

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 such as digital TVs, monitors, air conditioning systems, and refrigerators. The IM (Information technology & Mobile Communications) division also offers a wide variety of products including HHP, telecommunication systems, printers, and computers. The DS unit is comprised of Semiconductor, LCD, and other LED divisions. The semiconductor division offers products such as memory and system LSI, whereas the LCD division offers products such as LCD display panels and OLED panels designed for mobiles. 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 ("K-IFRS") 1027, *Consolidated and Separate Financial Statements*. SEC, as the controlling company, consolidates its 161 subsidiaries (collectively referred to as "the Company") including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting to its 34 affiliates, including Samsung SDI.

1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of September 30, 2012 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership ¹
Domestic	World Cyber Games	Cyber game match hosting	94.5
	High Pioneer Private Investment Trust #1	Technology business/Venture capital investments	100.0
	Samsung Display	Manufacture and sale of display	84.8
	SU Materials	Manufacture of electronic devices	50.0
	STECO	Manufacture of semiconductor components	51.0
	SEMES	Manufacture of semiconductor/FPD	87.4
	SECRON	Semiconductor equipments	92.1
	Samsung Electronics Service	Repair service for electronic devices	99.3
	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
	Samsung Medison	Medical equipments	68.5
	Ray	Dental CT	68.1
	Samsung Venture Capital Union #6	Technology business/Venture capital investments	98.1
	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

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Area	Subsidiaries	Industry	Percentage of ownership ¹
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	R&D	100.0
	mSpot	Software	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 Electronics Panama(SEPA)	Consulting	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 Electronics Peru(SEPR)	Sale of electronic devices	100.0
	Samsung Medison Brasil(SMBR)	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 display	100.0
	Samsung Electronics GmbH(SEG)	Sale of electronic devices	100.0
	Samsung Electronics Iberia(SESIA)	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 Display Slovakia(SDSK)	Tall processing of display	100.0
	Samsung Electronics Romania(SEROM)	Sale of electronic devices	100.0
	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 display	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

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Area	Subsidiaries	Industry	Percentage of ownership ¹	
Europe	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	
	Samsung Nanoradio Design Center(SNDC)	R&D	100.0	
	Nanoradio Hellas	R&D	100.0	
	General RF Modules	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 Electronics 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 Denmark Research Center(SDRK)	R&D	100.0	
	Samsung Cambridge Solution Centre Limited(SCSC)	R&D	100.0	
	Middle East and Africa	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 Egypt(SEEG)		Manufacture of CTV/monitor	100.0	
Samsung Electronics Israel(SEIL)		Marketing	100.0	
Samsung Electronics Tunisia(SETN)		Marketing	100.0	
Samsung Electronics South Africa(SSA)		Sale of electronic devices	100.0	
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		
Asia(Except for China)	Samsung Japan(SJC)	Sale of electronic devices	100.0	
	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/Venture capital investments	99.0	
	Samsung Medison Japan(SMJP)	Medical equipments	100.0	
	Samsung Electronics Display (M)(SDMA)	Manufacture and sale of electronic devices	100.0	
Samsung Electronics (M)(SEMA)	Manufacture of home appliances	100.0		

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Area	Subsidiaries	Industry	Percentage of ownership ¹	
Asia(Except for China)	Samsung Vina Electronics(SAVINA)	Manufacture and sale of electronic devices	80.0	
	Samsung Asia Private(SAPL)	Sale of electronic devices	100.0	
	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) ²	Management of real estate	39.8	
	Samsung Malaysia Electronics(SME)	Sale of electronic devices	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	Samsung Display Dongguan(SDDG)	Manufacture of display	100.0
		Samsung Display Tianjin(SDTJ)	Manufacture of display	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 display	100.0	
Samsung Electronics Suzhou Computer(DESC)		Manufacture of electronic devices	100.0	
Samsung Display Suzhou(SDSZ)		Tall processing of display	100.0	
Samsung Suzhou LCD(SSL)		Manufacture of display	60.0	
Shenzhen Samsung Kejian Mobile Telecommunication Technology(SSKMT)		Manufacture of communication equipment	60.0	
Samsung Electronics Shanghai Telecommunication(SSTC)		Sale of 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 (China) Semiconductor (SCS)		Manufacture of electronic device	100.0	
Samsung Electronics Hainan Fiberoptics(SEHF)		Manufacture of optical fiber, cable	100.0	

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	Samsung Electronics (Beijing) Service(SBSC)	Services	100.0
			Percentage of ownership
Area	Subsidiaries	Industry	
China	Medison (Shanghai)(SMS2)	Medical equipments	100.0
	Samsung Medison Shanghai Medical Instrument(SMS1)	Medical equipments	98.2
	Medison Medical Equipment(Shanghai)(MMS)	Medical equipments	100.0
	Tianjin Samsung LED(TSLED)	Manufacture of LED	100.0
	Tianjin Samsung Opto-Electronics(TSOE)	Manufacture of camera and camcorder	90.0

¹Ownership represents the company's ownership of the voting right in each entity.

²Although 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 operations are based on the specific business needs of the Company. Therefore the Company obtains most of the benefits from BRC's operation.

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

1)

<i>(In millions of Korean Won)</i>	As of September 30, 2012		For the three-months ended September 30, 2012		For the nine-months ended September 30, 2012	
	Assets	Liabilities	Sales	Net income	Sales	Net income
Samsung Display	33,150,463	9,305,390	8,423,374	792,371	14,682,442	1,133,799
Samsung Electronics America(SEA)	11,059,886	6,189,761	2,728,862	3,515	8,062,619	34,716
Samsung Austin Semiconductor(SAS)	7,229,895	4,158,841	653,831	(21,630)	2,161,862	(55,152)
Samsung Semiconductor(SSI)	5,897,083	2,419,486	4,148,315	5,111	12,297,739	16,867
Samsung (China) Investment(SCIC)	4,265,235	3,465,525	3,864,645	10,525	9,717,325	149,041
Samsung Electronics European Holding(SEEH)	4,096,600	2,900,963	-	326	-	6,939
Samsung Electronics Huizhou(SEHZ)	3,531,439	1,889,428	4,623,933	276,480	10,670,795	508,263
Samsung Telecommunications America(STA)	3,215,343	2,757,579	4,436,595	42,297	9,837,363	53,998
Samsung Electronica da Amazonia(SEDA)	3,000,624	2,023,941	1,670,036	85,646	4,438,119	134,626
Samsung Electronics Vietnam(SEV)	2,929,128	1,402,499	4,081,817	122,240	10,023,306	392,583
Tianjin Samsung Telecom Technology(TSTC)	2,598,631	1,425,147	3,260,705	326,538	7,843,088	436,655
Samsung Electronics Taiwan(SET)	2,260,741	2,036,781	1,179,510	4,194	3,857,534	20,294
Samsung Electronics Slovakia(SESK)	2,026,197	772,880	1,099,105	30,684	3,557,788	107,371
Samsung Electronics Rus Company(SERC)	1,923,191	1,605,375	1,918,205	4,182	4,728,215	(4,696)
Samsung International(SII)	1,914,044	1,293,267	1,635,254	103,598	4,852,063	353,472
Samsung Asia Private(SAPL)	1,902,877	1,187,293	368,061	(4,987)	1,041,519	10,230
Shanghai Samsung Semiconductor(SSS)	1,875,977	1,711,576	3,242,594	18,336	8,722,536	45,046
Samsung India Electronics(SIEL)	1,680,603	1,225,616	1,275,470	94,818	3,733,218	249,556
Samsung Electronics Suzhou Computer(SESC)	1,639,248	1,178,587	1,584,747	10,121	4,853,225	79,885
Samsung Electronics Europe Logistics(SELS)	1,626,868	1,182,217	2,873,217	(70,384)	8,850,199	378,172
Samsung Electronics (UK)(SEUK)	1,614,991	1,023,524	1,695,037	27,669	4,032,305	46,871
Samsung Japan(SJC)	1,609,540	1,390,768	1,405,721	2,039	4,796,042	28,081
Thai Samsung Electronics(TSE)	1,536,737	564,151	1,255,050	88,496	3,687,744	249,962
Samsung Semiconductor Europe GmbH(SSEG)	1,495,009	1,479,163	1,296,274	3,794	3,444,034	2,562
Samsung Electronics Hong Kong(SEHK)	1,439,373	1,238,363	586,119	8,071	1,659,580	49,046
Others	35,509,423	21,132,616	28,430,652	611,539	88,834,710	2,215,617

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2)

<i>(In millions of Korean Won)</i>	As of December 31, 2011		For the three-months ended September 30, 2011		For the nine-months ended September 30, 2011	
	Assets	Liabilities	Sales	Net income	Sales	Net income
Samsung Electronics America(SEA)	9,816,571	4,913,504	2,416,850	(31,730)	7,352,737	(27,714)
Samsung Austin Semiconductor(SAS)	6,952,894	3,731,834	745,658	(17,722)	1,609,675	15,298
Samsung Semiconductor(SSI)	5,974,863	2,490,812	4,310,949	43,099	12,597,354	54,453
Samsung (China) Investment(SCIC)	3,323,358	2,652,717	2,818,273	99,290	6,733,112	157,639
Samsung Electronics European Holding(SEEH)	3,796,937	3,592,183	-	1,200	-	3,513
Samsung Electronics Huizhou(SEHZ)	2,984,592	1,816,087	2,474,987	169,123	5,539,229	314,655
Samsung Telecommunications America(STA)	2,235,101	1,818,412	2,270,474	(13,382)	7,039,609	(5,216)
Samsung Electronica da Amazonia(SEDA)	2,434,259	1,482,344	1,474,764	(11,343)	3,977,378	(11,786)
Samsung Electronics Vietnam(SEV)	2,217,392	1,043,133	1,872,951	258,258	3,844,563	473,729
Tianjin Samsung Telecom Technology(TSTC)	1,664,989	907,083	2,495,875	161,313	4,810,810	236,339
Samsung Electronics Taiwan(SET)	1,794,858	1,582,616	1,220,040	5,189	4,175,960	8,821
Samsung Electronics Slovakia(SESK)	2,361,719	1,174,527	1,014,073	18,577	3,105,467	198,474
Samsung Electronics Rus Company(SERC)	1,509,256	1,189,211	1,661,196	45,414	3,879,008	17,575
Samsung International(SII)	679,315	400,466	1,510,378	46,368	4,333,978	150,808
Shanghai Samsung Semiconductor(SSS)	2,024,403	1,901,188	2,854,543	20,885	7,680,872	37,189
Samsung India Electronics(SIEL)	1,090,390	876,886	1,111,538	28,799	3,012,123	76,196
Samsung Electronics Suzhou Computer(SEC)	1,411,349	1,018,670	1,723,194	42,140	4,415,873	98,911
Samsung Electronics Europe Logistics(SELS)	1,368,673	1,285,617	2,250,192	64,133	7,208,585	98,814
Samsung Electronics (UK)(SEUK)	996,860	457,017	946,185	11,307	2,522,042	(4,221)
Samsung Japan(SJC)	2,856,471	2,197,847	1,916,266	13,215	5,580,386	32,656
Thai Samsung Electronics(TSE)	1,169,778	443,187	976,389	32,598	2,625,103	152,878
Samsung Semiconductor Europe GmbH(SSEG)	1,338,671	1,325,034	1,318,197	6,331	3,926,055	25,464
Samsung Electronics Hong Kong(SEHK)	1,155,606	998,115	424,251	7,149	1,046,563	12,003
Samsung Electronics Hungarian(SEH)	1,318,553	592,167	819,581	27,864	3,054,291	127,011
Samsung Electronics Rus Kaluga (SERK)	1,125,145	470,867	575,495	78,842	1,387,971	156,079
Others	42,351,985	22,260,352	23,294,072	612,816	66,658,916	873,391

(C) Changes in scope of consolidation

1) Newly added subsidiaries for the nine-months ended September 30, 2012 are as follows:

Area	Subsidiaries	Description
Domestic	Samsung Display	Spin-off
America	mSpot	Acquisition of shares
	Nanoradio	Acquisition of shares
	Samsung LED America(SLA)	Acquisition of shares
	Samsung Electronics Panama(SEPA)	Incorporation
Europe	Samsung Nanoradio Design Center(SNDC)	Acquisition of shares
	Nanoradio Hellas	Acquisition of shares
	General RF Modules	Acquisition of shares
	Samsung LED Europe GmbH(SLEG)	Acquisition of shares
	Samsung Cambridge Solution Centre Limited(SCSC)	Incorporation
	Samsung Denmark Research Center ApS(SDRC)	Incorporation

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Middle East and Africa	Samsung Electronics Egypt(SEEG)	Incorporation
	Samsung Electronics Tunisia(SETN)	Incorporation
	Samsung Electronics Israel(SEIL)	Incorporation
China	Tianjin Samsung LED(TSLED)	Acquisition of shares
	Samsung (China) Semiconductor(SCS)	Incorporation

2) Removed subsidiaries for the nine-months ended September 30, 2012 are as follows:

Area	Subsidiaries	Description
Domestic	Medison Healthcare	Merger
	Prosonic	Merger
	Samsung Mobile Display	Merger
	SLCD	Merger
	Samsung Venture Capital Union #7	Liquidation
America	Samsung LED America(SLA)	Liquidation
	HX Diagnostics(HX)	Liquidation
	HX Reagents(HX Reagent)	Liquidation
	Nanoradio	Liquidation
Europe	Samsung LED Europe GmbH(SLEG)	Merger
Asia	Samsung Asia Private(SAPL)(*)	Merger

(*)Samsung Asia Private merged with Samsung Electronics Asia Holding, and the resulting subsidiary is named Samsung Asia Private (see note 29).

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 ₩1,118.6 to US \$1, the exchange rate in effect on September 30, 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 nine-months ended September 30, 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").

Standards, amendments and interpretations which have been issued but are not effective for the financial year beginning January 1, 2012 and are 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.

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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 IFRS. 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 not to have a material impact on the consolidated financial statements.

K-IFRS 1001, 'Presentation of Financial Statements'

The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The amendment will be effective for the company starting from the accounting period beginning after July 1, 2012 with early adoption permitted. The Company does not plan to early adopt this amendment and the Company expects the amendment not to have a material impact on the consolidated financial statements.

Also, new amendment requires entities to separately present operating income after deducting cost of sales, selling, and general and administrative expenses from revenue. This presentation can be included in the notes to the financial statements under the heading of "adjusted operating income". The amendment will be effective starting from the accounting period beginning January 1, 2013, with early adoption permitted. The Company expects the amendment to have no impact on net income, but to have an impact on operating income.

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.

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, 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.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial Instruments by Category

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

1) As of September 30, 2012

<i>(In millions of Korean Won)</i>	Assets at fair value through the profit and loss	Loans and receivables	Available- for-sale financial assets	Total
Assets				
Cash and cash equivalents	₩ -	₩ 18,823,533	₩ -	₩ 18,823,533
Short-term financial instruments	-	10,659,209	-	10,659,209
Short-term available-for-sale financial assets	-	-	853,843	853,843
Trade and other receivables	-	26,769,984	-	26,769,984
Long-term available-for-sale financial assets	-	-	5,141,467	5,141,467
Deposits	-	826,422	-	826,422
Others	55,512	1,800,996	-	1,856,508
Total	₩ 55,512	₩ 58,880,144	₩ 5,995,310	₩ 64,930,966

<i>(In millions of Korean Won)</i>	Liabilities at fair value through the profit and loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total
Liabilities				
Trade and other payables	₩ -	₩ 19,099,663	₩ -	₩ 19,099,663
Short-term borrowings	-	4,115,644	4,596,984	8,712,628
Debentures	-	1,878,646	-	1,878,646
Long-term borrowings	-	3,848,382	-	3,848,382
Others	35,962	8,956,590	-	8,992,552
Total	₩ 35,962	₩ 37,898,925	₩ 4,596,984	₩ 42,531,871

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) As of December 31, 2011

<i>(In millions of Korean Won)</i>	Assets at fair value through the profit and loss	Loans and receivables	Available- for-sale financial assets	Total
Assets				
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
Deposits	-	791,863	-	791,863
Others	130,057	1,289,447	-	1,419,504
Total	₩ 130,057	₩ 52,456,004	₩ 3,879,567	₩ 56,465,628

<i>(In millions of Korean Won)</i>	Liabilities at fair value through the profit and loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total
Liabilities				
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
Total	₩ 40,932	₩ 37,090,971	₩ 4,878,383	₩ 42,010,286

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

1) As of September 30, 2012

<i>(In millions of Korean Won)</i>	Level 1	Level 2	Level 3	Total balance
Derivatives	₩ -	₩ 55,512	₩ -	₩ 55,512
Available-for-sale financial assets	5,246,840	111,615	636,855	5,995,310
Total assets	5,246,840	167,127	636,855	6,050,822
Derivatives	-	35,962	-	35,962
Total liabilities	₩ -	₩ 35,962	₩ -	₩ 35,962

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) As of December 31 2011

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

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.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Inventories

Inventories, net of valuation losses, as of September 30, 2012 and December 31, 2011 consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		December 31, 2011	
Finished goods	₩	5,890,733	₩	5,905,880
Work in Process		3,750,550		3,071,362
Raw materials and supplies		5,728,941		4,486,620
Materials-in-transit		4,103,621		2,252,853
Total	₩	19,473,845	₩	15,716,715

As of September 30, 2012, losses from valuation of inventories of ₩689,321 million (December 31, 2011: ₩769,416 million) were deducted from inventories.

5. Long-Term Available-For-Sale Financial Assets

Long-term available-for-sale financial assets as of September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		December 31, 2011	
	Book Value		Book Value	
Equity securities – Listed (*)	₩	4,392,997	₩	2,526,187
Equity securities - Unlisted (*)		636,855		623,739
Debt securities		111,615		73,672
Total	₩	5,141,467	₩	3,223,598

(*) 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 September 30, 2012 and December 31, 2011 consist of the following:

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

				September 30, 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	₩1,533,472	₩1,134,850
Samsung Fine Chemicals	2,164,970	8.4	45,678	144,836	132,063
Hotel Shilla	2,004,717	5.0	13,957	111,061	77,182
Cheil Worldwide	2,998,725	2.6	2,920	70,920	56,826
iMarket Korea	647,320	1.8	324	18,449	10,487
A-Tech Solution	1,592,000	15.9	26,348	14,408	17,830
SFA	1,822,000	10.2	38,262	82,901	111,142
SNU Pricision	1,075,446	5.3	14,204	5,926	11,400
KT Skylife	240,000	0.5	3,344	7,368	6,576
ASML	12,595,575	3.0	726,024	756,586	-
Rambus	4,788,125	4.3	92,682	29,672	41,692
Seagate Technology	45,239,490	10.6	788,454	1,566,728	855,665
Others	-	-	21,604	50,670	70,474
Total			₩2,032,100	₩4,392,997	₩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 or 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 nine-months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	2012	2011
At January 1	₩ 9,204,169	₩ 8,335,290
Acquisition of associates and joint ventures	277,012	401,307
Proceeds from disposal of associates and joint ventures	(19,438)	(300,348)
Share of profit	768,657	1,078,328
Others (*)	(1,072,740)	(322,927)
At September 30	₩ 9,157,660	₩ 9,191,650

(*) Others consist of dividends, business combination and the effect of change in foreign exchange rates.

(B) Major associates and joint ventures as of September 30, 2012 consist of the following:

1) Associates

Investee	Industry	Percentage of Ownership (%) (*)	Region
Samsung Card	Finance	35.3	Korea
Samsung Electro-Mechanics	Manufacture of electronic components, computers, videos, sound and communication equipments	23.7	Korea
Samsung SDI	Manufacture of electronic components, computers, videos, sound and communication equipments	20.4	Korea
Samsung SDS	Computer programming, system integration and management	21.7	Korea
Samsung Techwin	Manufacture of electronic components, computers, videos, sound and communication equipments	25.5	Korea

(*) The ownership represents the Company's ownership of the voting rights in the entity.

2) Joint ventures

Investee	Industry	Percentage of Ownership (%) (*)	Region
Samsung Corning Precision Materials	TFT- LCD components Manufacturing and retail	42.5	Korea
Samsung Corning Advanced Glass	Manufacture of other industrial glass devices	50.0	Korea

(*) 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)

		September 30, 2012		
Investee	Acquisition cost	Net asset value of investee (*)		Book value
Samsung Card	₩ 1,538,540	₩	2,198,257	₩ 2,219,332
Samsung Electro-Mechanics	359,237		887,747	873,974
Samsung SDI	423,722		1,510,110	1,192,247
Samsung SDS	17,967		686,947	685,509
Samsung Techwin	174,531		405,012	359,780
Others	459,117		565,662	548,076
Total	₩ 2,973,114	₩	6,253,735	₩ 5,878,918

(*) Net asset value is based on the share of ownership.

(In millions of Korean Won)

		December 31, 2011		
Investee	Acquisition cost	Net asset value of investee (*)		Book value
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
Total	₩ 2,964,700	₩	6,021,798	₩ 5,885,182

(*) Net asset value is based on the share of ownership.

2) Joint Ventures

(In millions of Korean Won)

		September 30, 2012		
Investee	Acquisition cost	Net asset value of investee (*)		Book value
Samsung Corning Precision Materials	₩ 297,165	₩	3,177,835	₩ 2,995,180
Samsung Corning Advanced Glass	115,000		114,562	114,562
Others	419,461		89,290	169,000
Total	₩ 831,626	₩	3,381,687	₩ 3,278,742

(*) Net asset value is based on the share of ownership.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Korean Won)

	December 31, 2011		
Investee	Acquisition cost	Net asset value of investee (*)	Book value
Samsung Corning Precision Materials	₩ 297,165	₩ 3,191,077	₩ 3,089,298
Others	419,461	145,870	229,689
Total	₩ 716,626	₩ 3,336,947	₩ 3,318,987

(*) Net asset value is based on the share of ownership.

(D) Gain/loss on valuation of equity

1) For the nine-months ended September 30, 2012

<i>(In millions of Korean Won)</i>	Balance at January 1	Gain/loss on valuation	Other comprehensive gains/losses	Others (*)	Balance at September 30
Samsung Card	₩2,184,855	₩ 265,590	₩ (200,861)	₩ (30,252)	₩ 2,219,332
Samsung Electro- Mechanics	799,792	80,130	12,467	(18,415)	873,974
Samsung SDI	1,185,509	20,199	(210)	(13,251)	1,192,247
Samsung SDS	632,593	53,637	3,934	(4,655)	685,509
Samsung Techwin	370,379	29,773	(22,417)	(17,955)	359,780
Samsung LED	340,145	(22,519)	(712)	(316,914)	-
Samsung Corning Precision Materials	3,089,298	399,812	4,025	(497,955)	2,995,180
Samsung Corning Advanced Glass	-	(438)	-	115,000	114,562
Others	601,598	(57,527)	(5,269)	178,274	717,076
Total	₩9,204,169	₩ 768,657	₩ (209,043)	₩ (606,123)	₩ 9,157,660

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) For the nine-months ended September 30, 2011

<i>(In millions of Korean Won)</i>	Balance at January 1	Gain/loss on valuation	Other comprehensive gains/losses	Others(*)	Balance at September 30
Samsung Card	₩2,201,154	₩ 103,741	₩ (25,027)	₩ (64,425)	₩ 2,215,443
Samsung Electro-Mechanics	793,932	45,466	(34,497)	(17,685)	787,216
Samsung SDI	1,172,130	51,853	(7,135)	(23,897)	1,192,951
Samsung SDS	569,678	50,727	(31)	(3,913)	616,461
Samsung Techwin	269,360	56,527	43,662	(8,866)	360,683
Samsung LED	306,005	9,746	5,203	-	320,954
Samsung Corning Precision Materials	2,599,010	775,359	(1,555)	(199,943)	3,172,871
Others	424,021	(15,091)	(6,832)	122,973	525,071
Total	₩8,335,290	₩1,078,328	₩ (26,212)	₩(195,756)	₩ 9,191,650

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

(E) Financial information of major associates and joint ventures

1) Associates

(1)

<i>(In millions of Korean Won)</i>	As of September 30, 2012	
Investee	Assets	Liabilities
Samsung Card	₩ 16,083,828	₩ 9,854,846
Samsung Electro-Mechanics	7,060,317	3,166,718
Samsung SDI	10,578,001	2,903,413
Samsung SDS	4,485,858	1,315,338
Samsung Techwin	3,659,006	2,068,234

<i>(In millions of Korean Won)</i>	For the three-months ended September 30, 2012		For the nine-months ended September 30, 2012	
Investee	Sales	Net income	Sales	Net income
Samsung Card	₩ 787,957	₩ 61,573	₩ 3,024,741	₩ 752,464
Samsung Electro-Mechanics	2,183,079	139,089	5,838,691	343,760
Samsung SDI	1,502,889	1,198,511	4,356,982	1,415,851
Samsung SDS	1,630,528	90,492	4,303,395	235,500
Samsung Techwin	691,502	34,083	2,079,948	110,567

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2)

<i>(In millions of Korean Won)</i>		As of December 31, 2011	
Investee	Assets	Liabilities	
Samsung Card	₩ 16,135,253	₩ 10,003,851	
Samsung Electro-Mechanics	7,328,862	3,453,074	
Samsung SDI	8,527,411	2,212,884	
Samsung SDS	4,063,875	1,093,972	
Samsung Techwin	3,203,520	1,609,769	
Samsung LED	1,454,193	831,104	

<i>(In millions of Korean Won)</i>		For the three-months ended September 30, 2011		For the nine-months ended September 30, 2011	
Investee	Sales	Net income	Sales	Net income	
Samsung Card	₩ 941,559	₩ 81,171	₩ 2,454,936	₩ 294,106	
Samsung Electro-Mechanics	1,570,757	64,925	4,368,202	204,617	
Samsung SDI	1,447,667	99,957	4,006,114	265,182	
Samsung SDS	1,183,812	67,294	3,414,056	219,495	
Samsung Techwin	693,473	41,562	2,128,310	216,162	
Samsung LED	358,213	3,601	956,195	25,597	

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 September 30, 2012

<i>(In millions of Korean Won)</i>	Samsung Corning Precision Materials	Samsung Corning Advanced Glass	Others	Total
Current Assets	₩ 1,772,406	₩ 91,040	₩ 227,401	₩ 2,090,847
Non-Current Assets	1,646,942	26,407	364,489	2,037,838
Total Assets	3,419,348	117,447	591,890	4,128,685
Current Liabilities	194,370	2,825	185,424	382,619
Non-Current Liabilities	47,143	60	317,176	364,379
Net Assets	3,177,835	114,562	89,290	3,381,687

For the three-months ended September 30, 2012

<i>(In millions of Korean Won)</i>	Samsung Corning Precision Materials	Samsung Corning Advanced Glass	Others	Total
Sales	₩ 363,648	₩ 6,992	₩ 164,662	₩ 535,302
Expense	214,313	6,627	183,630	404,570
Net income	149,335	365	(18,968)	130,732

For the nine-months ended September 30, 2012

<i>(In millions of Korean Won)</i>	Samsung Corning Precision Materials	Samsung Corning Advanced Glass	Others	Total
Sales	₩ 1,118,761	₩ 9,209	₩ 571,019	₩ 1,698,989
Expense	638,517	9,647	611,220	1,259,384
Net income	480,244	(438)	(40,201)	439,605

Samsung Electronics Co., Ltd. and Subsidiaries

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(2)

As of December 31, 2011

<i>(In millions of Korean Won)</i>	Samsung Corning Precision Materials	Siltronic Samsung Wafer	Others	Total
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

For the three-months ended September 30, 2011

<i>(In millions of Korean Won)</i>	Samsung Corning Precision Materials	Siltronic Samsung Wafer	Others	Total
Sales	₩ 471,413	₩ 37,753	₩ 196,389	₩ 705,555
Expense	260,467	45,466	193,922	499,855
Net income	210,946	(7,713)	2,467	205,700

For the nine-months ended September 30, 2011

<i>(In millions of Korean Won)</i>	Samsung Corning Precision Materials	Siltronic Samsung Wafer	Others	Total
Sales	₩ 1,605,143	₩ 112,888	₩ 587,992	₩ 2,306,023
Expense	810,002	140,139	579,366	1,529,507
Net income	795,141	(27,251)	8,626	776,516

(F) Market value information of publicly listed associates as of September 30, 2012 and December 31, 2011, is as follows:

<i>(In millions of Korean Won, except for number of shares)</i>	September 30, 2012		December 31, 2011	
	Number of shares held	Market value	Market value	
Samsung SDI	₩ 9,282,753	₩ 1,471,316	₩ 1,239,248	
Samsung Electro-Mechanics	17,693,084	1,705,613	1,374,753	
Samsung Card	43,393,170	1,737,896	1,687,994	
Samsung Techwin	13,526,935	869,782	719,633	

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7. Property, Plant and Equipment

Changes in property, plant and equipment for the nine-months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012	September 30, 2011
Net book value at January 1	₩ 62,043,951	₩ 52,964,594
Acquisition and capital expense	18,483,438	16,038,806
Acquisition arising from business combinations	701,098	129,925
Sale / Disposal / Impairment	(513,037)	(365,891)
Depreciation	(11,100,077)	(9,446,048)
Others	(619,604)	338,378
Net book value at September 30	₩ 68,995,769	₩ 59,659,764

The depreciation expense relating to property, plant and equipment for the nine-months ended September 30, 2012 and 2011, is allocated to the following accounts:

<i>(In millions of Korean Won)</i>	September 30, 2012	September 30, 2011
Cost of sales	₩ 10,232,593	₩ 8,704,330
Selling, general and administrative expenses	337,185	276,045
Research and development expenses, etc	530,299	465,673
Total	₩ 11,100,077	₩ 9,446,048

8. Intangible Assets

Changes in intangible assets for the nine-months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012	September 30, 2011
Net book value at January 1	₩ 3,355,236	₩ 2,779,439
Internally generated development cost	296,793	263,439
External acquisition	224,786	213,885
Acquisition arising from business combinations	182,509	523,124
Amortization	(571,962)	(467,463)
Sale / Disposal / Impairment	(12,524)	(9,703)
Others	222,849	105,518
Net book value at September 30	₩ 3,697,687	₩ 3,408,239

The amortization expense relating to intangible assets for the nine-months ended September 30, 2012 and 2011, is allocated to the following accounts:

<i>(In millions of Korean Won)</i>	September 30, 2012	September 30, 2011
Cost of sales	₩ 238,756	₩ 193,651
Selling, general and administrative expenses	256,345	206,898
Research and development expenses, etc	76,861	66,914
Total	₩ 571,962	₩ 467,463

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9. Borrowings

Borrowings as of September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	Financial Institutions	Annual Interest Rates (%) as of September 30, 2012	September 30, 2012	December 31, 2011
Short-term Borrowings				
Collateralized borrowings ¹	Woori Bank etc	0.9 ~ 5.9	₩ 4,596,984	₩ 4,878,383
Borrowings without collateral	Citi Bank etc	0.4 ~ 15.6	4,115,644	4,775,339
Total			₩ 8,712,628	₩ 9,653,722
Current Portion of long-term Borrowings				
Bank borrowings	Societe Generale etc	2.8 ~ 5.9	₩ 386,041	₩ 10,820
Financial lease liabilities ²	APCI etc	2.2 ~ 15.7	13,748	13,936
Total			₩ 399,789	₩ 24,756
Long-term Borrowings				
Bank borrowings	Mizuho Bank etc	0.7 ~ 5.6	₩ 3,739,291	₩ 3,559,554
Financial lease liabilities ²	APCI etc	2.2 ~ 15.7	109,091	122,918
Total			₩ 3,848,382	₩ 3,682,472

¹ Collateralized borrowings are secured by trade receivables.

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

10. Debentures

Debentures as of September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	Ref.	September 30, 2012	December 31, 2011
Korea Won denominated debentures	(A)	₩ 697,673	₩ 1,197,079
Foreign currency denominated debentures	(B)	1,180,973	83,045
Total		₩ 1,878,646	₩ 1,280,124

(A) Korean Won denominated debentures as of September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of September 30, 2012	September 30, 2012	December 31, 2011
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
Less: Current portion				(500,000)	-
Less: Discounts				(2,327)	(2,921)
Total				₩ 697,673	₩ 1,197,079

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

(B) Debentures denominated in foreign currencies as of September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of September 30, 2012	September 30, 2012	December 31, 2011
US dollar denominated straight bonds ¹	1997.10.2	2027.10.1	7.7	₩ 83,895 (USD 75M)	₩ 92,264 (USD 80M)
US dollar denominated unsecured bonds ²	2012.4.10	2017.4.10	1.8	1,118,600 (USD 1,000M)	-
Less: Current portion				(5,373)	(5,536)
Less: Discounts				(16,149)	(3,683)
Total				₩ 1,180,973	₩ 83,045

¹US dollar straight bonds are repaid for twenty years after a ten-year grace period from the date of issuance. Interest is paid semi-annually.

²Samsung Electronics America issued dollar denominated unsecured bonds. Repayment of these debentures is due on the date of maturity and interest is paid semi-annually.

11. Retirement Benefit Obligations

Expense details for defined benefit plans recognized in the consolidated income statements for the nine-months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012	September 30, 2011
Current service cost	₩ 495,182	₩ 389,966
Interest cost	149,049	126,249
Expected return on plan assets	(78,557)	(76,425)
Actuarial gains and losses	31,510	662
The effect of settlement or curtailment	10,071	1,674
Total	₩ 607,255	₩ 442,126

<i>(In millions of Korean Won)</i>	September 30, 2012	September 30, 2011
Cost of sales	₩ 241,964	₩ 177,711
Selling, general and administrative expenses	148,075	100,413
Research and development expenses, etc	217,216	164,002
Total	₩ 607,255	₩ 442,126

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The amounts recognized in the consolidated statements of financial position as of September 30, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	September 30, 2012		December 31, 2011	
Present value of funded defined benefit obligation	₩	4,041,640	₩	3,271,629
Fair value of plan assets		(2,369,295)		(2,423,152)
Subtotal		1,672,345		848,477
Present value of unfunded defined benefit obligation		75,805		258,711
Unrecognized actuarial gains or losses		(789,299)		(688,702)
Total	₩	958,851	₩	418,486

12. Provisions

The changes in the liability provisions during the nine-month period ended September 30, 2012, are as follows:

(In millions of Korean Won)

	Ref.	Balance at January 1, 2012	Net Increase (Decrease)	Use	Others (*)	Balance at September 30, 2012
Warranty	(A)	₩ 1,680,534	₩ 1,724,341	₩ (1,405,860)	₩ (28,322)	₩ 1,970,693
Royalty expenses	(B)	1,590,079	1,157,758	(154,626)	(52,031)	2,541,180
Long-term incentives	(C)	510,901	142,774	(134,138)	-	519,537
Reserve for bonus	(D)	-	2,033,967	(268,832)	-	1,765,135
Others		96,245	(18,411)	-	(2,914)	74,920
Total		₩ 3,877,759	₩ 5,040,429	₩ (1,963,456)	₩ (83,267)	₩ 6,871,465

(*) 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 plan 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.

13. Commitments and Contingencies

- (A) Guarantees

<i>(In millions of Korean Won)</i>	September 30, 2012		December 31, 2011	
Guarantees of debt for housing rental (*)	₩	114,065	₩	153,989

(*) Represents the maximum amount of debt guarantee, which was provided for employees who took debt from financial institutions in order to finance employee housing rental.

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(B) Litigation

During Samsung Motor Inc.'s ("SMI") bankruptcy proceedings in December 2005, SMI'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 an agreement entered into in September 1999. 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.

The patent suits with Apple Inc. in multiple regions including the U.S.A. and Germany are ongoing as of the reporting date. Regarding the ongoing lawsuit in the U.S.A, on August 24, 2012, the jury determined that the Company partially infringed Apple's design and utility patent. The first appeal is still ongoing and the final conclusion and the effect of the patent lawsuits with Apple are uncertain as of the reporting date.

In addition, during the normal course of business with numerous companies, the Company has been involved in various claims, disputes, and investigations conducted by regulatory bodies. Although, the outflow of resources and timing of these matters are uncertain, the Company believes the outcome will not have a material impact on the financial condition of the Company.

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 September 30, 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 of ₩736,497 million and preferred stock of ₩114,167 million), which does not agree with paid-in capital of ₩897,514 million.

15. Retained Earnings

(A) Retained earnings as of September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012	December 31, 2011
Appropriated	₩ 88,772,755	₩ 78,713,318
Unappropriated	24,282,019	18,829,207
Total	₩ 113,054,774	₩ 97,542,525

(B) The Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six months ended June 30, 2012.

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Details of interim dividends for the nine months ended September 30, 2012 and 2011, are as follows:

<i>(In millions of Korean Won, except for number of shares)</i>		September 30, 2012		September 30, 2011	
Number of shares eligible for dividends	Common stock		130,759,755		130,148,288
	Preferred stock		19,853,734		19,853,734
Dividend rate			10%		10%
Dividend amount	Common stock	₩	65,380	₩	65,074
	Preferred stock		9,927		9,927
	Total	₩	75,307	₩	75,001

16. Other Components of Equity

Other components of equity as of September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		December 31, 2011	
Treasury stock	₩	(7,376,169)	₩	(7,539,561)
Stock option		32,976		55,313
Unrealized holding gains on available-for-sale financial assets		1,911,326		1,040,849
Share of associates and joint ventures in accumulated other comprehensive income		862,392		1,071,435
Exchange differences on translating foreign operations		(1,613,375)		(834,145)
Others		130,902		961,942
Total	₩	(6,051,948)	₩	(5,244,167)

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 September 30, 2012 and December 31, 2011, consist of the following:

<i>(In millions of Korean Won, except for number of shares)</i>	September 30, 2012		December 31, 2011	
	Preferred stock	Common stock	Preferred stock	Common stock
Number of shares	2,979,693	16,513,149	2,979,693	16,912,614
Acquisition cost	₩ 621,843	₩ 6,754,326	₩ 621,843	₩ 6,917,718

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17. Transactions with Non–Controlling Interests

(A) Transactions with non-controlling interest in major subsidiaries of the Company for the nine months ended September 30, 2012, are as follows:

(In millions of Korean Won)

Type	S-LCD	Samsung Japan	Samsung Asia Private
Acquisition date	January 19, 2012	April 27, 2012	April 27, 2012
Acquired non-controlling interest	50%	49%	30%
Interest after acquisition	100%	100%	100%
Acquisition cost	₩ 1,067,082	₩ 159,278	₩ 19,452
Carrying value of non-controlling interest	1,764,927	60,667	13,313
Amount recorded in other components of equity (*)	₩ 697,845	₩ (98,611)	₩ (6,139)

(*) The difference between the acquisition cost and the carrying value of non-controlling interest at the acquisition date was recorded in other components of equity attributable to owners of the Company.

(B) During the nine months ended September 30, 2012, Samsung Display, a subsidiary of the Company, merged with Samsung Mobile Display, a subsidiary of the Company, and SLCD, a wholly owned subsidiary of Samsung Display. The Company's interest in Samsung Display decreased from 100% to 84.8%. The Company's non-controlling interest increased by ₩1,654,645 million and the same amount is recorded as a decrease in the Company's controlling interest (see note 29).

18. Expenses by Nature

Expenses by nature for the three and nine months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Change of inventories of finished goods and work in progress	₩ (914,046)	₩ (664,041)	₩ (1,071,325)	₩ (1,200,533)
Raw materials and goods used	22,452,408	61,688,630	19,567,441	55,029,240
Wages and salaries	3,440,471	10,315,258	2,787,262	8,749,172
Severance and retirement benefits	209,634	628,909	155,425	461,716
Depreciation expenses	3,868,223	11,100,077	3,318,584	9,446,048
Amortization expenses	193,293	571,962	167,124	467,463
Welfare expenses	676,954	1,837,115	517,877	1,491,191
Commission and service charges	2,019,548	5,121,188	1,418,447	4,403,356
Other expenses	12,237,438	34,422,228	10,121,796	27,989,792
Total (*)	₩ 44,183,923	₩125,021,326	₩ 36,982,631	₩106,837,445

(*) 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.

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19. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three and nine months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Wages and salaries	₩ 1,031,172	₩ 3,070,772	₩ 898,879	₩ 2,602,907
Severance and retirement benefits	51,577	161,827	37,160	111,969
Commission and service charges	2,019,548	5,121,188	1,418,447	4,403,356
Depreciation expenses	132,411	337,185	95,422	276,045
Amortization expenses	89,094	256,345	75,200	206,898
Advertising expenses	1,366,060	3,278,702	763,636	1,835,611
Sales promotion expenses	1,675,756	4,080,668	1,176,811	3,019,179
Transportation expenses	1,002,670	2,794,322	952,004	2,789,041
Warranty	827,254	2,362,108	625,363	1,727,752
Public relation expenses	167,405	448,425	129,435	330,566
Others	855,754	2,433,679	626,832	1,660,916
Total	₩ 9,218,701	₩ 24,345,221	₩ 6,799,189	₩ 18,964,240

20. Other Operating Income and Expense

Other operating income for the three and nine months ended September 30, 2012 and 2011, consists of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Dividend income	₩ 17,245	₩ 72,061	₩ 1,257	₩ 32,840
Commission income	12,219	108,922	21,359	33,181
Rental income	24,923	73,864	22,744	66,631
Gain on disposal of investments	20,748	104,291	29,356	76,656
Gain on disposal of property, plant and equipment	55,656	108,909	7,733	76,523
Gain on business transfer	-	-	11,572	11,572
Others	318,380	875,721	163,902	527,193
Total	₩ 449,171	₩ 1,343,768	₩ 257,923	₩ 824,596

Other operating expenses for the three and nine months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Other bad debts expense	₩ 4,568	₩ 17,624	₩ 4,261	₩ 7,877
Loss from disposal of property, plant and equipment	70,912	195,831	29,249	67,626
Donations	39,942	111,191	125,508	225,884
Others	202,401	343,307	137,343	430,288
Total	₩ 317,823	₩ 667,953	₩ 296,361	₩ 731,675

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21. Finance Income and Expenses

Finance income and expenses for the three and nine months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Finance income				
Interest income:	₩ 223,904	₩ 602,539	₩ 177,799	₩ 492,871
- Interest income from loans and receivables	222,555	598,619	176,625	489,450
- Interest income from available-for-sale financial assets	1,349	3,920	1,174	3,421
Foreign exchange gains	1,195,976	4,815,304	2,604,038	4,766,170
Gains on valuation of derivatives	1,078	29,074	94,263	120,024
Gains on derivatives transaction	103,465	431,565	161,738	300,585
Finance income	₩ 1,524,423	₩ 5,878,482	₩ 3,037,838	₩ 5,679,650
Finance expenses				
Interest expense:	₩ 148,293	₩ 460,321	₩ 168,167	₩ 454,555
- Interest expense from financial liabilities measured at amortized cost	68,261	209,565	74,552	201,011
- Other financial liabilities	80,032	250,756	93,615	253,544
Foreign exchange losses	1,188,274	4,947,604	3,160,477	5,228,763
Losses on valuation of derivatives	27,672	73,089	23,640	80,223
Losses on derivatives transaction	115,044	482,673	98,297	263,191
Finance expenses	₩ 1,479,283	₩ 5,963,687	₩ 3,450,581	₩ 6,026,732

The company recognizes foreign exchange gains and losses arising from foreign currency transactions and translation as financial income and expenses.

22. Income Tax

Income tax expense is recognized based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated tax rate for the period ended September 30, 2012 is 21.4% (the estimated tax rate for the period ended September 30, 2011: 16.7%). The primary reason for the increase in estimated tax rate for the period ended September 30, 2012 is the proportionate decrease in tax credits relative to taxable income compared to FY 2011.

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23. Earnings Per Share

(A) 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 and nine months ended September 30, 2012 and 2011, are calculated as follows:

<i>(In millions of Korean Won, except for number of shares)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Net profit attributable to owners of the parent	₩ 6,424,872	₩16,334,808	₩ 3,300,157	₩ 9,471,758
Net profit available for common stock	5,577,884	14,181,300	2,863,241	8,217,737
Weighted-average number of common shares outstanding (in thousands)	130,774	130,659	130,162	130,112
Basic earnings per share (In Korean won)	₩ 42,653	₩ 108,537	₩ 21,998	₩ 63,159

<i>(In millions of Korean Won, except for number of shares)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Net profit attributable to owners of the parent	₩ 6,424,872	₩16,334,808	₩ 3,300,157	₩ 9,471,758
Net income available for preferred stock	846,988	2,153,508	436,916	1,254,021
Weighted-average number of preferred shares outstanding (in thousands)	19,854	19,854	19,854	19,854
Basic earnings per preferred share (In Korean won)	₩ 42,661	₩ 108,469	₩ 22,007	₩ 63,163

(B) Diluted earnings per share for the three and nine months ended September 30, 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 number of shares)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Net profit available for common stock and common equivalent shares	₩ 5,578,469	₩14,182,763	₩ 2,863,895	₩ 8,219,691
Weighted-average number of shares of common stock and common shares equivalent (in thousands)	130,878	130,761	130,370	130,346
Diluted earnings per share (In Korean won)	₩ 42,623	₩ 108,463	₩ 21,968	₩ 63,061

<i>(In millions of Korean Won, except for share amounts)</i>	September 30, 2012		September 30, 2011	
	3 Months	9 Months	3 Months	9 Months
Net profit available for preferred stock and preferred equivalent shares	₩ 846,403	₩ 2,152,045	₩ 436,261	₩ 1,252,066
Weighted-average number of shares of preferred stock and preferred shares equivalent (in thousands)	19,854	19,854	19,854	19,854
Diluted earnings per preferred share (In Korean won)	₩ 42,632	₩ 108,395	₩ 21,974	₩ 63,065

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24. Cash Generated from Operations

Cash flows from operating activities for the nine months ended September 30, 2012 and 2011, consist of the following:

<i>(In millions of Korean Won)</i>	September 30, 2012	September 30, 2011
Adjustments for:		
Tax expense	₩ 4,575,899	₩ 1,951,746
Finance income	(1,442,867)	(2,193,353)
Finance costs	1,392,549	2,209,655
Severance and retirement benefits	628,909	461,716
Depreciation expenses	11,100,077	9,446,048
Amortization expenses	571,962	467,463
Bad debt expenses and others	159,858	73,108
Share of profit or loss of associates and joint ventures	(768,657)	(1,078,328)
Gain on disposal of property, plant and equipment	(108,909)	(76,523)
Loss on disposal of property, plant and equipment	195,831	67,626
Obsolescence and scrapping of inventories	921,966	814,670
Other income/expense	(247,410)	(59,474)
Adjustments, total	₩ 16,979,208	₩ 12,084,354
Changes in assets and liabilities:		
Increase in trade receivables	₩ (2,552,054)	₩ (1,533,715)
(Increase) / decrease in other receivables	(55,388)	223,387
Increase in advances	(142,504)	(112,326)
Increase in prepaid expenses	(412,824)	(383,581)
Increase in inventories	(4,840,892)	(3,675,462)
Increase in trade payables	1,164,059	1,467,732
Decrease in other payables	(1,181,849)	(22,140)
Increase in advance received	72,910	42,284
Increase / (decrease) in withholdings	(402,971)	651,818
Increase / (decrease) in accrued expenses	196,744	(1,310,227)
Increase in provisions	3,076,973	1,727,545
Payment of severance benefits	(151,012)	(101,871)
Others	(622,072)	(502,909)
Changes in operating assets and liabilities, total	₩ (5,850,880)	₩ (3,529,465)

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25. Segment Information

The management (Management Committee) is responsible for making strategic decisions and also decisions regarding the Company's operating segments. 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 and nine months ended September 30, 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 and nine months ended September 30, 2012 and 2011, consists of the following:

1) For the nine-months ended September 30, 2012:

September 30, 2012	DMC			DS			Total	Elimination	Consolidated
<i>(In millions of Korean Won)</i>	Total (*)	CE	IM	Total (*)	Semi conductor	LCD			
Total segment Revenue	₩245,819,221	₩78,492,323	₩163,881,818	₩101,785,882	₩48,188,068	₩52,736,636	₩344,189,915	₩(199,145,149)	₩145,044,766
Inter-segment Revenue	(133,098,315)	(43,999,761)	(86,693,130)	(51,021,394)	(22,892,713)	(27,486,521)	(199,145,149)	199,145,149	-
Revenue from external customers	112,720,906	34,492,562	77,188,688	50,764,488	25,295,355	25,250,115	145,044,766	-	145,044,766
Depreciation	1,004,898	420,728	358,952	10,015,747	6,784,330	3,178,875	11,100,077	-	11,100,077
Amortization	279,620	52,040	141,740	191,083	127,256	56,279	571,962	-	571,962
Operating profit(loss)	15,549,506	1,668,939	14,087,905	5,229,314	3,020,239	2,127,329	20,699,255	-	20,699,255

(*) Other Segment Information (Segment Information not listed above) is not presented separately.

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2) For the three-months ended September 30, 2012:

September 30, 2012	DMC			DS			Total	Elimination	Consolidated
	Total (*)	CE	IM	Total (*)	Semi conductor	LCD			
<i>(In millions of Korean Won)</i>									
Total segment Revenue	₩93,278,489	₩26,935,014	₩65,112,506	₩33,002,961	₩16,418,304	₩16,237,028	₩125,054,669	₩(72,877,399)	₩52,177,270
Inter-segment Revenue	(51,378,562)	(15,338,186)	(35,190,225)	(15,605,814)	(7,696,828)	(7,772,283)	(72,877,399)	72,877,399	-
Revenue from external customers	41,899,927	11,596,828	29,922,281	17,397,147	8,721,476	8,464,745	52,177,270	-	52,177,270
Depreciation	352,052	143,382	131,918	3,490,248	2,427,156	1,032,910	3,868,287	-	3,868,287
Amortization	95,431	15,749	48,448	63,847	41,165	19,381	193,293	-	193,293
Operating profit(loss)	5,882,580	428,093	5,626,950	2,286,859	1,148,672	1,093,887	8,124,695	-	8,124,695

(*) Other Segment Information (Segment Information not listed above) is not presented separately.

3) For the nine-months ended September 30, 2011:

September 30, 2011	DMC			DS			Total	Elimination	Consolidated
	Total (*)	CE	IM	Total (*)	Semi conductor	LCD			
<i>(In millions of Korean Won)</i>									
Total segment Revenue	₩172,725,910	₩72,149,534	₩97,633,452	₩95,962,321	₩53,366,652	₩42,532,060	₩266,055,805	₩(148,357,969)	₩117,697,836
Inter-segment Revenue	(91,735,496)	(38,958,167)	(50,967,836)	(47,802,433)	(25,549,942)	(21,842,648)	(148,357,969)	148,357,969	-
Revenue from external customers	80,990,414	33,191,367	46,665,616	48,159,888	27,816,710	20,689,412	117,697,836	-	117,697,836
Depreciation	879,995	448,540	255,750	8,561,422	5,607,230	2,936,107	9,446,048	-	9,446,048
Amortization	163,771	26,011	116,741	150,303	100,123	44,754	467,463	-	467,463
Operating profit(loss)	6,504,662	830,075	5,589,259	4,544,822	5,025,028	(528,359)	10,953,312	-	10,953,312

(*) Other Segment Information (Segment Information not listed above) is not presented separately.

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4) For the three-months ended September 30, 2011:

September 30, 2011	DMC			DS					
<i>(In millions of Korean Won)</i>	Total (*)	CE	IM	Total (*)	Semi conductor	LCD	Total	Elimination	Consolidated
Total segment Revenue	₩64,977,536	₩24,709,520	₩39,239,460	₩33,032,479	₩18,274,411	₩15,045,812	₩96,785,540	₩(55,511,575)	₩41,273,965
Inter-segment Revenue	(35,264,071)	(13,313,384)	(21,297,150)	(16,545,612)	(8,792,062)	(7,960,918)	(55,511,575)	55,511,575	-
Revenue from external customers	29,713,465	11,396,136	17,942,310	16,486,867	9,482,349	7,084,894	41,273,965	-	41,273,965
Depreciation	298,748	145,621	89,654	3,016,882	1,983,374	1,025,795	3,318,584	-	3,318,584
Amortization	60,745	14,537	39,124	52,590	35,397	15,424	167,124	-	167,124
Operating profit(loss)	2,774,632	309,700	2,422,544	1,527,751	1,589,099	(85,732)	4,252,896	-	4,252,896

(*) Other Segment Information (Segment Information not listed above) is not presented separately.

(B) The regional segment information provided to the Management Committee for the reportable segments for the three and nine months ended September 30, 2012 and 2011, consist of the following:

1) As of and for the nine-months ended September 30, 2012:

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia and Africa	China	Eliminations	Consolidated
Total segment revenue	₩132,812,207	₩55,010,132	₩52,296,125	₩41,933,800	₩62,137,651	₩(199,145,149)	₩145,044,766
Inter segment revenue	(109,659,491)	(15,239,524)	(17,323,315)	(15,107,947)	(41,814,872)	199,145,149	-
Revenue from external customers	23,152,716	39,770,608	34,972,810	26,825,853	20,322,779	-	145,044,766
Non-current assets(*)	60,866,214	7,190,686	953,885	1,733,250	2,552,477	(603,056)	72,693,456

(*)¹The non-current assets exclude financial instruments, deferred tax assets, and associates and joint ventures.

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2) As of and for the three-months ended September 30, 2012:

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia and Africa	China	Eliminations	Consolidated
Total segment revenue	₩47,355,987	₩20,063,078	₩18,524,316	₩15,162,288	₩23,949,000	₩(72,877,399)	₩52,177,270
Inter segment revenue	(39,490,647)	(5,239,536)	(5,764,571)	(5,824,616)	(16,558,029)	72,877,399	-
Revenue from external customers	7,865,340	14,823,542	12,759,745	9,337,672	7,390,971	-	52,177,270
Non-current assets(*)	60,866,214	7,190,686	953,885	1,733,250	2,552,477	(603,056)	72,693,456

(*)The non-current assets exclude financial instruments, deferred tax assets, and associates and joint ventures.

3) As of and for the nine-months ended September 30, 2011:

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia and Africa	China	Eliminations	Consolidated
Total segment revenue	₩95,619,710	₩50,741,237	₩44,998,479	₩29,616,142	₩45,080,237	₩(148,357,969)	₩117,697,836
Inter segment revenue	(75,621,655)	(17,030,275)	(18,712,191)	(9,069,394)	(27,924,454)	148,357,969	-
Revenue from external customers	19,998,055	33,710,962	26,286,288	20,546,748	17,155,783	-	117,697,836
Non-current assets(*)	51,382,093	7,262,334	1,058,663	1,365,996	2,125,891	(126,974)	63,068,003

(*)The non-current assets exclude financial instruments, deferred tax assets, and associates and joint ventures.

4) As of and for the three-months ended September 30, 2011:

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia and Africa	China	Eliminations	Consolidated
Total segment revenue	₩29,421,014	₩19,620,925	₩17,709,318	₩11,310,359	₩18,723,924	₩(55,511,575)	₩41,273,965
Inter segment revenue	(23,171,197)	(8,003,603)	(7,826,506)	(3,965,499)	(12,544,770)	55,511,575	-
Revenue from external customers	6,249,817	11,617,322	9,882,812	7,344,860	6,179,154	-	41,273,965
Non-current assets(*)	51,382,093	7,262,334	1,058,663	1,365,996	2,125,891	(126,974)	63,068,003

(*)The non-current assets exclude financial instruments, deferred tax assets, and associates and joint ventures.

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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 September 30, 2012.

Transactions with associates for the nine-months ended September 30, 2012 and 2011, and the related receivables and payables as of September 30, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	2012	2011
Inter-company transactions		
Sales	₩ 698,560	₩ 1,016,950
Purchases	7,257,458	4,052,168
Receivables and Payables		
Receivables	107,380	225,076
Payables	1,253,171	1,168,952

(B) Joint ventures

The principal joint venture companies are Samsung Corning Precision Materials and Samsung Corning Advanced Glass.

Transactions with joint venture partners for the nine-month ended September 30, 2012 and 2011, and the related receivables and payables as of September 30, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	2012	2011
Inter-company transactions		
Sales	₩ 33,781	₩ 5,256
Purchases	2,134,327	2,362,816
Receivables and Payables		
Receivables	4,290	6,379
Payables	525,840	379,944

(C) Other related parties

Other related parties include Samsung Everland and Samsung Petrochemical. Transactions with other related parties for the nine-months ended September 30, 2012 and 2011, and the related receivables and payables as of September 30, 2012 and December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	2012	2011
Inter-company transactions		
Sales	₩ 80,188	₩ 59,502
Purchases	548,499	460,264
Receivables and Payables		
Receivables	226,378	244,411
Payables	174,638	172,872

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(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 nine-months ended September 30, 2012 and 2011 is shown below:

<i>(In millions of Korean Won)</i>	2012	2011
Salaries and other short-term benefits	₩ 5,060	₩ 14,191
Termination benefits	392	522
Other long-term benefits	3,942	3,822

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 various currency exposures, primarily with respect to the United States of America, European Union, Japan, other Asian countries and South America. Revenues and expenses arise from foreign currency transactions and exchange positions, and the most widely used currencies are the US Dollar, EU's EURO, Japanese Yen and Chinese Yuan. Foreign exchange risk management of the Company is carried out by both SEC and its subsidiaries. To minimize foreign exchange risk arising from operating activities, the Company's foreign exchange management policy requires normal business transactions to be in local currency, or for cash-in currency to be matched up with cash-out currency. The Company's foreign risk management policy also defines foreign exchange risk, measuring period, controlling responsibilities, management procedures, hedging period and hedge ratio.

The Company limits all speculative foreign exchange transactions and operates a system to manage receivables and payables denominated in foreign currency. It evaluates, manages and reports foreign currency exposures to receivables and payables.

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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 September 30, 2012 and December 31, 2011 are ₩ 5,029,852 million and ₩ 3,149,926 million, respectively (Refer to Note 5 for further details).

As of September 30, 2012 and December 31, 2011, price fluctuation of marketable equity securities by 1% results in changes in other comprehensive income (before income tax) of ₩ 43,930 million and ₩ 25,262 million, respectively.

3) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk mainly through interest bearing liabilities and assets. The Company's position with regard to interest rate risk exposure is mainly driven by its debt obligations such as bonds, interest-bearing deposits and issuance of receivables. 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 parties fail to discharge an obligation. The Company monitors and sets the client's and counterparty's credit limits on a periodic basis based on the client's 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 September 30, 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 11.41% (₩ 2,779,977million) and 12.9% (₩ 2,831,801 million) as of September 30, 2012 and December 31, 2011, respectively, while the top 3 credit exposures by country amounted to 44% as of September 30, 2012 (December 31, 2011: 41.1%).

(C) Liquidity risk

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

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utilizing the globally integrated finance structure such as Cash Pooling. In addition, the Company maintains a liquidity management process, which provides additional financial support by the local finance center and the Company. The Cash Pooling program allows sharing of surplus funds among entities and contributes to minimizing liquidity risk and strengthening the Company's competitive position by reducing capital operation expense and financial expense.

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 the total liability by total equity 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 an A and A1 credit rating from S & P and Moody's, respectively, on its long term debt.

The total liabilities to equity ratios at September 30, 2012 and December 31, 2011 were as follows:

<i>(In millions of Korean Won)</i>	September 30, 2012	December 31, 2011
Total liabilities	₩ 60,188,312	₩ 53,785,931
Total equity	116,538,834	101,845,323
	51.6%	52.8%

28. Spin-Off of LCD Division

During the nine-months ended September 30, 2012, the Company established Samsung Display Corporation through a spin-off of its LCD division.

	Samsung Display Corporation
Address	Yong-In, Gyeonggi-do
Business	LCD
Date of Spin-off	April 1, 2012

29. Business Combinations

(A) Merger of Samsung LED

Following approval of the merger by the board of directors on December 26, 2011, the Company merged with Samsung LED on April 1, 2012. The purpose of the merger is to improve management efficiency and maximize synergy with existing business segments of the Company. The approval by the Board of Directors replaces approval at a shareholders' meeting, as the acquisition of Samsung LED is small scale and a non-complex merger.

- 1) Overview of the merged company

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	Samsung LED
Headquarters location	Yong-In, Gyeonggi-do
Representative director	Nam-Sung Cho
Classification of the acquired company	Unlisted company
Relationship with the company before the merger	Associate
Date of Merger	April 1, 2012

2) Share exchange ratio and distribution

Company name	SEC	Samsung LED
Merger Ratio	1	0.0134934

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

3) Purchase Price Allocation

(In millions of Korean Won)

Classification	Amount
I. Considerations transferred	
Fair value of shares before the merger(*1)	₩ 344,082
Fair value of additional considerations(*2)	344,082
Total considerations transferred	688,164
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
Investments in associates and joint ventures	68,839
Deferred income tax assets	62,733
Other assets	47,370
Trade and other payables	157,571
Borrowings and loans	584,338
Retirement benefit obligation	30,108
Other liabilities	62,500
Total identifiable assets and liabilities	608,887
III. Goodwill(*3)	₩ 79,277

(*1) The Company re-estimated the fair value of its Samsung LED shares, which represents 50% ownership, as of April 1, 2012 and recognized gain on disposal of shares in the amount of ₩ 28,684 million.

(*2) The Company distributed 269,867 of treasury shares to carry out the merger with Samsung LED and recognized a gain on disposal of treasury shares in the amount of ₩ 233,705 million based on the estimation of fair value of the treasury shares.

(*3) Goodwill arising from the merger was recognized as the business combination will allow faster response to changes in the domestic and international business environments and strengthen manufacturing competitiveness.

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- 4) Had Samsung LED been merged on January 1, 2012, the revenue would be increased by ₩ 293,273 million and net income would be decreased by ₩ 25,582 million. Revenue and net income contributed by Samsung LED division after the merger date of April 1, 2012 amount to ₩ 686,867 million and ₩ 20,368 million, respectively.

(B) Merger of subsidiaries

(1) Merger of Samsung Display, Samsung Mobile Display and S-LCD

On July 1, 2012, Samsung Display, a subsidiary, merged with two other subsidiaries: Samsung Mobile Display and S-LCD. S-LCD was owned 100% by Samsung Display prior to the merger.

1) Overview of merged companies

	Samsung Mobile Display	S-LCD
Headquarters location	Yong-In, Gyeonggi-do	Asan, Chung-Nam
Representative director	Soo In Cho	Dong-Geon Park
Classification of the acquired company	Unlisted company	Unlisted company
Relationship with the company	Affiliate	Subsidiary

2) Share exchange ratio and distribution

Type	Acquiring Company	Acquired Company	Acquired company
Name	Samsung Display	Samsung Mobile Display	S-LCD
Merger Ratio	1	1.6487702	-

Samsung Display did not distribute common shares of Samsung Display as a result of its 100% ownership of S-LCD.

(2) Merger of Samsung Electronics Asia Holdings (SEAH) and Samsung Asia Private (SAPL)

On July 1, 2012, SEAH merged with SAPL and the name of the merged company is SAPL. The merger was between subsidiaries of the same controlling company and the accounting treatment for the merger was based on the carrying value in the consolidated financial statements. The merger did not result in the recognition of goodwill.

(3) Merger of Samsung Medison and Prosonic

On September 1, 2012, Samsung Medison merged with Prosonic. The merger was between subsidiaries of the same controlling company.

1) Overview of merged companies

	Prosonic
Headquarters location	Gyeong-ju, Gyeongsangbuk-do
Representative director	Won Gil Son
Classification of the acquired company	Unlisted company
Relationship with the company	Subsidiary

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2) Share exchange ratio and distribution

Type	Acquiring Company	Acquired Company
Name	Samsung Medison	Prosonic
Merger Ratio	1	17.5971363

The Company received 10,030,367 newly issued common shares from Samsung Medison in exchange of 570,000 common shares of Prosonic which were previously owned by the Company.

(4) Acquisition of SEHF Korea

On August 13, 2012, the Company acquired 100% ownership of SEHF Korea, previously a subsidiary of Samsung Electronics Hainan Fiberoptics(SEHF). SEHF is a subsidiary of the Company.

On September 13, 2012, the Board of Directors of the Company decided to merge with SEHF Korea to maximize business synergy. The merger is expected to close on December 1, 2012.

30. Subsequent Events

(1) Acquisition of Connectivity Business from Cambridge Silicon Radio (CSR)

On October 4, 2012, the Company acquired most of the mobile connectivity business of Cambridge Silicon Radio, a UK based semiconductor design company, in order to expand its connectivity business. The acquisition agreement date is July 16, 2012 and the purchase price was USD 344 million.

(2) Merger of SEMES, SECRON, and GES

SEMES, a subsidiary of SEC, will merge with SECRON and GES, which are also subsidiaries of SEC, through approval of the Board of Directors in order to maximize synergies in the semiconductor equipment business. The merger is expected to close on January 1, 2013.