

Leading with Passion and Imagination

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CEO Message

○
2009 Financial Statements

SAMSUNG

SAMSUNG ENGINEERING

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SAMSUNG

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We will achieve creative innovation and push boundaries to become the global leading engineering company.

This year represents our most successful year since establishment

Last year, Samsung Engineering has achieved remarkable growth and strengthened its position in the market despite the global economic recession. As a leader in the plant sector in the Middle East, we successfully secured several large scale plant contracts in Saudi Arabia and the UAE. In addition, we have increased our presence in Central and South America by being awarded new contracts from the Republic of Trinidad and Tobago. Furthermore, we have made inroads to new markets such as North Africa through the recent Skikda refinery contract award from Sonatrach. Samsung Engineering has secured 10 trillion KRW in new contracts, 4 trillion KRW in sales, and 325 billion KRW in operating profit in 2009. These performances represent historic business results for Samsung Engineering since our establishment. We would like to take this opportunity to express our sincere appreciation and gratitude to our clients and shareholders for your continued support. Although the global economy has improved in 2010, the future is still uncertain. Thus, we expect to face volatile exchange rates, uncertain prices for raw materials, and increased competition for contracts. However, we are ready for such challenges because we are known to turn crises into opportunities. As we compete with prominent EPC contractors, we will aim to be a “Global Leading Engineering Company.”

Creative Innovation and Overcoming Challenges in 2010

“Creative innovation and overcoming challenges” continues to be one of our guiding principles as we strive to achieve continued growth. In order to reach such business goals, we will prioritize the following four strategies.

First, we will intensify global marketing capabilities in order to quickly secure continued growth.

We will thoroughly analyze business information, rapidly respond to client needs, create client value, and provide future direction. We will continue to pursue globalization strategies, further strengthen marketing competitiveness, and secure long-term partnerships with our clients. By highlighting our strengths in each global regions such as India, the US and Saudi Arabia we will be a competitive player. In addition, we will implement production cost innovation strategies in each sector of operations such as engineering, procurement, construction, and project management to have a distinct competitiveness. Through these measures, we will strive to become a trusted brand so that project owners will say, “If its Samsung Engineering, we can trust them to do a great job on the project.”

Second, we will enhance project implementation skills to secure a strong foundation for stable operations.

Every member of Samsung Engineering is devoted to their work and passionate about what they do in order to successfully execute large-scale projects. We will eliminate obstacles to successful project completion through careful and thorough risk management and simulations. In addition, we will maintain an open and effective channel of communication with project owners and partner companies and each department will work together to complete projects on schedule. Furthermore, we will proactively respond to changes in the markets and client needs, eliminate inefficiencies in each area of operation in terms of HR, organization, processes, and costs to ultimately establish a solid and practical foundation for an effective management.

Third, we will secure new drivers for growth.

We will utilize our strengths in the hydrocarbon sector to diversify into new businesses. We will further strengthen our presence in downstream markets such as oil, gas, and petrochemicals while we work to increase our technical capabilities to move into upstream markets such as LNG, GOSP, and offshore sectors. We have secured many successes in our efforts to expand into new industries such as power plant, metallurgy, desalination, water treatment O&M, etc. which resulted in our first overseas steel plant in Bahrain. By securing even greater human resources and building core competencies, we hope to develop in these new areas of business.

Lastly, we will strengthen human resources and global corporate culture.

In engineering, people are our greatest assets and corporate culture is an important puzzle piece to our success. We will do our best to train new recruits, including experienced and international professionals, whom we have secured over the years. We will continue to place high importance on education and self-improvement in order to develop talented personnel and leaders as well as strengthen our core capacity as an organization. For effective communication at overseas sites and among the members of Samsung Engineering stationed throughout the world, English is our official language. The use of English is also expected to better our corporate culture.

Becoming the Premiere Engineering Company in the World

This year marks the 40th year of establishment for Samsung Engineering. For 40 years, we have raced forward with strong resilience and great determination to overcome obstacles. Today, Samsung Engineering stands tall with other top tier engineering companies in the world, but we will not “rest on our laurels.” We will make the next leap forward with “Vision 2020,” to become the “Global Leading Engineering Company.” We will rise to any challenge, maximize our core competency in engineering, and continue to expand our business areas so that we may achieve our goals.

Thank you for your continued support as we forge forward.

May 1, 2010



Ki-Seok Park
President & CEO of Samsung Engineering

Consolidated Statements of Financial Position

December 31, 2009 and 2008

KRW 1 million

	Period 43 (current term)	Period 42 (current term)
Asset		
I. Current assets	2,231,854	1,594,955
(1) Quick assets	2,218,339	1,583,524
(2) Inventory assets	13,515	11,431
II. Non-current assets	468,155	335,099
(1) Investment assets	62,473	56,813
(2) Tangible assets	308,454	196,355
(3) Intangible assets	4,507	3,557
(4) Other non-current assets	92,721	78,374
Total assets	2,700,009	1,930,054
Liabilities		
I. Current liabilities	1,782,293	1,203,939
II. Non-current liabilities	143,633	148,013
Total liabilities	1,925,926	1,351,952
Shareholder's equity		
I. Capital stock	200,000	200,000
II. Consolidated capital surplus	68,749	56,624
III. Consolidate capital adjustment	(153,281)	(153,711)
IV. Consolidated other comprehensive income	11,030	12,690
V. Consolidated retained earnings	646,382	448,616
Minority interest	1,203	13,883
Total shareholder's equity	774,083	578,102
Total liabilities and shareholder's equity	2,700,009	1,930,054

※These financial statements serve as a general overview, which were audited by Pricewaterhouse Coopers. Based on Korean GAAP, these financial statements include companies with over 10 billion KRW in assets as of the end of last year, which can differ from the company's performance written in this book. For details, please go to our website or check the electronic public announcement online. Financial Supervisory Service's electronic public announcement system - <http://dart.fss.or.kr>

Consolidated Statements of Income

Years ended December 31, 2009 and 2008

KRW 1 million

	Period 43 (current term)	Period 42 (previous term)
I. Gross sales	4,039,681	3,086,292
II. Cost of sales	3,422,208	2,629,441
III. Gross profit	617,473	456,851
IV. Selling and administrative expenses	280,577	273,721
V. Operating profit	336,896	183,130
VI. Non-operating profit	259,077	254,183
1. Interest income	32,914	41,051
2. Dividend income	1,077	932
3. Commission income	5,386	7,454
4. Gain on foreign currency transactions	138,953	135,333
5. Gain on foreign currency translation	11,085	31,194
6. Gain on currency forwards transactions	23,871	8,992
7. Gain on valuation of currency forwards	21,110	19,662
8. Gain on valuation of equity-method investments	-	1,054
9. Gain from disposals of securities	540	121
10. Gain on disposition of tangible assets	79	94
11. Reversal of allowance for doubtful account	6,282	-
12. Rental income	3,834	3,870
13. Reversal of provision for construction warranties	4,998	109
14. Others	8,948	4,317
VII. Non-operating expenses	246,074	166,498
1. Interest expenses	1,993	2,034
2. Amortization of non-trade bad debts	-	3,979
3. Commission expenses	1,084	1,288
4. Loss on foreign currency transactions	140,544	94,474
5. Loss on foreign currency translation	30,004	37,143
6. Valuation loss using equity method	440	-
7. Loss on valuation of equity method investments	105	257
8. Impairment loss of investments	-	5
9. Loss from disposals of securities	58	44
10. Loss from disposals of equity-method investments	-	620
11. Donations	3,828	1,370
12. Loss on currency forwards transactions	28,430	8,825
13. Loss on valuation of currency forwards	18,855	15,690
14. Loss on valuation of firm contract	17,804	-
15. Loss on disposition of accounts receivable	87	57
16. Loss on sale of investment securities	9	-
17. Others	2,833	712
VIII. Pretax net income	349,899	270,815
IX. Corporate tax expenses	85,696	70,892
X. Net income	264,203	199,923
1. Net income for controlling interest	259,405	189,855
2. Net income for minority interest	4,798	10,068

KRW 1

	Period 43 (current term)	Period 42 (previous term)
XI. Earnings per share (parent company)		
1. Basic earnings per share	6,842	4,964
2. Diluted earnings per share	6,833	4,955

Consolidated Statements of Cash Flows

Years ended December 31, 2009 and 2008

KRW 1 million

	Period 43 (current term)	Period 42 (previous term)
I. Cash flow from operating activities	763,773	58,765
1. Net income	264,203	199,923
2. Additions of non-cash expenses to net income	84,948	106,588
3. Deduction of non-cash revenue from net income	(39,597)	(42,657)
4. Changes in operating assets and liabilities	454,219	(205,089)
II. Cash flows from investing activities	(477,667)	(64,729)
1. Cash inflows from investing activities	375,113	384,537
2. Cash outflows from investing activities	(852,780)	(449,266)
III. Cash flows from financing activities	(63,120)	(141,207)
1. Cash inflows from financing activities	5,062	3,505
2. Cash outflows from financing activities	(68,182)	(144,712)
IV. Changes in cash caused by conversion of foreign currency	(2,731)	6,225
V. Increase in cash due to change in consolidated entities	(1,838)	11,824
VI. Increase in cash	218,417	(129,122)
VII. Cash at the beginning of the year	160,451	289,573
VIII. Cash at the end of the year	378,868	160,451