



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

Dear Samsung Electronics stakeholder:

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



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

THE YEAR IN REVIEW

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

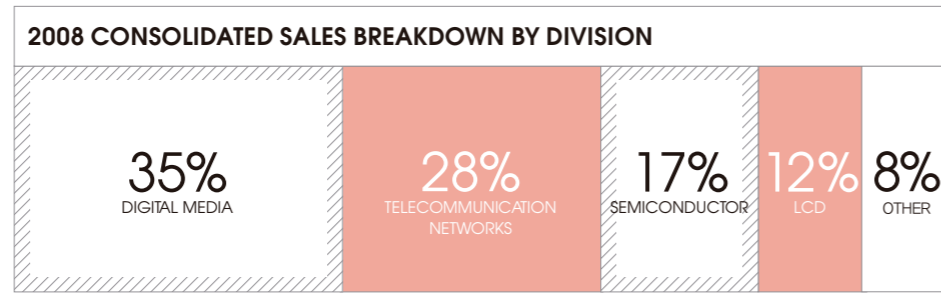
While DRAM and NAND memory prices dropped sharply in 2008, our technical leadership and ongoing cost-reduction efforts enabled us to further extend our lead over our industry rivals. Our non-memory semiconductor businesses delivered dramatic growth despite significantly weakened market demand. In mobile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

We used creativity to strengthen our foundation for global leadership.

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

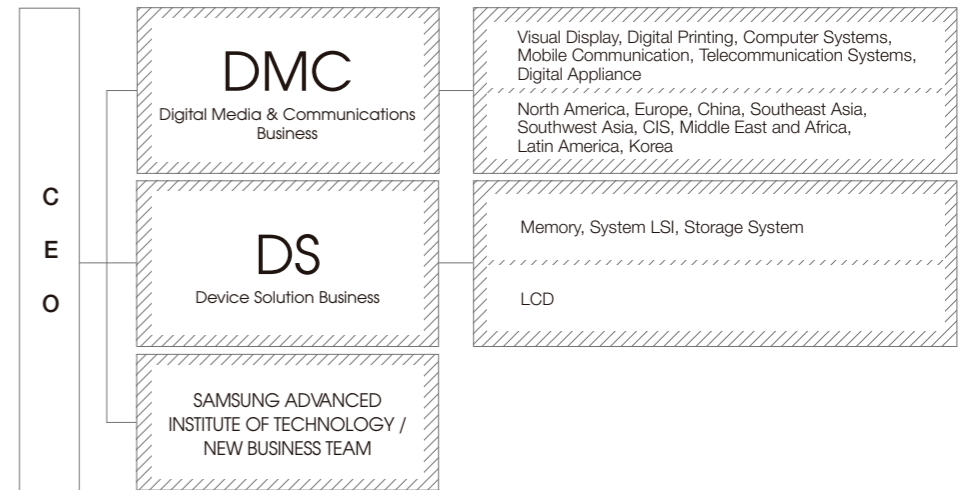
We actively worked to build shareholder value and promote sustainability.

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



* Based on 2008 organizational structure

2009 ORGANIZATIONAL STRUCTURE



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

THE YEAR AHEAD

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

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

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

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

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

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

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

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

Yoon-Woo Lee

Vice Chairman & CEO
Samsung Electronics