

# Leading with Passion and Imagination

CEO Message

2010 Financial Statements



SAMSUNG ENGINEERING

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SAMSUNG ENGINEERING



## A year of outstanding results and growth

In 2010, Samsung Engineering was able to strengthen its management fundamentals and continue sustainable growth. We made progress in the industrial & infrastructure (I&I) market, an area that we consider as our new growth engine. Notably, we were awarded a steel mill and water treatment plant contract in Bahrain and a power plant contract in Mexico, which led to a broader business portfolio for Samsung Engineering globally. We also broke another record in our financial results by achieving 5,300 billion KRW in revenue, 450 billion KRW in operating profit and 330 billion KRW in net profit.

In our hydrocarbon business, we were awarded with a GOSP plant contract from Malaysia, placing us in the upstream segment of hydrocarbon value chain. Simultaneously, our progress in the downstream market was heralded by several key gas and petrochemical plant awards from the UAE. Samsung Engineering also became the first Korean engineering firm to be in the US plant market, opening a new chapter in the history of the organization. We envision it will be the stepping stone to the US market and other developed nations and lead to opportunities to work more closely with international oil companies.

Our expertise was recognized especially in 2011 by being selected as the sole contractor for the mega gas & oil plant complex package in Saudi Arabia. This historic achievement demonstrates the trust that our clients have in our name, technical skills and capabilities. Samsung Engineering further developed its portfolio by entering the metallurgy business through the award of an aluminum smelter contract from the Kingdom. Targeting new orders of 13 million USD and revenue of 8 billion USD for 2011, we will endeavor to meet client expectations by continuously expanding our businesses and delivering projects successfully.

## The groundwork for sustainable growth in 2011

In 2011, the world economy poses a different challenge. Currency volatilities, skyrocketing commodity prices among other uncertainties are gaining ground while competition for contract awards are extremely competitive. Yet Samsung Engineering, armed with distinctive strengths in quality, skills and cost, welcomes this new environment as we see it is a valuable chance to be recognized as a competitive player.

Under the management policy of 'A new leap forward through creation and innovation', Samsung Engineering thus set 'the groundwork for sustainable growth through preemptive responses to changes' as our priority of the year and we will carry out the following initiatives to make it happen.

First, we will commit ourselves to enhancing our product portfolio.

To ensure sustainable growth, we will reexamine our hydrocarbon capabilities and enhance our I&I business to equally drive our growth. We are aware that the global I&I market is promising. It is estimated that over \$1 trillion USD is awarded yearly. Currently we are fully engaging our resources and capabilities and exploring strategic collaborations to maintain our momentum in this industry. To continue our success in our hydrocarbon business, we will put our focus in upstream areas of LNG and offshore.

Second, we will diversify our clientele by broadening market coverage.

Externally, we are faced with intensifying competition while internally we have to meet the challenges of keeping sustainable growth targets. Thus increasing markets and clients are no longer an option but a necessity for Samsung Engineering. We will revisit our marketing strategies for the Middle East market and enter new regions to achieve more diversity in our market portfolio.

Third, we will intensify project execution capabilities and thus successfully complete projects.

A project award is not the end - It is the beginning. By successfully delivering projects through project management expertise, we will generate healthy returns and build track record conducive to additional awards. All Samsung Engineering employees are fully committed to this goal, with no compromises for schedule, quality or cost. We will continue to execute projects through advance simulation, control potential risks, eliminate inefficient practices, and pursue optimal equipment/material and resource management by integrating various project functions of engineering, procurement and construction.

Lastly, we will encourage self-improvement, creativity and innovation among all employees.

In engineering, the biggest source of competitiveness is the ability to fuse individual competencies into a common skill and goal. We strongly believe facilitating a culture of self-improvement and study is fundamental to success. Also the diversity of our people, which is a unique feature of Samsung Engineering, will be the catalyst of creation and innovative ideas. As a result, we will strive to create an organizational culture in which all our employees of different genders, ages, nationalities and career backgrounds can fulfill their personal vision.

## Samsung Engineering, the Global Leading Engineering Company

We will not rest on our laurels. Instead we will strive to be the Global Leading Engineering company, a transparent organization that truly understands the needs of our clients.

With your continued support, we look forward to achieving these goals.



Ki-Seok Park  
President & CEO of Samsung Engineering

May 2, 2011



Consolidated Balance Sheets

December 31, 2010 and 2009

KRW 1 million		
	Period 44 (current term)	Period 43 (current term)
<b>Asset</b>		
I. Current assets	2,459,324	2,231,854
(1) Quick assets	2,459,324	2,218,339
(2) Inventory assets	-	13,515
II. Non-current assets	730,323	468,155
(1) Investment assets	156,699	62,473
(2) Tangible assets	452,016	308,455
(3) Intangible assets	6,123	4,507
(4) Other non-current assets	115,485	92,720
<b>Total assets</b>	<b>3,189,647</b>	<b>2,700,009</b>
<b>Liabilities</b>		
I. Current liabilities	2,018,365	1,782,293
II. Non-current liabilities	183,253	143,633
<b>Total liabilities</b>	<b>2,201,618</b>	<b>1,925,926</b>
<b>Shareholder's equity</b>		
I. Capital stock	200,000	200,000
II. Consolidated capital surplus	68,749	68,749
III. Consolidate capital adjustment	(285,086)	(153,281)
IV. Consolidated other comprehensive income	74,020	11,030
V. Consolidated retained earnings	929,347	646,382
Minority interest	999	1,203
<b>Total shareholder's equity</b>	<b>988,029</b>	<b>774,083</b>
<b>Total liabilities and shareholder's equity</b>	<b>3,189,647</b>	<b>2,700,009</b>

※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, 2010 and 2009

KRW 1 million		
	Period 44 (current term)	Period 43 (previous term)
I. Gross sales	5,218,924	4,039,681
II. Cost of sales	4,417,391	3,422,208
III. Gross profit	801,533	617,473
IV. Selling and administrative expenses	368,899	280,577
V. Operating profit	432,634	336,896
VI. Non-operating profit	258,391	259,076
1. Interest income	49,631	32,914
2. Dividend income	1,736	1,077
3. Commission income	9,689	5,386
4. Gain on foreign currency transactions	126,303	138,953
5. Gain on foreign currency translation	11,241	11,085
6. Gain on currency forwards transactions	14,680	23,871
7. Gain on valuation of currency forwards	10,334	21,110
8. Gain on valuation of firm contract	8,382	-
9. Gain on valuation of equity-method investments	14,253	-
10. Gain from disposals of securities	-	540
11. Gain on valuation of investments	44	-
12. Gain on disposition of tangible assets	172	79
13. Reversal of allowance for doubtful account	-	6,282
14. Rental income	3,902	3,834
15. Reversal of provision for construction warranties	2,363	4,998
16. Others	5,705	8,948
VII. Non-operating expenses	220,017	246,074
1. Interest expenses	2,902	1,993
2. Amortization of non-trade bad debts	4,904	-
3. Commission expenses	1,093	1,084
4. Loss on foreign currency transactions	114,229	140,544
5. Loss on foreign currency translation	10,787	30,004
6. Loss on valuation of equity method investments	91	440
7. Loss on disposal of property; plant; and equipment	292	105
8. Loss on disposal of securities available for sale	-	58
9. Donations	4,092	3,828
10. Loss on currency forwards transactions	30,025	28,430
11. Loss on valuation of currency forwards	26,623	18,855
12. Loss on valuation of firm contract	15,267	17,804
13. Loss on disposition of accounts receivable	8,113	87
14. Loss on sale of investment securities	102	9
15. Others	1,497	2,833
VIII. Pretax net income	471,008	349,898
IX. Corporate tax expenses	116,123	85,696
X. Net income	354,885	264,203
1. Net income for controlling interest	355,062	259,405
2. Net income for minority interest	(177)	4,798

KRW 1		
	Period 44 (current term)	Period 43 (previous term)
XI. Earnings per share (parent company)		
1. Basic earnings per share	9,452	6,842
2. Diluted earnings per share	9,440	6,833

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009

KRW 1 million		
	Period 44 (current term)	Period 43 (previous term)
I. Cash flow from operating activities	75,438	763,773
1. Net income	354,885	264,203
2. Additions of non-cash expenses to net income	136,922	84,948
3. Deduction of non-cash revenue from net income	(42,132)	(39,597)
4. Changes in operating assets and liabilities	(374,237)	454,219
II. Cash flows from investing activities	(11,754)	(477,667)
1. Cash inflows from investing activities	187,881	2,479
2. Cash outflows from investing activities	(199,635)	(480,146)
III. Cash flows from financing activities	(193,962)	(63,120)
1. Cash inflows from financing activities	18,502	5,062
2. Cash outflows from financing activities	(212,464)	(68,182)
IV. Changes in cash caused by conversion of foreign currency	88	(2,731)
V. Increase in cash due to change in consolidated entities	(305)	(1,838)
VI. Increase in cash	(130,495)	218,417
VII. Cash at the beginning of the year	378,868	160,451
VIII. Cash at the end of the year	248,373	378,868