

# Samsung Electronics Co., Ltd. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### 1.1 Company Overview

Samsung Electronics Co., Ltd. ("SEC") was incorporated under the laws of the Republic of Korea in 1969 and listed its shares on the Korea Stock Exchange in 1975.

SEC operates two business units: DMC (Digital Media & Communications) and DS (Devise Solutions). The DMC unit is subdivided into CE (Consumer Electronics) and IM (Information technology & Mobile Communications) divisions. The CE division offers products ranging from digital TVs, monitors, air conditioning systems, and refrigerators. The IM (Information technology & Mobile Communications) division also offers a wide variety of products including HHP (3G phone, smart phone), telecommunication systems, printers, and computers. The DS unit is also subdivided into Semiconductor and LCD divisions. The semiconductor division manufactures and sells products such as memory and system LSI, while the LCD division manufactures and sells products such as LCD display panels for TVs, monitors and notebook PCs, and AMOLED panels for mobile devices. The company is domiciled in the Republic of Korea and the address of its registered office is Suwon city, the Republic of Korea.

These consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("Korean IFRS") 1027, Consolidated and Separate Financial Statements. SEC, as the controlling company, consolidates its 156 subsidiaries (collectively referred to as "the Company") including S-LCD and Samsung Electronics America as described in Note 1. The Company also applies the equity method of accounting to its 34 affiliates, including Samsung SDI.

#### 1.2 Consolidated Subsidiaries

Controlled subsidiaries generally include those companies over which the Company exercises control. Control over an entity is presumed to exist when the Company owns, directly or indirectly through subsidiaries, over 50% of the voting rights of the entity, the Company has the power to govern the operating and financial policies of the entity through agreement or the Company has the power to appoint or remove the majority of the members of the board of the entity.

The consolidated subsidiaries as of March 31, 2012 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	World Cyber Games	Cyber game match hosting	94.5
	Prosonic	Manufacture of medical health equipments	100.0
	Samsung Mobile Display	Manufacture and sale of TFT-LCD/AMOLED	64.4
	High Pioneer Private Investment Trust #1	Technology business venture capital investments	100.0
	SU Materials	Manufacture of electronic devices	50.0
	STECO	Manufacture of semiconductor components	51.0
	SEMES	Manufacture of semiconductor/FPD	85.6
Domestic	SECRON	Semiconductor equipments	78.1
	Samsung Electronics Service	Repair service for electronic devices	99.3
	S-LCD	Manufacture and sale of TFT-LCD	100.0
	Living Plaza	Sale of consumer electronics	100.0
	SEHF Korea	Optical fiber cable, camera module	100.0
	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Electronics Football Club	Sponsoring of sports team and games	100.0
	GES	Semiconductor equipments	100.0

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
Domestic	Samsung Medison	Medical equipments	65.8
	Medison Healthcare	Medical equipments	100.0
	Ray	Dental CT	68.1
	Samsung Venture Capital Union #6	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #7	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #14	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #20	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #21	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #22	Technology business venture capital investments	99.0
America	Samsung Electronics America(SEA)	Sale of electronic devices	100.0
	NexusDX(Nexus)	Medical equipments	100.0
	Samsung Receivables(SRC)	Credit managements	100.0
	Samsung Semiconductor(SSI)	Sale of electronic devices	100.0
	Samsung Electronics Canada(SECA)	Sale of electronic devices	100.0
	Samsung Information Systems America(SISA)	R&D	100.0
	Grandis(GRANDIS)	Semiconductor R&D	100.0
	Samsung Mexicana(SAMEX)	Manufacture of electronic devices	100.0
	Samsung International(SII)	Manufacture of CTV	100.0
	Samsung Telecommunications America(STA)	Sale of communication equipment	100.0
	Samsung Austin Semiconductor(SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico(SEM)	Manufacture and sales of electronic devices	100.0
	SEMES America(SEMESA)	Semiconductor equipments	100.0
	Samsung Electronics Latinoamerica Miami(SEMI)	Sale of electronic devices	100.0
	Samsung Medison America(SMUS)	Medical equipments	100.0
	Samsung Electronics Latinoamerica(SELA)	Sale of electronic devices	100.0
	Samsung Electronics Venezuela(SEVEN)	Marketing and services	100.0
	Samsung Electronica Colombia(SAMCOL)	Sale of electronic devices	100.0
	Samsung Electronica da Amazonia(SEDA)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics Argentina(SEASA)	Marketing and services	100.0
Samsung Electronics Chile(SECH)	Sale of electronic devices	100.0	
Samsung Electornics Peru(SEPR)	Sale of electronic devices	100.0	
Samsung Medison Brasil(SMBR)	Medical equipments	100.0	
HX Diagnostics(HX)	Medical equipments	100.0	
HX Reagents(HX Reagent)	Medical equipments	100.0	
Deltapoint Cardiac Diagnostics(Deltapoint)	Medical equipments	100.0	
Europe	Samsung Electronics (UK)(SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding(SEHG)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH(SSEG)	Sale of semiconductor and LCD	100.0
	Samsung Electronics GmbH(SEG)	Sale of electronic devices	100.0
	Samsung Electronics Iberia(SES)	Sale of electronic devices	100.0
	Samsung Electronics France(SEF)	Sale of electronic devices	100.0
	Samsung Electronics Hungarian(SEH)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics Czech and Slovak(SECZ)	Sale of electronic devices	100.0
	Samsung Electronics Italia(SEI)	Sale of electronic devices	100.0
	Samsung Electronics Europe Logistics(SELS)	Logistics	100.0
	Samsung Electronics Benelux(SEBN)	Sale of electronic devices	100.0
	Samsung Electronics LCD Slovakia(SELSK)	Tall processing of TFT-LCD	100.0
	Samsung Electronics Romania(SEROM)	Sale of electronic devices	100.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Electronics Overseas(SEO)	Sale of electronic devices	100.0
	Samsung Electronics Polska(SEPOL)	Sale of electronic devices	100.0
	Samsung Electronics Portuguesa(SEP)	Sale of electronic devices	100.0
	Samsung Electronics Nordic(SENA)	Sale of electronic devices	100.0
	Samsung Semiconductor Europe(SSEL)	Sale of semiconductor and LCD	100.0
	Samsung Electronics Austria(SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia(SESK)	Manufacture of CTV/monitor	100.0
	Samsung Electronics European Holding(SEEH)	Holding Company	100.0
	Samsung Electronics Poland Manufacturing(SEPM)	Manufacture of home appliances	100.0
	Samsung Electronics Greece(SEGR)	Sale of electronic devices	100.0
	Samsung LCD Netherlands R&D Center(SNRC)	R&D	100.0
	Samsung LCD Netherlands R&D Center UK(SNRC(UK))	R&D	100.0
	SonoAce Deutschland(SMDE)	Medical equipments	100.0
	Samsung Medison Italia(SMIT)	Medical equipments	100.0
	Samsung Medison France(SMFR)	Medical equipments	100.0
	Samsung Medison Europe(SMNL)	Medical equipments	100.0
	Nanogen Recognomics (Nanogen)	Medical equipments	60.0
	Samsung Electronics Rus(SER)	Marketing	100.0
	Samsung Electronics Rus Company(SERC)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine(SEU)	Marketing	100.0
	Samsung Electronics Baltics(SEB)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine Company(SEUC)	Sale of electronic devices	100.0
	Samsung Moscow Research Centre(SMRC)	R&D	100.0
	Samsung Electronics Kazakhstan(SEK)	Marketing	100.0
	Samsung Eletronics KZ and Central Asia(SEKZ)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga(SERK)	Manufacture of CTV	100.0
	Samsung Russia Service Center(SRSC)	Services	100.0
	Samsung Opto-Electronics GmbH(SOG)	Sale of electronic devices	100.0
	Samsung Electronics Limited(SEL)	Holding company	100.0
	Samsung Telecoms (UK)(STUK)	Sale of electronic devices	100.0
	Samsung Electronics West Africa(SEWA)	Marketing	100.0
	Samsung Electronics East Africa(SEEA)	Marketing	100.0
	Samsung Gulf Electronics(SGE)	Sale of electronic devices	100.0
	Samsung Electronics South Africa(SSA)	Sale of electronic devices	100.0
Middle East and Africa	Samsung Electronics Turkey(SETK)	Sale of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center(SIRC)	R&D	100.0
	Samsung Electronics Levant(SELV)	Sale of electronic devices	100.0
	Samsung Electronics Morocco(SEMRC)	Sale of electronic devices	100.0
	Samsung Japan(SJC)	Sale of electronic devices	51.0
	Samsung Yokohama Research Institute(SYRI)	R&D	100.0
	Samsung Electronics Japan(SEJ)	Sale and services of communication equipments	100.0
	TNP Small/Medium Size & Venture Enterprises Growth Promotion Investment Limited Partnership(TSUNAMI)	Technology business investment	99.0
Asia	Samsung Medison Japan(SMJP)	Medical equipments	100.0
	Samsung Electronics Display (M)(SDMA)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics (M)(SEMA)	Manufacture of home appliances	100.0
	Samsung Vina Electronics(SAVINA)	Manufacture and sale of electronic devices	80.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>	
Asia	Samsung Asia Private(SAPL)	Sale of electronic devices	70.0	
	Samsung India Electronics(SIEL)	Manufacture and sale of electronic devices	100.0	
	Samsung India Software Operations(SISO)	R&D	100.0	
	Samsung Electronics Australia(SEAU)	Sale of electronic devices	100.0	
	Samsung Electronics Indonesia(SEIN)	Manufacture and sale of electronic devices	100.0	
	Samsung Telecommunications Indonesia(STIN)	Sale and services of communication equipments	99.0	
	Thai Samsung Electronics(TSE)	Manufacture and sale of electronic devices	91.8	
	Samsung Electronics Philippines(SEPCO)	Sale of electronic devices	100.0	
	Samsung Electronics Philippines Manufacturing(SEPHIL)	Manufacture of electronic devices	100.0	
	Batino Realty Corporation(BRC) <sup>2</sup>	Management of real estate	39.8	
	Samsung Malaysia Electronics(SME)	Sale of electronic devices	100.0	
	Samsung Electronics Asia Holding(SEAH)	Holding Company	100.0	
	Samsung Bangladesh R&D(SBRC)	R&D	100.0	
	Samsung Electronics Vietnam(SEV)	Manufacture of electronic devices	100.0	
	Samsung Telecommunications Malaysia(STM)	Communication system service	100.0	
	Samsung Medison India(SMIN)	Medical equipments	100.0	
	Medison Medical Systems(India)(MI)	Medical equipments	100.0	
	China	Dongguan Samsung Mobile Display(DSMD)	Manufacture of TFT-LCD	100.0
		Tianjin Samsung Mobile Display(TSMD)	Manufacture of TFT-LCD	95.0
Samsung Electronics Hong Kong(SEHK)		Sale of electronic devices	100.0	
Suzhou Samsung Electronics(SSEC)		Manufacture of home appliances	88.3	
Samsung Suzhou Electronics Export(SSEC-E)		Manufacture of home appliances	100.0	
Samsung (China) Investment(SCIC)		Sale of electronic devices	100.0	
Samsung Guangzhou Mobile R&D Center(SGMC)		R&D	100.0	
Samsung Tianjin Mobile R&D(STMC)		R&D	100.0	
Samsung Electronics Suzhou Semiconductor(SESS)		Tall processing of semiconductor	100.0	
Samsung Electronics (Shandong) Digital Printing(SSDP)		Manufacture of printer	100.0	
Samsung Electronics Huizhou(SEHZ)		Manufacture of electronic devices	99.8	
Tianjin Samsung Electronics(TSEC)		Manufacture of electronic devices	91.3	
Samsung Electronics Taiwan(SET)		Sale of electronic devices	100.0	
Beijing Samsung Telecom R&D Center(BST)		R&D	100.0	
Tianjin Samsung Telecom Technology(TSTC)		Manufacture of communication equipment	90.0	
Shanghai Samsung Semiconductor(SSS)		Sale of semiconductor and LCD	100.0	
Samsung Electronics Suzhou Computer(SESC)		Manufacture of electronic devices	100.0	
Samsung Electronics Suzhou LCD(ESL)		Tall processing of TFT-LCD	100.0	
Samsung Suzhou LCD(SSL)		Tall processing of TFT-LCD	60.0	
Shenzhen Samsung Kejian Mobile Telecommunication Technology(SSKMT)		Manufacture of communication equipment	60.0	
Samsung Electronics Shanghai Telecommunication(SSTC)		Sale of mobile communication and network equipment	100.0	
Samsung LCD Netherlands R&D Center HK(SNRC(HK))		R&D	100.0	
Samsung Semiconductor (China) R&D(SSCR)		R&D	100.0	
Samsung Electronics China R&D Center(SCRC)		R&D	100.0	
Samsung Electronics Hainan Fiberoptics(SEHF)		Manufacture of optical fiber, cable	100.0	
Samsung Electronics (Beijing) Service(SBSC)		Services	100.0	

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Medison (Shanghai)(SMS2)	Medical equipments	100.0
China	Samsung Medison Shanghai Medical Instrument(SMS1)	Medical equipments	98.2
	Medison Medical Equipment(Shanghai)(MMS)	Medical equipments	100.0
	Tianjin Samsung Opto-Electronics(TSOE)	Manufacture of camera and camcorder	90.0

<sup>1</sup>Ownership represents the company's ownership of the voting right in each entity.

<sup>2</sup>Although the company owns less than 50% of the voting rights of BRC, the Company is considered to have control over BRC, as BRC is a special purpose entity and its activities are being conducted on behalf of the Company according to the specific business needs so that the Company obtains the majority of the benefits from BRC's operation.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A summary of financial data of major consolidated subsidiaries is as follows:

(A)

<i>(In millions of Korean Won)</i>	As of March 31, 2012		For the three-month ended March 31, 2012	
	Assets	Liabilities	Sales	Net Income
Samsung Mobile Display	10,098,474	5,131,084	2,310,744	275,086
Samsung Electronics America(SEA)	9,971,035	5,116,555	2,480,049	17,212
Samsung Austin Semiconductor(SAS)	7,217,025	4,032,460	837,371	6,640
Samsung Semiconductor(SSI)	6,430,472	2,991,021	4,086,542	6,576
S-LCD	4,872,501	1,411,018	2,282,561	(68,371)
Samsung Electronics European Holding(SEEH)	3,872,132	3,660,489	-	4,164
Samsung (China) Investment(SCIC)	3,636,747	2,858,792	3,021,957	114,173
Samsung Japan(SJC)	2,836,786	2,635,984	1,861,373	16,079
Samsung Electronica da Amazonia(SEDA)	2,592,702	1,619,182	1,277,171	12,454
Samsung Electronics Huizhou(SEHZ)	2,578,654	1,180,234	3,243,103	241,911
Samsung Electronics Vietnam(SEV)	2,408,208	984,279	2,926,281	265,367
Tianjin Samsung Telecom Technology(TSTC)	2,117,729	1,190,269	2,427,249	177,105
Samsung Electronics Slovakia(SESK)	1,979,754	729,454	1,253,688	46,772
Samsung Electronics Taiwan(SET)	1,863,520	1,618,514	1,248,932	24,322
Samsung Telecommunications America(STA)	1,804,798	1,372,678	2,619,082	21,006
Samsung Electronics Rus Company(SERC)	1,623,485	1,276,863	1,421,830	2,180
Samsung Electronics Europe Logistics(SELS)	1,574,261	1,296,889	2,839,269	189,494
Samsung Electronics Suzhou Computer(SESC)	1,488,159	1,066,604	1,735,761	33,065
Shanghai Samsung Semiconductor(SSS)	1,451,897	1,313,778	2,750,170	16,180
Thai Samsung Electronics(TSE)	1,340,658	549,517	1,113,785	53,527
Samsung India Electronics(SIEL)	1,282,324	1,006,001	1,174,466	59,726
Samsung Electronics France(SEF)	1,193,855	843,074	1,140,450	(4,246)
Samsung Electronics Hungarian(SEH)	1,169,423	376,134	914,352	18,029
Samsung Electronics (UK)(SEUK)	1,161,562	607,536	1,025,536	4,767
Samsung Electronics Hong Kong(SEHK)	1,140,073	963,339	510,679	21,110
Others	32,945,794	20,347,426	24,849,121	500,370

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(B)

<i>(In millions of Korean Won)</i>	As of December 31, 2011		For the three-month ended March 31, 2011	
	Assets	Liabilities	Sales	Net Income
Samsung Mobile Display	9,590,909	4,898,011	1,236,536	136,019
Samsung Electronics America(SEA)	9,816,571	4,913,504	2,274,101	10,303
Samsung Austin Semiconductor(SAS)	6,952,894	3,731,834	440,407	11,815
Samsung Semiconductor(SSI)	5,974,863	2,490,812	4,160,723	526
S-LCD	4,940,886	1,411,031	2,343,737	(60,967)
Samsung Electronics European Holding(SEEH)	3,796,937	3,592,183	-	729
Samsung (China) Investment(SCIC)	3,323,358	2,652,717	1,996,681	33,103
Samsung Japan(SJC)	2,856,471	2,197,847	1,767,373	15,209
Samsung Electronica da Amazonia(SEDA)	2,434,259	1,482,344	1,086,314	(20,492)
Samsung Electronics Huizhou(SEHZ)	2,984,592	1,816,087	1,530,765	86,563
Samsung Electronics Vietnam(SEV)	2,217,392	1,043,133	916,827	94,379
Tianjin Samsung Telecom Technology(TSTC)	1,664,989	907,083	1,062,097	43,515
Samsung Electronics Slovakia(SESZ)	2,361,719	1,174,527	985,296	50,404
Samsung Electronics Taiwan(SET)	1,794,858	1,582,616	1,452,465	8,490
Samsung Telecommunications America(STA)	2,235,101	1,818,412	2,166,568	(5,595)
Samsung Electronics Rus Company(SERC)	1,509,256	1,189,211	1,166,227	(18,788)
Samsung Electronics Europe Logistics(SELS)	1,368,673	1,285,617	2,700,058	39,053
Samsung Electronics Suzhou Computer(SESC)	1,411,349	1,018,670	1,488,989	39,917
Shanghai Samsung Semiconductor(SSS)	2,024,403	1,901,188	2,212,223	17,902
Thai Samsung Electronics(TSE)	1,169,778	443,187	746,373	48,717
Samsung India Electronics(SIEL)	1,090,390	876,886	916,202	37,642
Samsung Electronics France(SEF)	986,708	636,175	1,027,826	(1,540)
Samsung Electronics Hungarian(SEH)	1,318,553	592,167	1,362,366	62,059
Samsung Electronics (UK)(SEUK)	996,860	457,017	781,592	(10,013)
Samsung Electronics Hong Kong(SEHK)	1,155,606	998,115	319,300	3,440
Others	29,976,613	17,511,502	19,273,029	177,991

# Samsung Electronics Co., Ltd. and Subsidiaries

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### 2. Summary of Significant Accounting Policies

#### 2.1 Convenience translation into 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 in the financial statements represent supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. dollars at the rate of ₩1,137.8 to US \$1, the exchange rate in effect on March 31, 2012. Such presentation is not in accordance with generally accepted accounting principles, 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.

#### 2.2 Basis of Presentation

This condensed consolidated interim financial information for the three-month ended March 31, 2012 has been prepared in accordance with K-IFRS 1034 (*Interim Financial Reporting*). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards as adopted by Korea ("K-IFRS"). These are those standards, subsequent amendments and related interpretations issued by the IASB that have been adopted by Korea.

**Standards, amendments and interpretations which have been issued but not effective for the financial year beginning January 1, 2012 and not early adopted are set out below:**

##### *K-IFRS 1019, 'Employee benefits'*

The main impacts on the Company will be that the corridor approach will no longer be applied and instead all actuarial gains and losses will be recognized in other comprehensive income as they occur; all past service costs will be immediately recognized, and interest cost and expected return on plan assets will be replaced with a net interest amount calculated by applying the discount rate to the net defined benefit liability (asset). This amendment will be effective starting from the accounting period beginning January 1, 2013. The Company is still in the process of assessing the impact of the amendment on the consolidated financial statements.

##### *K-IFRS 1113, 'Fair value measurement'*

The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. This amendment will be effective starting from the accounting period beginning January 1, 2013. The Company expects the amendment to not have a material impact on the consolidated financial statements.

#### 2.3 Accounting Policies

Significant accounting policies and estimates adopted in the preparation and presentation of the interim financial statements are consistent with the accounting policies and estimates adopted for the annual financial statements for the year ended December 31, 2011, except as described below.

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.



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#### 2.4 Significant Accounting Estimates and Assumptions

In preparing the interim financial statements, the management of the Company makes estimates and assumptions on matters which affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Significant estimation methodologies and assumptions made in the preparation of interim financial statements are consistent with those made in the preparation of the annual financial statements for the year ended December 31, 2011, except for the methodologies and assumptions made in deriving corporate income tax.

#### 3. Financial instruments by category

(A) Financial instruments by category consist of the following:

1) As of March 31, 2012

<i>(In millions of Korean Won)</i>	<b>Assets at fair value through the profit and loss</b>	<b>Loans and receivables</b>	<b>Available- for-sale financial assets</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	₩ -	₩ 15,923,545	₩ -	₩ 15,923,545
Short -term financial instruments	-	9,013,539	-	9,013,539
Short -term available-for-sale financial assets	-	-	453,108	453,108
Trade and other receivables	-	24,289,667	-	24,289,667
Long -term available-for-sale financial assets	-	-	4,159,420	4,159,420
Deposit	-	820,324	-	820,324
Others	103,651	1,326,797	-	1,430,448
<b>Total</b>	₩ 103,651	₩ 51,373,872	₩ 4,612,528	₩ 56,090,051

<i>(In millions of Korean Won)</i>	<b>Liabilities at fair value through the profit and loss</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>Liabilities</b>				
Trade and other payables	₩ -	₩ 20,691,401	₩ -	₩ 20,691,401
Short-term borrowings	-	4,135,089	4,840,901	8,975,990
Debentures	-	1,279,308	-	1,279,308
Long-term borrowings	-	3,584,666	-	3,584,666
Others	41,487	5,550,056	-	5,591,543
<b>Total</b>	₩ 41,487	₩ 35,240,520	₩ 4,840,901	₩ 40,122,908

**Samsung Electronics Co., Ltd. and Subsidiaries**

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2) As of December 31, 2011

<i>(In millions of Korean Won)</i>	<b>Assets at fair value through the profit and loss</b>	<b>Loans and receivables</b>	<b>Available- for-sale financial assets</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	₩ -	₩ 14,691,761	₩ -	₩14,691,761
Short -term financial instruments	-	11,529,905	-	11,529,905
Short -term available-for-sale financial assets	-	-	655,969	655,969
Trade and other receivables	-	24,153,028	-	24,153,028
Long -term available-for-sale financial assets	-	-	3,223,598	3,223,598
Deposit	-	791,863	-	791,863
Others	130,057	1,289,447	-	1,419,504
<b>Total</b>	₩ 130,057	₩ 52,456,004	₩ 3,879,567	₩56,465,628

<i>(In millions of Korean Won)</i>	<b>Liabilities at fair value through the profit and loss</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>Liabilities</b>				
Trade and other payables	₩ -	₩ 19,534,294	₩ -	₩ 19,534,294
Short-term borrowings	-	4,775,339	4,878,383	9,653,722
Debentures	-	1,280,124	-	1,280,124
Long-term borrowings	-	3,682,472	-	3,682,472
Others	40,932	7,818,742	-	7,859,674
<b>Total</b>	₩ 40,932	₩ 37,090,971	₩ 4,878,383	₩ 42,010,286

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) The following table presents the assets and liabilities that are measured at fair value.

1) As of March 31, 2012

<i>(In millions of Korean Won)</i>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total balance</b>	
Derivatives	₩	-	₩	103,651	₩	-	₩	103,651
Available-for-sale financial assets		3,911,435		96,466		604,627		4,612,528
<b>Total assets</b>		3,911,435		200,117		604,627		4,716,179
Derivatives		-		41,487		-		41,487
<b>Total liabilities</b>	₩	-	₩	41,487	₩	-	₩	41,487

2) As of December 31 2011

<i>(In millions of Korean Won)</i>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total balance</b>	
Derivatives	₩	-	₩	130,057	₩	-	₩	130,057
Available-for-sale financial assets		3,182,157		73,672		623,738		3,879,567
<b>Total assets</b>		3,182,157		203,729		623,738		4,009,624
Derivatives		-		40,932		-		40,932
<b>Total liabilities</b>	₩	-	₩	40,932	₩	-	₩	40,932

The levels of the fair value hierarchy and its application to financial assets and liabilities are described below.

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## **Samsung Electronics Co., Ltd. and Subsidiaries**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. As for trade and other receivables, the book value approximates a reasonable estimate of fair value.

There are no business environment changes or economic environment changes that have a material impact on the Company's financial assets and liabilities.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4. Inventories

Inventories, net of valuation losses as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Finished goods	₩ 5,567,447	₩ 5,905,880
Work in Process	3,121,876	3,071,362
Raw materials and supplies	5,081,313	4,486,620
Materials-in-transit	2,585,887	2,252,853
Total	₩ 16,356,523	₩ 15,716,715

As of March 31, 2012, losses from valuation of inventories of ₩787,404 million (December 31, 2011: ₩769,416 million) were deducted to inventories.

#### 5. Long-Term available-for-sale financial assets

Long-term available-for-sale financial assets as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
	<b>Book Value</b>	<b>Book Value</b>
Equity securities - Listed <sup>1</sup>	₩ 3,458,327	₩ 2,526,187
Equity securities - Unlisted <sup>1</sup>	604,627	623,739
Debt securities	96,466	73,672
	₩ 4,159,420	₩ 3,223,598

<sup>1</sup>Excludes associates and joint ventures

The Company does not have any available-for-sale financial assets that are impaired or overdue. The maximum exposure to credit risk for debt securities of available-for-sale financial assets at the reporting date is the carrying value of the debt securities.

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Listed equity securities as of March 31, 2012 and December 31, 2011, consist of the following:

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

	March 31, 2012			December 31, 2011	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Recorded Book Value (Market Value)	Recorded Book Value (Market Value)
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩ 1,535,505	₩ 1,134,850
Samsung Fine Chemicals	2,164,970	8.4	45,678	117,991	132,063
Hotel Shilla	2,004,717	5.0	13,957	96,728	77,182
Cheil Worldwide	2,998,725	2.6	2,920	54,277	56,826
iMarket Korea	647,320	1.8	324	12,623	10,487
A-Tech Solution	1,592,000	15.9	26,348	17,512	17,830
SFA	1,822,000	10.2	38,262	97,477	111,142
SNU Pricision	1,075,446	5.3	14,204	10,615	11,400
KT Skylife	240,000	0.5	3,344	5,952	6,576
Rambus	4,788,125	4.4	92,682	35,139	41,692
Seagate Technology	45,239,490	9.7	788,454	1,387,725	855,665
Others	-	-	22,289	86,783	70,474
<b>Total</b>			₩ 1,306,761	₩ 3,458,327	₩ 2,526,187

The difference between the acquisition cost and the current fair value, after taking into account income tax effects from the equity component, is recorded within other components of equity (unrealized holding gains (losses) on available-for-sale financial assets).

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6. Associates and Joint Ventures**

(A) Changes in associates and joint ventures for the three-month ended March 31, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
At January 1	₩ 9,204,169	₩ 8,335,290
Acquisition of Associates and Joint Ventures	94,463	286,384
Share of profit	367,334	375,608
Others (*)	(718,635)	(334,207)
At March 31	₩ 8,947,331	₩ 8,663,075

(\*) Others consist of dividends and effect of change in foreign exchange rates.

(B) Major associates and joint ventures as of March 31, 2012 consist of the following:

1) Associates

<b>Investee</b>	<b>Industry</b>	<b>Percentage of Ownership (%)</b> (*)	<b>Region</b>
Samsung Card	Finance, Credit card	35.3	Korea
Samsung Electro-Mechanics	Electricity, Electronics	23.7	Korea
Samsung SDI	Manufacturing	20.4	Korea
Samsung SDS	Service	21.7	Korea
Samsung Techwin	Manufacturing	25.5	Korea
Samsung LED	Manufacturing, wholesale, Service	50.0	Korea

(\*) The ownership represents the company's ownership of the voting rights in the entity

2) Joint ventures

<b>Investee</b>	<b>Industry</b>	<b>Percentage of Ownership (%)</b> (*)	<b>Region</b>
Samsung Corning Precision Materials	TFT- LCD components Manufacturing and retail	42.5	Korea
Siltronic Samsung Wafer	Semi conductor Manufacturing and retail	50.0	Asia

(\*) The ownership represents the company's ownership of the voting rights in the entity

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(C) Details of investments in associates and joint ventures consist of the following:

1) Associates

*(In millions of Korean Won)*

**March 31, 2012**

<b>Investee</b>	<b>Acquisition cost</b>		<b>Net asset value of investee</b>		<b>Book value</b>
Samsung Card	₩	1,538,540	₩	2,151,832	₩ 2,168,666
Samsung Electro- Mechanics		359,237		898,004	819,133
Samsung SDI		423,722		1,278,105	1,220,132
Samsung SDS		17,967		653,107	642,818
Samsung Techwin		174,531		396,503	350,306
Samsung LED		180,916		285,223	316,914
Others		364,250		475,868	466,389
<b>Total</b>	₩	<b>3,059,163</b>	₩	<b>6,138,642</b>	₩ <b>5,984,358</b>

*(In millions of Korean Won)*

**December 31, 2011**

<b>Investee</b>	<b>Acquisition cost</b>		<b>Net asset value of investee</b>		<b>Book value</b>
Samsung Card	₩	1,538,540	₩	2,167,986	₩ 2,184,855
Samsung Electro- Mechanics		359,237		883,680	799,792
Samsung SDI		423,722		1,242,699	1,185,509
Samsung SDS		17,967		643,578	632,593
Samsung Techwin		174,531		417,708	370,379
Samsung LED		180,916		311,545	340,145
Others		269,787		354,602	371,909
<b>Total</b>	₩	<b>2,964,700</b>	₩	<b>6,021,798</b>	₩ <b>5,885,182</b>



**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

2) Joint Ventures

*(In millions of Korean Won)*

**March 31, 2012**

<b>Investee</b>	<b>Acquisition cost</b>		<b>Net asset value of investee</b>		<b>Book value</b>	
Samsung Corning						
Precision Materials	₩	297,165	₩	2,851,011	₩	2,737,140
Siltronic Samsung						
Wafer		266,949		63,934		156,824
Others		152,512		72,783		69,009
<b>Total</b>	₩	716,626	₩	2,987,728	₩	2,962,973

*(In millions of Korean Won)*

**December 31, 2011**

<b>Investee</b>	<b>Acquisition cost</b>		<b>Net asset value of investee</b>		<b>Book value</b>	
Samsung Corning						
Precision Materials	₩	297,165	₩	3,191,077	₩	3,089,298
Siltronic Samsung Wafer		266,949		66,843		154,272
Others		152,512		79,027		75,417
<b>Total</b>	₩	716,626	₩	3,336,947	₩	3,318,987

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(D) Gain/loss on valuation of equity

1) For the three-month ended March 31, 2012

	<b>Balance at January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive gains</b>	<b>Others(*)</b>	<b>Balance at March 31</b>
Samsung Card	₩2,184,855	₩ 179,550	₩ (165,487)	₩(30,252)	₩2,168,666
Samsung Electro- Mechanics	799,792	20,882	12,789	(14,330)	819,133
Samsung SDI	1,185,509	22,213	25,658	(13,248)	1,220,132
Samsung SDS	632,593	12,044	2,352	(4,171)	642,818
Samsung Techwin	370,379	10,242	(20,340)	(9,975)	350,306
Samsung LED	340,145	(22,519)	(712)	-	316,914
Samsung Corning Precision Materials	3,089,298	142,091	3,746	(497,995)	2,737,140
Siltronic Samsung Wafer	154,272	(5,273)	1,316	6,509	156,824
Others	447,326	8,104	(6,069)	86,037	535,398
<b>Total</b>	<b>₩9,204,169</b>	<b>₩ 367,334</b>	<b>₩ (146,747)</b>	<b>₩(477,425)</b>	<b>₩8,947,331</b>

(\*) Others consist of acquisition, disposal, dividends and changes in foreign exchange rates.

2) For the three-month ended March 31, 2011

	<b>Balance at January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive gains</b>	<b>Others(*)</b>	<b>Balance at March 31</b>
Samsung Card	₩2,201,154	₩ 35,955	₩ 350	₩(64,425)	₩2,173,034
Samsung Electro- Mechanics	793,932	21,930	(9,459)	(17,684)	788,719
Samsung SDI	1,172,130	15,354	(310)	(23,897)	1,163,277
Samsung SDS	569,678	16,242	(313)	(3,913)	581,694
Samsung Techwin	269,360	10,894	(149)	(8,866)	271,239
Samsung LED	306,005	8,250	(1,304)	-	312,951
Samsung Corning Precision Materials	2,599,010	280,611	(2,303)	(199,944)	2,677,374
Siltronic Samsung Wafer	192,500	(9,545)	(752)	647	182,850
Others	231,521	(4,083)	(1,042)	285,541	511,937
<b>Total</b>	<b>₩8,335,290</b>	<b>₩ 375,608</b>	<b>₩ (15,282)</b>	<b>₩(32,541)</b>	<b>₩8,663,075</b>

(\*) Others include acquisition, disposal, dividends and changes in foreign exchange rates.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(E) Financial information of major associates and joint ventures

1) Associates

(1) As of and for the three-month ended March 31, 2012

<i>(In millions of Korean Won)</i>	<b>As of March 31, 2012</b>		<b>For the three-month ended March 31, 2012</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net Income</b>
<b>Investee</b>				
Samsung Card	₩ 14,932,454	₩ 8,835,022	₩ 1,366,694	₩ 508,736
Samsung Electro- Mechanics	8,095,020	4,156,434	2,229,237	92,481
Samsung SDI	8,896,494	2,400,987	1,376,691	112,011
Samsung SDS	4,024,528	1,010,191	1,217,897	51,774
Samsung Techwin	3,381,460	1,824,106	634,952	35,317
Samsung LED	1,385,805	815,358	367,423	(51,164)

(2) As of December 31, 2011 and for the three-month ended March 31, 2011

<i>(In millions of Korean Won)</i>	<b>As of December 31, 2011</b>		<b>For the three-month ended March 31, 2011</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net Income</b>
<b>Investee</b>				
Samsung Card	₩ 16,135,253	₩ 9,991,910	₩ 808,930	₩ 101,846
Samsung Electro- Mechanics	7,455,731	3,579,943	1,772,513	85,568
Samsung SDI	8,527,411	2,212,884	1,209,045	78,713
Samsung SDS	4,027,597	1,057,695	1,045,172	70,140
Samsung Techwin	3,223,454	1,582,808	714,643	37,058
Samsung LED	1,454,193	831,104	315,616	20,485

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 2) Joint Ventures – A listing of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities is as follows:

- (1) As of and for the three-month ended March 31, 2012

<i>(In millions of Korean Won)</i>	<b>As of March 31, 2012</b>			
	<b>Samsung Corning Precision Materials</b>	<b>Siltronic Samsung Wafer</b>	<b>Others</b>	<b>Total</b>
Current Assets	₩ 1,421,600	₩ 105,948	₩ 177,287	₩ 1,704,835
Non-Current Assets	1,727,151	351,364	35,448	2,113,963
Total Assets	3,148,751	457,312	212,735	3,818,798
Current Liabilities	243,283	86,342	139,952	469,577
Non-Current Liabilities	54,457	307,036	-	361,493
Net Assets	2,851,011	63,934	72,783	2,987,728

<i>(In millions of Korean Won)</i>	<b>For the three-month ended March 31, 2012</b>			
	<b>Samsung Corning Precision Materials</b>	<b>Siltronic Samsung Wafer</b>	<b>Others</b>	<b>Total</b>
Sales	366,707	46,565	162,620	575,892
Expense	213,481	51,838	151,654	416,973
Net income	153,226	(5,273)	10,966	158,919

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(2) As of December 31, 2011 and for the three-month ended March 31, 2011

<i>(In millions of Korean Won)</i>	<b>As of December 31, 2011</b>			
	<b>Samsung Corning Precision Materials</b>	<b>Siltronic Samsung Wafer</b>	<b>Others</b>	<b>Total</b>
Current Assets	₩ 1,759,181	₩ 100,952	₩ 176,899	₩ 2,037,032
Non-Current Assets	1,742,956	343,751	40,346	2,127,053
Total Assets	3,502,137	444,703	217,245	4,164,085
Current Liabilities	251,287	76,932	138,217	466,436
Non-Current Liabilities	59,773	300,929	-	360,702
Net Assets	3,191,077	66,842	79,028	3,336,947

<i>(In millions of Korean Won)</i>	<b>For the three-month ended March 31, 2011</b>			
	<b>Samsung Corning Precision Materials</b>	<b>Siltronic Samsung Wafer</b>	<b>Others</b>	<b>Total</b>
Sales	558,841	38,446	187,249	784,536
Expense	268,276	47,992	186,052	502,320
Net income	290,565	(9,545)	1,197	282,217

(F) Market value information of publicly listed associates as of March 31, 2012 and December 31, 2011 is as follows:

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>		<b>December 31, 2011</b>	
	<b>Number of shares held</b>	<b>Market value</b>	<b>Market value</b>	
Samsung SDI	9,282,753	₩ 1,271,737	₩	1,239,248
Samsung Electro-Mechanics	17,693,084	1,767,539		1,374,753
Samsung Card	43,393,170	1,711,861		1,687,994
Samsung Techwin	13,526,935	919,832		719,633

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 7. Property, Plant and Equipment

Changes in property, plant and equipment for the three-month ended March 31, 2012 and 2011, consist of the following:

<i>(In millions of Korean won)</i>	<b>2012</b>	<b>2011</b>
Net book value at January 1	₩ 62,043,951	₩ 52,964,594
Acquisition and capital expense	7,759,281	5,527,465
Sale/ Disposal / Impairment	(180,470)	(91,940)
Depreciation	(3,489,792)	(2,978,642)
Others	(134,612)	(239,361)
Net book value at March 31	₩ 65,998,358	₩ 55,182,116

The depreciation expense relating to property, plant and equipment for the three-month ended March 31, 2012 and 2011, is allocated to the following accounts:

<i>(In millions of Korean won)</i>	<b>2012</b>	<b>2011</b>
Cost of sales	₩ 3,228,937	₩ 2,728,444
Selling, general and administrative expenses	99,808	89,693
Research and development expenses, etc	161,047	160,505
Total	₩ 3,489,792	₩ 2,978,642

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**8. Intangible Assets**

Changes in intangible assets for the three-month ended March 31, 2012 and 2011, consist of the following:

<i>(In millions of Korean won)</i>	<b>2012</b>	<b>2011</b>
Net book value at January 1	₩ 3,355,236	₩ 2,779,439
Internally generated development cost	72,773	104,089
External acquisition	52,149	68,065
Amortization	(185,578)	(145,106)
Sale/ Disposal / Impairment	(2,337)	(4,303)
Others	36,864	69,219
Net book value at March 31	₩ 3,329,107	₩ 2,871,403

The amortization expense relating to intangible assets for the three-month ended March 31, 2012 and 2011, is allocated to the following accounts:

<i>(In millions of Korean won)</i>	<b>2012</b>	<b>2011</b>
Cost of sales	₩ 80,047	₩ 61,055
Selling, general and administrative expenses	81,045	62,993
Research and development expenses, etc	24,486	21,058
Total	₩ 185,578	₩ 145,106

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**9. Borrowings**

Borrowings as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>Financial Institutions</b>	<b>Annual Interest Rates (%) as of March 31, 2012</b>	<b>2012</b>	<b>2011</b>
<b>Short-term Borrowings</b>				
Collateralized borrowings <sup>1</sup>	Woori Bank etc	0.9 ~ 6.7	₩ 4,840,901	₩ 4,878,383
Borrowings without collateral	CITI etc	0.3 ~ 15.6	4,135,089	4,775,339
Total			₩ 8,975,990	₩ 9,653,722
<b>Current Portion of long-term Borrowings</b>				
Bank borrowings	DBJ etc	2.8 ~ 4.5	₩ 9,391	₩ 10,820
Financial lease liabilities <sup>2</sup>	APCI etc	2.2 ~ 15.6	13,934	13,936
Total			₩ 23,325	₩ 24,756
<b>Long-term Borrowings</b>				
Bank borrowings	SMBC etc	1.3 ~ 5.8	₩ 3,466,851	₩ 3,559,554
Financial lease liabilities <sup>2</sup>	APCI etc	2.2 ~ 15.6	117,815	122,918
Total			₩ 3,584,666	₩ 3,682,472

<sup>1</sup> Collateralized borrowings are secured by trade receivables.

<sup>2</sup> The ownership of leased assets has been pledged as collateral for financial lease liabilities.



**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**10. Debentures**

Debentures as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>Ref.</b>	<b>2012</b>	<b>2011</b>
Korea Won denominated debenture	(A)	₩ 1,197,296	₩ 1,197,079
Foreign currency denominated debenture	(B)	82,012	83,045
<b>Total</b>		<b>₩ 1,279,308</b>	<b>₩ 1,280,124</b>

(A) Korean Won denominated debentures as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>Issue Date</b>	<b>Due Date</b>	<b>Annual Interest Rates (%) as of March 31, 2012</b>	<b>2012</b>	<b>2011</b>
Public offered non-guaranteed bond	2010.6.17	2013.6.17	4.7	₩ 500,000	₩ 500,000
"	2011.11.17	2014.11.17	4.1	500,000	500,000
"	2011.11.17	2016.11.17	4.2	200,000	200,000
<b>Current portion</b>				<b>₩ -</b>	<b>₩ -</b>
<b>Less: Discounts</b>				<b>₩ (2,704)</b>	<b>₩ (2,921)</b>
				<b>₩ 1,197,296</b>	<b>₩ 1,197,079</b>

The above Korean Won denominated debentures were issued by Samsung Mobile Display, one of SEC's domestic subsidiaries. The payments of these debentures are due on the date of maturity.

(B) Debentures denominated in foreign currencies as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>Issue Date</b>	<b>Due Date</b>	<b>Annual Interest Rates (%) as of March 31, 2012</b>	<b>2012</b>	<b>2011</b>
US dollar denominated straight bonds	1997.10.2	2027.10.1	7.7	₩ 91,024 (USD 80M)	₩ 92,264 (USD 80M)
<b>Current portion</b>				<b>₩ (5,467)</b>	<b>₩ (5,536)</b>
<b>Less: Discounts</b>				<b>(3,545)</b>	<b>(3,683)</b>
<b>Total</b>				<b>₩ 82,012</b>	<b>₩ 83,045</b>

US dollar straight bonds are repaid for twenty years after a ten-year grace period from the date of issuance. Interests are paid semi-annually.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 11. Retirement benefit obligations

The Company operates defined benefit pension plans in various subsidiaries according to their local regulations and practices in each country. Expense details for defined benefit plans recognized in the consolidated income statements for the three-month ended March 31, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>		<b>2011</b>	
Current service cost	₩	158,800	₩	129,440
Interest cost		48,761		41,911
Expected return on plan assets		(32,243)		(25,375)
Actuarial gains and losses		11,146		215
The effect of settlement or curtailment		10,823		545
	₩	197,287	₩	146,736

<i>(In millions of Korean Won)</i>	<b>2012</b>		<b>2011</b>	
Cost of sales	₩	83,007	₩	59,204
Selling, general and administrative expenses		44,905		33,298
Research and development expenses, etc		69,375		54,234
	₩	197,287	₩	146,736

The amounts recognized in the consolidated statements of finance position as of March 31, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>		<b>December 31, 2011</b>	
Present value of funded defined benefit obligation	₩	3,470,824	₩	3,271,629
Fair value of plan assets		(2,373,620)		(2,423,152)
Subtotal		1,097,204		848,477
Present value of unfunded defined benefit obligation		265,840		258,711
Unrecognized actuarial gains or losses		(808,695)		(688,702)
Total	₩	554,349	₩	418,486

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 12. Provisions

The changes in the liability provisions during the three-month period ended March 31, 2012, are as follows:

*(In millions of Korean Won)*

	Ref.	Balance at January 1, 2012	Increase	Decrease	Others <sup>1</sup>	Balance at March 31, 2012
Warranty	(A)	₩ 1,680,534	₩ 641,310	₩ (465,154)	₩ 19,310	₩ 1,876,000
Royalty expenses	(B)	1,590,079	662,389	(131,574)	3,408	2,124,302
Long-term incentives	(C)	510,901	38,782	(134,138)	-	415,545
Reserve for bonus	(D)	-	695,471	-	-	695,471
Others		96,245	61,172	-	-	157,417
<b>Total</b>		<b>3,877,759</b>	<b>2,099,124</b>	<b>(730,866)</b>	<b>22,718</b>	<b>5,268,735</b>

<sup>1</sup>Others include amounts from changes in foreign currency exchange rates.

- (A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs.
- (B) The Company makes provisions for estimated royalty expenses related to technical assistance agreements that have not been settled. The timing of payment depends on the settlement of agreement.
- (C) The Company has a long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive cost for the accrued period.
- (D) The company provides bonuses for its executives and employees, which are determined based on current-period performance. The estimated bonus cost for the accrued period has been recognized as a provision.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 13. Commitments and Contingencies

##### (A) Guarantees

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Guarantees of debt for housing rental(*)	₩ 146,875	₩ 153,989

(\*) These debt guarantees relate to guarantees provided for employees who took debt from financial institutions in order to finance employee housing rental.

##### (B) Litigation

Based on the agreement entered into on September, 1999 with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, Samsung Motor Inc.'s creditors ("the Creditors") filed a civil action lawsuit against Mr. Kun Hee Lee, chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450,000 million for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest.

During Samsung Life Insurance ("SLI")'s Initial Public Offering process, SLI shares owned by the Creditors were disposed. The excess over par value of the disposed shares(₩70,000 per share) in the amount of ₩877,600 million was deposited into an escrow account and most of the claimed amount under this lawsuit was withdrawn. On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay ₩600,000 million and interest owed to the Creditors. In accordance with the Seoul High Court order, ₩620,400 million (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow in January 2011. Samsung Group affiliates and the Creditors all have appealed to the Korean Supreme Court.

In addition to the case mentioned above, the Company has been involved in various claims and proceedings during the normal course of business with numerous companies including Apple Inc. The financial outcome of these matters is uncertain. However, the Company believes the outcome of these matters will not have a material impact on the financial condition of the Company.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 14. Share capital and premium

Under its Articles of Incorporation, the Company is authorized to issue 500 million shares of capital stock with a par value of ₩5,000 per share. As of March 31, 2012, the Company has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock, excluding retired shares. Due to retirement of shares, the total par value of the shares issued is ₩850,664 million (common stock ₩736,497 million, preferred stock ₩114,167 million), which does not agree with paid-in capital of ₩897,514 million.

SEC has issued global depositary receipts (“GDR”) to overseas capital markets. The number of outstanding GDR as of March 31, 2012 and December 31, 2011, are as follows:

	March 31, 2012		December 31, 2011	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Outstanding GDR				
- Share of Stock	3,206,340	7,334,436	3,092,581	7,316,976
- Share of GDR	6,412,680	14,668,872	6,185,162	14,633,952

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15. Retained earnings**

Retained earnings as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>		<b>December 31, 2011</b>	
Appropriated	₩	87,915,275	₩	78,713,318
Unappropriated		13,735,949		18,829,207
<b>Total</b>	₩	<b>101,651,224</b>	₩	<b>97,542,525</b>

**16. Other components of equity**

Other components of equity as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>		<b>2011</b>	
Treasury stock	₩	(7,501,421)	₩	(7,539,561)
Stock option		39,227		55,313
Unrealized holding gains on available-for-sale financial assets		1,735,537		1,040,849
Share of associates and joint ventures accumulated other comprehensive income		924,688		1,071,435
Foreign-currency translation differences		(727,456)		(834,145)
Others		1,673,881		961,942
<b>Total</b>	₩	<b>(3,855,544)</b>	₩	<b>(5,244,167)</b>

The Company repurchases registered common stock and non-voting preferred stock to stabilize its stock price and recognizes the amount in other components of equity. These stocks will be distributed when stock options are exercised by the option holders.

Treasury stock as of March 31, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>		<b>December 31, 2011</b>		
	Preferred stock	Common stock	Preferred stock	Common stock	
Number of shares	2,979,693	16,819,368	2,979,693	16,912,614	
Acquisition cost	₩	621,843	₩	621,843	
		₩	6,879,578	₩	6,917,718

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 17. Transactions with Non – Controlling interests

On January 19, 2012, the Company acquired an additional 50% stake in S-LCD for ₩1,067,082 million, resulting in a 100% stake in S-LCD. At the time of acquisition the carrying value of non-controlling interest was ₩1,764,927 million. The difference between the acquisition cost and the carrying value of non-controlling interest, of ₩697,845 million, was recorded in other components of equity.

#### 18. Expenses by Nature

Expenses by nature for the three-month ended March 31, 2012 and 2011, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>		<b>2011</b>	
Change of inventories	₩	287,919	₩	(194,259)
Raw materials and goods		19,574,803		17,544,552
Wages and salaries		3,422,412		2,989,103
Severance and retirement benefits		205,366		152,926
Depreciation expenses		3,489,792		2,978,642
Amortization expenses		185,578		145,106
Welfare expenses		538,553		444,126
Commission and service charges		1,339,389		1,512,645
Other expenses		10,590,076		8,616,731
Total(*)	₩	39,633,888	₩	34,189,572

(\*) The sum of the above expenses equals to the sum of cost of sales, research and development expenses, and selling, general and administrative expenses in the statements of income.

#### 19. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month ended March 31, 2012 and 2011, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>		<b>2011</b>	
Wages and salaries	₩	1,026,335	₩	855,090
Severance and retirement benefits		49,687		37,305
Commission and service charges		1,339,389		1,512,645
Depreciation expenses		99,808		89,693
Amortization expenses		81,045		62,993
Advertising expenses		753,987		394,573
Sales promotion expenses		974,153		806,592
Transportation expenses		830,217		878,126
Warranty		802,157		581,002
Public relation expenses		103,159		81,547
Others		707,196		491,488
Total	₩	6,767,133	₩	5,791,054

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**20. Other operating income and expense**

Other operating income for the three-month ended March 31, 2012 and 2011, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>		<b>2011</b>	
Dividend income	₩	39,521	₩	26,680
Commission income		64,903		5,134
Rental income		24,818		23,436
Gain on disposal of investments		21,943		15,544
Gain on disposal of property, plant and equipment		26,648		60,490
Other		209,187		178,471
<b>Total</b>	₩	<b>387,020</b>	₩	<b>309,755</b>

Other operating expense for the three-month ended March 31, 2012 and 2011, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>		<b>2011</b>	
Other bad debts expense	₩	7,193	₩	2,809
Loss from disposal of property, plant and equipment		80,585		13,599
Donations		18,494		31,896
Other		66,930		108,360
<b>Total</b>	₩	<b>173,202</b>	₩	<b>156,664</b>



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 21. Finance income and expenses

Finance income and expenses for the three-month ended March 31, 2012 and 2011, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
<b>Finance income</b>		
Interest income	₩ 185,718	₩ 149,856
- Interest income from loans and receivables	184,762	148,760
- Interest income from available-for-sale financial assets	956	1,096
Realized foreign exchange gains	1,243,785	557,627
Unrealized foreign exchange gains	427,402	590,479
Gains on valuation of derivatives	16,200	24,085
Gains on derivatives transaction	162,309	69,138
<b>Total</b>	<b>₩ 2,035,414</b>	<b>₩ 1,391,185</b>

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
<b>Finance expense</b>		
Interest expense:	₩ 155,377	₩ 138,257
- Interest expense from financial liabilities measured at amortized cost	155,377	138,257
Realized foreign exchange losses	1,049,787	644,056
Unrealized foreign exchange losses	392,628	433,996
Losses on valuation of derivatives	36,946	23,752
Losses on derivatives transaction	268,192	87,509
<b>Total</b>	<b>₩ 1,902,930</b>	<b>₩ 1,327,570</b>

The company recognizes profits and losses relating to foreign currency translation differences as financial income and expenses.

#### 22. Income Tax

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate for FY 2012 is 20.5% (the estimated tax rate for the period ended March 31, 2011: 17.8%). The primary reason for the increase in estimated average annual tax rate for FY 2012 is the proportionate decrease in tax credits relative to taxable income compared to FY 2011.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 23. Earnings Per Share

Basic earnings per share is calculated by dividing net income from the current period by the weighted-average number of common shares, which excludes treasury stocks.

Basic earnings per share for the three months ended March 31, 2012 and 2011, are calculated as follows:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
Net profit attributable to owners of the parent	₩ 4,860,894	₩ 2,714,645
Net profit available for common stock	4,218,727	2,318,604
Weighted-average number of common shares outstanding (in thousands)	130,446	130,032
Basic earnings per share (in Korean Won)	₩ 32,341	₩ 17,831

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
Net profit attributable to owners of the parent	₩ 4,860,894	₩ 2,714,645
Net profit available for preferred stock	642,167	396,041
Weighted-average number of preferred shares outstanding (in thousands)	19,854	19,854
Basic earnings per preferred share (in Korean Won)	₩ 32,344	₩ 19,948

Diluted earnings per share for the three months ended March 31, 2012 and 2011, are calculated as follows:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The company has one category of dilutive potential ordinary shares: Stock options.

<i>(In millions of Korean Won, except for share amounts)</i>	<b>2012</b>	<b>2011</b>
Net profit available for common stock and common equivalent shares	₩ 4,219,233	₩ 2,318,604
Weighted-average number of shares of common stock and common shares equivalent (in thousands)	130,564	130,313
Diluted earnings per share (in Korean won)	₩ 32,315	₩ 17,793

<i>(In millions of Korean Won, except for share amounts)</i>	<b>2012</b>	<b>2011</b>
Net profit available for preferred stock and preferred equivalent shares	₩ 641,661	₩ 396,041
Weighted-average number of shares of preferred stock and preferred shares equivalent (in thousands)	19,854	19,854
Diluted earnings per preferred share (in Korean won)	₩ 32,319	₩ 19,948

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**24. Cash generated from operations**

Cash flows from operating activities for the three-month ended March 31, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
Adjustments for:		
Tax expense	₩ 1,301,804	₩ 603,021
Finance income	(791,629)	(833,558)
Finance costs	853,143	683,514
Severance and retirement benefits	205,366	152,926
Depreciation expenses	3,489,792	2,978,642
Amortization expenses	185,578	145,106
Bad debt expenses and others	46,731	13,891
Share of profit or loss of associates and joint ventures	(367,334)	(375,608)
Gain on disposal of property, plant and equipment	(26,648)	(60,490)
Loss on disposal of property, plant and equipment	80,585	13,599
Obsolescence and scrapping of inventories	322,549	81,470
Other income/expense	(68,886)	(120,106)
Adjustments, total	₩ 5,231,051	₩ 3,282,407
Changes in assets and liabilities:		
(Increase)/ decrease in trade receivables	₩ (81,700)	₩ 1,210,588
(Increase)/ decrease in other receivables	(25,911)	100,923
(Increase)/ decrease in advances	(71,888)	14,174
Increase in prepaid expenses	(213,982)	(117,509)
Increase in inventories	(934,069)	(932,759)
Increase in trade payables	1,624,802	574,601
Decrease in other payables	(973,906)	(799,296)
Increase/ (decrease) in advance received	61,241	(17,219)
(Decrease)/ increase in withholdings	(231,454)	333,727
Decrease in accrued expenses	(2,182,269)	(2,426,959)
Increase in provisions	1,368,258	1,170,658
Payment of severance benefits	(83,957)	(56,972)
Other	(142,242)	(156,860)
Changes in operating assets and liabilities, total	₩ (1,887,077)	₩ (1,102,903)

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 25. Segment Information

The management (Management Committee) is responsible for making strategic decisions and also decisions regarding the Company's operating segment. In addition, the Management Committee evaluates performance of each operating segment based on the segment's operating profit and also allocates resources to the segments.

The operating segments include CE, IM, Semiconductor, LCD and others.

Operating segment information for the three-month ended March 31, 2011 has been adjusted to reflect the organizational change.

Depreciation, amortization on intangible assets, and operating profit were prepared after the allocation of internal transaction adjustments.

Assets and liabilities of each operating segment are excluded as it has not been provided regularly to the Management Committee.

(A) The segment information provided to the Management Committee for the reportable segments for the three-month ended March 31, 2012 and 2011, consist of the following:

1) For the three-month ended March 31, 2012

<b>2012</b> <i>(In millions of Korean Won)</i>	<b>DMC</b>			<b>DS</b>			<b>Total<sup>1</sup></b>	<b>Elimination</b>	<b>Consoli- dated</b>
	<b>Total<sup>1</sup></b>	<b>CE</b>	<b>IM</b>	<b>Total<sup>1</sup></b>	<b>Semi conductor</b>	<b>LCD</b>			
Total segment Revenue	₩73,677,500	₩23,901,297	₩48,615,561	₩34,067,845	₩15,720,969	₩18,568,029	₩106,705,051	₩ (61,434,534)	₩45,270,517
Inter-segment Revenue	(39,426,209)	(13,227,124)	(25,393,003)	(17,734,824)	(7,743,735)	(10,032,165)	(61,434,534)	61,434,534	-
Revenue from external customers	34,251,291	10,674,173	23,222,558	16,333,021	7,977,234	8,535,864	45,270,517	-	45,270,517
Depreciation	318,197	136,478	106,744	3,168,883	2,084,410	1,078,207	3,489,792	-	3,489,792
Amortization	89,603	2,624	45,115	62,596	43,372	18,032	185,578	-	185,578
Operating profit	4,770,027	526,858	4,273,721	1,064,598	762,015	278,678	5,850,447	-	5,850,447

<sup>1</sup> Other Segment Information (Segment Information not listed above) is not presented separately.

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

2) For the three-month ended March 31, 2011

<b>2012</b> <i>(In millions of Korean Won)</i>	<b>DMC</b>			<b>DS</b>			<b>Total<sup>1</sup></b>	<b>Elimination</b>	<b>Consoli- dated</b>
	<b>Total<sup>1</sup></b>	<b>CE</b>	<b>IM</b>	<b>Total<sup>1</sup></b>	<b>Semi conductor</b>	<b>LCD</b>			
Total segment Revenue	₩52,378,731	₩23,111,658	₩28,349,293	₩30,695,276	₩17,514,447	₩13,053,656	₩82,401,474	₩ (45,416,457)	₩36,985,017
Inter-segment Revenue	(27,875,088)	(12,636,889)	(14,658,742)	(15,145,171)	(8,338,673)	(6,540,373)	(45,416,457)	45,416,457	-
Revenue from external customers	24,503,643	10,474,769	13,690,551	15,550,105	9,175,774	6,513,283	36,985,017	-	36,985,017
Depreciation	290,640	148,607	83,474	2,687,290	1,758,179	924,732	2,978,642	-	2,978,642
Amortization	47,694	2,998	37,517	47,863	31,907	14,206	145,106	-	145,106
Operating profit(loss)	1,542,821	81,085	1,457,644	1,424,592	1,644,667	(229,254)	2,948,536	-	2,948,536

<sup>1</sup>Other Segment Information (Segment Information not listed above) is not presented separately.

**Samsung Electronics Co., Ltd. and Subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(B) The regional segment information provided to the Management Committee for the reportable segments for the three-month ended March 31, 2012 and 2011, consist of the following:

1) As of and for the three-month ended March 31, 2012

<i>(In millions of Korean Won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Eliminations</b>	<b>Consolidated</b>
Total segment revenue	₩41,507,806	₩16,653,725	₩16,536,368	₩12,806,452	₩19,200,700	₩(61,434,534)	₩45,270,517
Inter segment revenue	(33,465,385)	(4,751,740)	(5,858,227)	(4,481,334)	(12,877,848)	61,434,534	-
Revenue from external customers	8,042,421	11,901,985	10,678,141	8,325,118	6,322,852	-	45,270,517
Non-current assets <sup>1</sup>	57,433,594	7,484,275	985,561	1,407,469	2,244,695	(228,129)	69,327,465

<sup>1</sup>The non-current assets exclude financial instruments, deferred tax assets and associates and joint ventures.

2) As of and for the three-month ended March 31, 2011

<i>(In millions of Korean Won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Eliminations</b>	<b>Consolidated</b>
Total segment revenue	₩31,963,946	₩14,500,236	₩14,313,387	₩8,640,768	₩12,983,137	₩(45,416,457)	₩36,985,017
Inter segment revenue	(25,171,382)	(4,227,139)	(5,908,099)	(2,391,567)	(7,718,270)	45,416,457	-
Revenue from external customers	6,792,564	10,273,097	8,405,288	6,249,201	5,264,867	-	36,985,017
Non-current assets <sup>1</sup>	48,156,216	6,529,417	1,075,649	1,083,193	1,684,900	(475,327)	58,054,048

<sup>1</sup>The non-current assets exclude financial instruments, deferred tax assets and associates and joint ventures.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 26. Related-party transactions

##### (A) Associates

The principal associate companies are Samsung SDI Co., Ltd., Samsung Electro-mechanics, Samsung SDS, Samsung Techwin Co., Ltd., and Samsung Card Co., Ltd as of March 31, 2012.

Transactions with associates for the three-month ended March 31, 2012 and 2011, and the related receivables and payables as of March 31, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
<b>Inter-company transactions</b>		
Sales	₩ 417,843	₩ 94,449
Purchases	2,377,830	1,091,129
<b>Receivables and Payables</b>		
Receivables	244,032	225,076
Payables	1,289,083	1,168,952

##### (B) Joint ventures

The principal joint venture companies are Samsung Corning Precision Materials, and Siltronic Samsung Wafer, etc.

Transactions with joint venture partners for the three-month ended March 31, 2012 and 2011, and the related receivables and payables as of March 31, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
<b>Inter-company transactions</b>		
Sales	₩ 15,948	₩ 1,660
Purchases	735,344	729,417
<b>Receivables and Payables</b>		
Receivables	16,943	6,379
Payables	463,017	379,944

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(C) Other related parties

Samsung Everland and Samsung Petrochemical, etc. are defined as related parties for the company.

Transactions with other related parties for the three-month ended March 31, 2012 and 2011, and the related receivables and payables as of March 31, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
<b>Inter-company transactions</b>		
Sales	₩ 24,805	₩ 16,921
Purchases	167,773	121,130
<b>Receivables and Payables</b>		
Receivables	246,644	244,411
Payables	148,408	172,872

(D) Key management compensation

The compensation paid or payable to key management (executive and non-executive directors, members of the Executive Committee) for employee services for the three-month ended March 31, 2012 and 2011 is shown below:

<i>(In millions of Korean Won)</i>	<b>2012</b>	<b>2011</b>
Salaries and other short-term benefits	₩ 2,134	₩ 1,653
Termination benefits	117	174
Other long-term benefits	1,314	1,497



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 27. Financial risk management

##### Financial risk factors

The Company's financial risk management focuses on minimizing market risk, credit risk, and liquidity risk arising from operating activities. To mitigate these risks, the company implements and operates a financial risk policy and program that closely monitors and manages such risks.

The finance team mainly carries out the Company's financial risk management. With the cooperation of the Company's divisions, domestic and foreign subsidiaries, the finance team periodically measures, evaluates and hedges financial risk and also establishes and implements the global financial risk management policy. Also, financial risk management officers are dispatched to the regional headquarters of each area including United States of America, England, Singapore, China, Japan, Brazil and Russia to operate the local financial center for global financial risk management.

The Company's financial assets that are under financial risk management are composed of cash and cash equivalents, short-term financial instruments, available-for-sale financial assets, trade and other receivables and other financial assets. The Company's financial liabilities under financial risk management are composed of trade and other payables, borrowings, debentures, and other financial liabilities.

##### (A) Market risk

###### 1) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from income and expenses that are different from the functional currency. The Company is mainly exposed to foreign exchange risk derived from currencies including USD, EUR, JPY, CNY.

To minimize foreign exchange risk arising from operating activities, the Company's foreign exchange management policy requires current transactions such as imports and exports; and fund transactions such as deposits and debts to be in local currency or cash-in currency be matched up with cash-out currency. The Company's foreign risk management policy defines terms such as foreign exchange risk, frequency of measurement, managing body, management procedures, hedging period, and hedge ratio.

The Company prohibits all speculative foreign exchange transactions and operates a global foreign exchange management system to periodically monitor, evaluate, and manage foreign exchange risk of each entity.

###### 2) Price risk

The Company's investment portfolio consists of direct and indirect investments in listed and non-listed securities, which is in line with the Company's strategy. The fair values of the Company's equity securities as of March 31, 2012 and December 31, 2011 are KRW 4,062,954 million and KRW 3,149,926 million respectively.

As of March 31, 2012 and December 31, 2011, if there is change in price of equity investment by 1%, the amount of other comprehensive income changes (before income tax) by KRW 34,583 million and KRW 25,262 million, respectively.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3) Interest rate risk

Interest rate risk is defined as the risk that the fair value, interest income arising from investment and finance activities, future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's position with regard to interest rate risk exposure is mainly driven by its debt obligations such as bonds and interest-bearing deposits. The Company implements and manages policies to minimize uncertainty arising from changes in interest rate risk and finance expense.

In order to avoid interest rate risk, the Company maintains minimum external borrowing by facilitating cash pooling systems on a regional and global basis. The Company manages exposed interest rate risk via periodic monitoring and handles risk factors on a timely basis.

#### (B) Credit risk

Credit risk arises during the normal course of transactions and investing activities, where clients or other party fails to discharge an obligation. The Company monitors and sets the clients and counterparty's credit limit on a periodic basis based on the client and counterparty's financial conditions, default history and other important factors.

Credit risk can arise from transactions with financial institutions which include financial instrument transactions such as cash and cash equivalents, savings, and derivative financial instruments. To minimize such risk, the Company transacts only with banks that have strong international credit rating (S&P A and above), and all new transactions with financial institutions with no prior transaction history are approved, managed and monitored by the Company's finance team and the local financial center. The Company has separate approval procedures for contracts with restrictions.

The Company expects the credit risk exposure to be limited. As of March 31, 2012 and December 31, 2011, the maximum exposure to credit risk is the carrying value of the Company's financial assets, which excludes impairment losses.

The top five customers account for approximately 10.9% (KRW 2,380,746 million) and 12.9% (KRW 2,831,801 million) as of March 31, 2012 and December 31, 2011, respectively, while the top three credit exposures by country amounted to 19.9%, 14.2% and 9.8% as of March 31, 2012 (December 31, 2011: 16.0%, 14.7% and 10.4%), respectively.

#### (C) Liquidity risk

Due to large investments made by the Company, maintaining adequate level of liquidity risk is critical. The Company strives to achieve this goal by periodically forecasting capital balance, estimating required cash level, and managing income and expenses.

The Company manages its liquidity risk by periodically forecasting projected cash flows. If abnormal signs are identified, the Company cooperates with the local finance center and provides liquidity support by utilizing the globally integrated finance structure such as Cash Pooling. In addition, the Company maintains liquidity management process, which provides additional financial support by the local finance center and the Company. Cash Pooling program allows sharing of surplus funds among entities and contributes to minimizing liquidity risk and strengthening its competitive position by reducing capital operation expense and financial expense.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In addition, the Company mitigates liquidity risk by contracting with financial institutions with respect to bank overdrafts and foreign trade finance and by providing payment guarantees to subsidiaries. For large scale facility investments, liquidity risk is minimized by utilizing internal reserves and long term borrowings according to the capital injection schedule.

#### (D) Capital risk management

The purpose of capital management is to maintain a sound capital structure. The Company monitors capital on the basis of total liabilities to equity ratio. This ratio is calculated by dividing total liability by total equity based in the consolidated financial statements.

The Company's capital risk management policy has not changed since the financial year ended December 31, 2011. The Company has maintained A and A1 credit rating from S & P and Moody's, respectively, on its long term debt.

The total liabilities to equity ratios at March 31, 2012 and December 31, 2011 were as follows:

<i>(In millions of Korean Won)</i>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Total liabilities	₩ 54,649,928	₩ 53,785,931
Total equity	105,506,693	101,845,323
	51.8%	52.8%

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 28. Events After the Reporting Period

##### (A) Merger of Samsung LED

The company merged with Samsung LED to improve management efficiency and maximize synergy with existing business segments of the Company. The approval of the Board of Directors of the Company replaces shareholders' meeting approval of the acquisition, as the acquisition of Samsung LED is small scale and a non-complex merger as defined under the commercial law.

##### 1) Overview of the acquired company

<b>Name of the acquired company</b>	<b>Samsung LED</b>
Headquarters location	Yong-In, Gyeonggi-do
Representative director	Nam-Sung Cho
Relationship with the company before the merger	Unlisted affiliate
Date of Merger	April 1, 2012

##### 2) The share exchange ratio

<b>Type</b>	<b>The Company</b>	<b>Name of the acquired company</b>
Name	SEC	Samsung LED
Merger Ratio	1	0.0134934

The Company did not issue new shares in relation to this merger. The treasury shares (269,867 shares) of the Company were distributed to the shareholders of Samsung LED at the date of merger.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3) Purchase Price Allocation

*(In millions of Korean Won)*

Classification	Amount
I. Considerations transferred	₩ 688,163
II. Identifiable assets and liabilities	
Cash and cash equivalents	54,454
Trade and other receivables	304,552
Inventories	146,141
Property, plant, and equipment	699,803
Intangible assets	59,512
Deferred income tax assets	62,733
Other assets	116,208
Trade and other payables	(205,865)
Borrowings and loans	(584,338)
Retirement benefit obligation	(30,108)
Other liabilities	(14,206)
<b>Total</b>	<b>₩ 608,886</b>
III. Goodwill	₩ 79,277

The above purchase price allocation is current as of the reporting date, and is subject to changes.

#### (B) Spin-Off of LCD division

On February 20, 2012, SEC's Board of Directors decided to establish a new company through spin-off of its LCD division.

Name of spin off company	Samsung Display Corporation
Companies subject to stock split	Yong-In, Gyeonggi-do
Business	LCD
Date of Spin-off	April 1, 2012

#### (C) Issue of bonds

On April 10th, 2012, Samsung Electronics America, the Company's subsidiary, issued five year bonds worth US\$ 1,000 million and with a coupon rate of 1.75%.

#### (D) Decision to invest in new memory chip manufacturing plant in China

On April 2, 2012, the Company's Board of Directors approved an investment in the amount of US\$ 2,300 million to establish a new plant in China that manufactures products such as NAND Flash Memory.