225
Items charged directly to shareholders' equity	<u>(3,081)</u>	<u>567</u>
Income tax expenses	<u>₩ 51,225</u>	<u>₩ 45,479</u>

The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company for the years ended December 31, 2007 and 2006.

<i>(in millions of Korean won)</i>	2007	2006
Income before tax	₩ 206,186	₩ 156,036
Statutory tax rate	<u>27.5%</u>	<u>27.5%</u>
Expected taxes at statutory rate	56,701	42,910
Tax credit	(6,936)	(4,036)
Others, net	<u>1,460</u>	<u>6,605</u>
Actual taxes	<u>₩ 51,225</u>	<u>₩ 45,479</u>
Effective tax rate	<u>24.9%</u>	<u>29.1%</u>

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
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Deferred income tax assets and liabilities from the tax effects of temporary differences as of December 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	Temporary differences			Deferred income tax assets (liabilities)		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
Deferred tax arising from temporary differences						
Accrued income	₩ (8,833)	₩ (493)	₩ (9,326)	₩ (2,429)	₩ (136)	₩ (2,565)
Reserve for technology developments	(15,671)	(1,996)	(17,667)	(4,309)	(549)	(4,858)
Severance insurance deposits	(23,369)	(7,170)	(30,539)	(6,426)	(1,972)	(8,398)
Capitalized interest expenses	(4,436)	124	(4,312)	(1,220)	34	(1,186)
Equity method investments	(10,101)	(12,190)	(22,291)	(2,778)	(3,352)	(6,130)
Reserve for loss on disposal of treasury stock	(1,172)	666	(506)	(322)	183	(139)
Severance benefits	23,369	7,170	30,539	6,426	1,972	8,398
Impairment loss on investment securities	1,788	-	1,788	492	-	492
Deemed dividends	2,125	-	2,125	584	-	584
Bad debt allowances	14,573	(1,873)	12,700	4,008	(515)	3,493
Provision for construction losses	18,172	(2,432)	15,740	4,997	(668)	4,329
Provision for construction warranties	10,337	(1,688)	8,649	2,843	(465)	2,378
Gain on valuation of derivatives	186	(7,257)	(7,071)	51	(1,995)	(1,944)
Governments grants	1,636	1,504	3,140	450	413	863
Long-term incentives	6,600	7,192	13,792	1,815	1,978	3,793
Others	(89)	485	396	(25)	133	108
	15,115	(17,958)	(2,843)	4,157	(4,939)	(782)
Items charged directly to shareholders' equity	(1,212)	(11,673)	(12,885)	(333)	(3,210)	(3,543)
	<u>₩ 13,903</u>	<u>₩ (29,631)</u>	<u>₩ (15,728)</u>	<u>₩ 3,824</u>	<u>₩ (8,149)</u>	<u>(4,325)</u>
Valuation allowance for deferred tax assets and liabilities						<u>(24)</u>
						<u>₩ (4,349)</u>

The gross balances of deferred tax assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	2007	
	Deferred Tax Assets	Deferred Tax Liabilities
Current	₩ 7,694	₩ (5,334)
Non - current	16,803	(23,512)

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

Samsung Engineering Co., Ltd.
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Deferred income taxes charged directly to the shareholders' equity as of December 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	Amount	Income Tax Expenses (Deferred Tax)
Loss on disposition of treasury stock	₩ (562)	₩ (155)
Loss on valuation of available-for-sale securities	9,998	2,750
Loss on valuation of equity-method investments	1,675	486

23. Earnings Per Share

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

Basic Earnings Per Share

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

<i>(in millions of Korean won and number of shares)</i>	2007	2006
Net income attributable to common stocks	₩ 154,961	₩ 110,557
Weighted average number of common stocks outstanding	<u>38,814,257</u>	<u>39,541,493</u>
Basic earnings per share (In Korean won)	<u>₩ 3,992</u>	<u>₩ 2,796</u>

Samsung Engineering Co., Ltd.
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Diluted Earnings Per Share

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

<i>(in millions and number of shares)</i>	2007	2006
Net income available for common stock	₩ 154,961	₩ 110,557
Adjustment:		
Compensation expense for stock options	<u>-</u>	<u>7</u>
Net income available for common stock and common equivalent shares	154,961	110,564
Weighted-average number of shares of common stock and common equivalent shares ¹ outstanding	<u>39,060,970</u>	<u>39,919,447</u>
Diluted earnings per share (in Korean won)	<u>₩ 3,967</u>	<u>₩ 2,770</u>

¹ Common equivalent shares:

2007		
	Number of Shares	Weight
		Common Stock Equivalent
Stock options	246,713	365/365
		246,713
2006		
	Number of Shares	Weight
		Common Stock Equivalent
Stock options	377,954	365/365
		377,954

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.

Samsung Engineering Co., Ltd.
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24. Comprehensive Income

Comprehensive income for the years ended December 31, 2007 and 2006, consists of:

<i>(in millions of Korean won)</i>	2007	2006
Net income	₩ 154,961	₩ 110,557
Other comprehensive income	8,437	(1,200)
Gain on valuation of available-for-sale securities, net of related income taxes of ₩2,010 million (2006: ₩369 million)	5,300	973
Loss on valuation of available-for-sale securities, net of related income taxes of ₩739 million (2006: (-)₩602 million)	1,949	(1,586)
Gain on valuation of equity-method investments, net of related income taxes of ₩291 million (2006: nil)	768	-
Loss on valuation of equity-method investments, net of related income taxes of ₩195 million (2006: (-)₩223 million)	420	(587)
Comprehensive income	<u>₩ 163,398</u>	<u>₩ 109,357</u>

25. Related Party Transactions

Consolidated subsidiaries as of December 31, 2007, are as follows:

Subsidiaries

Samsung Engineering(Malaysia) SDN., BHD
Samsung Ingenieria Mexico, S.A. de C.V.
Samsung Saudi Arabia Co., Ltd.
Samsung Engineering(Thailand) Co., Ltd.
Samsung Engineering Construction (Shanghai)Co., Ltd.
Samsung Ingenieria Minatitlan,S.A. De C.V. ¹
Samsung Engineering Consulting(Shanghai) Co., Ltd. ¹
Samsung Engineering India Private Ltd. ¹
PT Samsung Engineering Indonesia ¹
SECL Philippines., Inc. ¹
Samsung Engineering Magyarorszag KFT
SETIS Co., Ltd. ¹
Triko Engineering Co., Ltd. ¹
Samsung Engineering Tampico, SA. De C.V

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¹ The Company's percentage of ownership exceeds 20%. However, the equity method was not applied as the investee's total assets were below ₩7 billion as of the prior year end.

Significant transactions with related parties for the years ended December 31, 2007 and 2006, and the related receivables and payables as of December 31, 2007 and 2006, are as follows:

(in millions of Korean won)

	2007			
	Sales	Purchases	Receivables	Payables
Subsidiaries				
Samsung Ingenieria Minatitlan, S.A. De C.V.	₩ 15,305	₩ -	₩ 5,600	₩ -
Samsung Engineering (Thailand) Co., Ltd.	-	2,456	-	-
Samsung Engineering Construction (Shanghai) Co., Ltd.	-	-	-	-
Samsung Engineering Consulting (Shanghai) Co., Ltd.	-	-	-	-
Samsung Engineering India Private Ltd.	-	5,364	-	25
SETIS Co., Ltd.	-	-	-	-
	<u>₩ 15,305</u>	<u>₩ 7,820</u>	<u>₩ 5,600</u>	<u>₩ 25</u>
Others				
Samsung Corporation	₩ 137	₩ 10,659	₩ 37	₩ 1,515
Samsung Everland Inc.	232	4,236	8,167	406
Samsung SDS Co., Ltd.	-	30,484	-	8,539
Samsung Electro-mechanics Co., Ltd.	32,979	-	945	-
Samsung Electronics Co., Ltd.	157,504	1,036	33,225	75
Samsung Heavy Industries Co., Ltd.	1,146	1,062	355	22
Samsung Corning Precision Glass Co., Ltd.	96,378	-	80,136	-
Samsung Techwin Co., Ltd.	74	-	41	-
Samsung Total Petro Chemicals Co., Ltd.	41,927	-	237	-
Samsung SDI Co., Ltd.	52,344	-	28,932	-
Semes Co., Ltd.	28,000	-	13,237	-
iMarket Korea Inc.	127	16,867	-	2,690
Others	3,326	12,775	2,471	1,651
	<u>₩ 414,174</u>	<u>₩ 77,119</u>	<u>₩ 167,783</u>	<u>₩ 14,898</u>

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
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(in millions of Korean won)

	2006			
	Sales	Purchases	Receivables	Payables
Subsidiaries				
Samsung Ingenieria Minatitlan, S.A. De C.V.	₩ 5,567	₩ -	₩ 11,167	₩ -
Samsung Engineering (Thailand) Co., Ltd.	-	-	-	-
Samsung Engineering Construction (Shanghai) Co., Ltd.	-	8,557	-	-
Samsung Engineering Consulting (Shanghai) Co., Ltd.	-	97	-	-
Samsung Engineering India Private Ltd.	-	-	-	-
SETIS Co., Ltd.	-	-	475	-
	<u>₩ 5,567</u>	<u>₩ 8,654</u>	<u>₩ 11,642</u>	<u>₩ -</u>
Others				
Samsung Corporation	₩ 136	₩ 5,335	₩ -	₩ 597
Samsung Everland Inc.	373	4,249	8,167	1,426
Samsung SDS Co., Ltd.	-	35,858	-	4,894
Samsung Electro-mechanics Co., Ltd.	63,338	-	41,971	-
Samsung Electronics Co., Ltd.	163,709	708	57,925	494
Samsung Heavy Industries Co., Ltd.	867	14,044	150	1,008
Samsung Corning Precision Glass Co., Ltd.	86,120	178	14,558	594
Samsung Techwin Co., Ltd.	28,704	840	20	455
Samsung Total Petro Chemicals Co., Ltd.	101,888	-	19,483	-
Samsung SDI Co., Ltd.	286,328	-	139,846	-
Semes Co., Ltd.	-	-	-	-
iMarket Korea Inc.	-	69,863	-	21,384
Others	5,529	8,626	2,450	2,041
	<u>₩ 736,992</u>	<u>₩ 139,701</u>	<u>₩ 284,570</u>	<u>₩ 32,893</u>

The Company recognized in the balance sheet as of December 31, 2007, ₩25,203 million (2006: ₩10,267 million) as trade accounts and notes receivable from related parties based on the percentage-of-completion method. This amount is not included in the receivable balances from each related party above.

A portion of the accrued severance benefits of the Company are funded through a group severance insurance plan and a pension plan assets with Samsung Life Insurance Co., Ltd.

The Company also insured its buildings, and furniture and fixtures against fire and other casualty losses with Samsung Fire & Marine Insurance Co., Ltd. in 2007 and 2006.

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
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Key Management Compensation

For the year ended December 31, 2007, the Company recognized expenses for short-term benefits of ₩12,249 million, long-term benefits of ₩7,354 million and severance benefits of ₩2,304 million as key management compensation. Key management consists of registered executive officers who have the authority and responsibility in the planning, directing and controlling of Company operations.

Details of guarantees the Company provided to related parties as of December 31, 2007 and 2006, are as follows:

(in thousands of US dollars)

	2007		
	Type of Guarantee	Maturity	Guaranteed Amount
Related Company			
Samsung Saudi Arabia Co., Ltd.	Guarantees of indebttness	May 31, 2008	\$ 6,000
Samsung Ingenieria Minatitlan, S.A de C.V	Guarantees of indebttness	July 11, 2008	10,000
Samsung Engineering (Malaysia) SDN., BHD	Guarantees of indebttness	January 3, 2008	500
			<u>\$ 16,500</u>

(in thousands of US dollars)

	2006		
	Type of Guarantee	Maturity	Guaranteed Amount
Related Company			
Samsung Saudi Arabia Co., Ltd.	Guarantees of indebttness	May 31, 2007	\$ 6,000
Samsung Ingenieria Minatitlan, S.A de C.V	Guarantees of indebttness	September 11, 2007	10,000
			<u>\$ 16,000</u>

Samsung Engineering Co., Ltd.
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26. Significant Non-Cash Transactions

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2007
Current maturities of other long-term liabilities	₩ 185
Current maturities of held-to-maturity securities	3,086
Reclassification of available-for-sale securities to equity-method investments	13
Current maturities of long-term accounts payables	11,037
Reclassification of severance insurance deposits to pension plan assets	14,710
Loss on disposition of treasury stock	562
Gain on valuation of available-for-sale securities	5,300
Loss on valuation of available-for-sale securities	1,949
Gain on valuation of equity-method investments (other comprehensive income)	768
Increase in loss on valuation of equity-method investments (other comprehensive income)	420

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
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27. Segment Information

The Company has three reportable operating segments. General information on segments of the Company as of December 31, 2007, is as follows:

Line	Products	Major Customers
Hydrocarbon plants	Petrochemical, Oil& Refinery, Gas and others	Saudi Ethylene&Polyethylene Corp., Samsung Total Petrochemicals Co., Ltd.
Environmental facilities	Environmental infrastructure and others	Environmental Management Corp., Dong-bu engineering Co., Ltd.
Industrial plants	Industrial plants and others	Hankook tire Co., Ltd., Samsung SDI Co., Ltd.

Financial information by segments as of December 31, 2007 and 2006, is as follows:

	2007			
	Hydrocarbon Plants	Environmental Facilities	Industrial Plants	Total
<i>(in millions of Korean won)</i>				
Sales	₩ 1,121,871	₩ 439,810	₩ 316,480	₩ 1,878,161
Operating income	75,645	29,655	21,339	126,639
Property, plant and equipment, and intangible assets ¹	167,931	-	-	167,931
Depreciation and amortization ¹	13,715	-	-	13,715

	2006			
	Hydrocarbon Plants	Environmental Facilities	Industrial Plants	Total
<i>(in millions of Korean won)</i>				
Sales	₩ 732,724	₩ 666,978	₩ 317,259	₩ 1,716,961
Operating income	48,484	44,134	20,993	113,611
Property, plant and equipment, and intangible assets ¹	150,534	-	-	150,534
Depreciation and amortization ¹	10,655	-	-	10,655

¹ Property, plant and equipment, intangible assets, depreciation and amortization could not be segregated into the environmental facilities and industrial plants. Accordingly, these are included in the hydrocarbon plants segment.

Samsung Engineering Co., Ltd.
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The Company conducts business globally and is managed geographically. The following tables provide information for each geographical segment as of and for the years ended December 31, 2007 and 2006.

<i>(in millions of Korean won)</i>	2007					
	Domestic	China	Southeast Asia	Europe	The Middle East and others	Total
Segment revenue	₩ 887,634	₩ 6,895	₩ 123,143	₩ 83,513	₩ 776,976	₩ 1,878,161
Operating income	59,851	465	8,303	5,631	52,389	126,639
Property, plant and equipment, and intangible assets ¹	167,931	-	-	-	-	167,931
Depreciation and amortization ¹	13,715	-	-	-	-	13,715

<i>(in millions of Korean won)</i>	2006					
	Domestic	China	Southeast Asia	Europe	The Middle East and others	Total
Segment revenue	₩1,034,132	₩ 23,357	₩ 32,784	₩ 54,792	₩ 571,896	₩ 1,716,961
Operating income	68,429	1,546	1,546	3,636	37,841	112,998
Property, plant and equipment, and intangible assets ¹	150,534	-	-	-	-	150,534
Depreciation and amortization ¹	10,655	-	-	-	-	10,655

¹ Property, plant and equipment, intangible assets, depreciation and amortization could not be segregated into segment geographically. Accordingly, these are included in the domestic segment.

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
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28. Selling and Administrative Expenses

Detailed selling and administrative expenses in 2007 and 2006 are as follows:

<i>(in millions of Korean won)</i>	2007		2006	
Salaries and wages	₩	102,884	₩	64,146
Provision for severance benefits		10,197		7,040
Employee fringe benefits		14,711		10,411
Travel		7,624		4,134
Taxes and dues		7,785		4,074
Rent		2,613		551
Depreciation		10,933		8,863
Amortization		2,783		1,792
Entertainment		2,090		2,444
Commissions and fees		15,795		11,178
Conference expense		2,568		2,161
Training		8,575		3,790
Event		2,582		2,591
Subcontractor payment		11,468		14,156
Miscellaneous expenses		4,788		4,190
Others		10,470		9,103
	₩	<u>217,866</u>	₩	<u>150,624</u>

29. Supplementary Information for Computation of Value Added

The accounts and amounts needed for the computation of value added for the years ended December 31, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	Selling and Administrative Expenses		Cost of Sales		Total	
	2007	2006	2007	2006	2007	2006
Salaries and wages	₩ 102,884	₩ 64,146	₩ 89,714	₩ 67,538	₩ 192,598	₩ 131,684
Severance benefits	10,197	7,040	8,672	6,408	18,869	13,448
Employee fringe benefits	14,711	10,411	10,678	7,524	25,389	17,935
Rent	2,613	551	2,745	2,273	5,358	2,824
Depreciation	10,933	8,863	-	-	10,933	8,863
Amortization	2,783	1,792	-	-	2,783	1,792
Taxes and dues	7,785	4,074	1,474	475	9,259	4,549

Samsung Engineering Co., Ltd.
Notes to the Non-Consolidated Financial Statements
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30. Interim Period Information

Financial information for the three-month periods ended December 31, 2007 and 2006, are as follows:

*(in millions of Korean won,
except per share amounts)*

		2007		2006
Sales	₩	559,088	₩	540,459
Operating income		28,458		21,193
Net income		40,102		25,684
Net income per share		1,037		649

31. Reclassification of Certain Prior Year Accounts

The net unrealized gain on valuation of investment securities balance of ₩1,664 million as of December 31, 2006, have been reclassified into ₩3,613 million of gain on valuation of available-for-sale and ₩1,949 million of loss on valuation of available-for-sale to conform to the December 31, 2007 financial statement presentation. This reclassification does not impact the net income or net assets reported in the prior year.

Report of Independent Accountants' Review of Internal Accounting Control System

To the President of
Samsung Engineering Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Samsung Engineering Co., Ltd. (the "Company") as of December 31, 2007. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2007, the Company's IACS has been designed and is operating effectively as of December 31, 2007, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2007, and we did not review management's assessment of its IACS subsequent to December 31, 2007. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
February 29, 2008

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
Samsung Electronics Co., Ltd.

I, as the Internal Accounting Control Officer (“IACO”) of Samsung Engineering Co., Ltd. (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2007.

The Company’s management including the IACO is responsible for designing and operating the IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause misstatements to the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standards to assess the design and operations of the IACS.

Based on the assessment on the operations of the IACS, in all material respects, the design and operations of the Company’s IACS were effective as of December 31, 2007, in accordance with the IACS standards.

February 11, 2008

Sohn, Byungbok
Internal Accounting Control System Officer

Jung , Yeon-Joo
Chief Executive Officer and President