Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

	Notes	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
		KRW	KRW	KRW	USD	USD	USD
Assets							
Current Assets							
Cash and cash equivalents	4,6,7	18,791,460	14,691,761	9,791,419	17,544,076	13,716,517	9,141,461
Short-term financial instruments	5,6,7	17,397,937	11,529,905	11,529,392	16,243,056	10,764,546	10,764,067
Available-for-sale financial assets	6,9	1,258,874	655,969	1,159,152	1,175,309	612,426	1,082,207
Trade and other receivables	6,7,10	26,674,596	24,153,028	21,308,834	24,903,927	22,549,741	19,894,346
Advances		1,674,428	1,436,288	1,302,428	1,563,279	1,340,947	1,215,972
Prepaid expenses		2,262,234	2,329,463	2,200,739	2,112,066	2,174,832	2,054,653
Inventories	11	17,747,413	15,716,715	13,364,524	16,569,333	14,673,434	12,477,382
Other current assets	6	1,462,075	988,934	746,101	1,365,023	923,288	696,575
Total current assets		87,269,017	71,502,063	61,402,589	81,476,069	66,755,731	57,326,663
Non-current assets							
Available-for-sale financial assets	6,9	5,229,175	3,223,598	3,040,206	4,882,060	3,009,614	2,838,396
Associates and joint ventures	12	8,785,489	9,204,169	8,335,290	8,202,305	8,593,193	7,781,990
Property, plant and equipment	13	68,484,743	62,043,951	52,964,594	63,938,701	57,925,451	49,448,785
Intangible assets	14	3,729,705	3,355,236	2,779,439	3,482,126	3,132,514	2,594,939
Deposits	6	814,693	791,863	655,662	760,613	739,299	612,139
Long-term prepaid expenses		3,515,479	3,454,205	3,544,572	3,282,120	3,224,914	3,309,282
Deferred income tax assets	29	2,516,080	1,783,086	1,144,068	2,349,062	1,664,724	1,068,124
Other non-current assets	6	727,189	442,092	442,383	678,919	412,746	413,018
Total assets		181,071,570	155,800,263	134,308,803	169,051,975	145,458,186	125,393,336

The accompanying notes are an integral part of these financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

	Notes	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
		KRW	KRW	KRW	USD	USD	USD
Liabilities and Equity							
Current liabilities							
Trade and other payables	6	16,889,350	18,509,490	16,049,800	15,768,229	17,280,823	14,984,409
Short-term borrowings	6,15	8,443,752	9,653,722	8,429,721	7,883,253	9,012,904	7,870,153
Advance received		1,517,672	1,450,733	883,585	1,416,928	1,354,433	824,932
Withholdings		966,374	1,715,070	1,052,555	902,226	1,601,223	982,686
Accrued expenses	6	9,495,156	7,823,728	7,102,427	8,864,864	7,304,386	6,630,965
Income tax payable		3,222,934	1,262,798	2,051,452	3,008,994	1,178,973	1,915,276
Current portion of long-term borrowings and debentures	6,15,16	999,010	30,292	1,123,934	932,695	28,281	1,049,327
Provisions	18	5,054,853	3,514,536	2,917,919	4,719,310	3,281,240	2,724,226
Other current liabilities	6	343,951	358,645	333,328	321,120	334,839	311,202
Total current liabilities		46,933,052	44,319,014	39,944,721	43,817,619	41,377,102	37,293,176
Non-current liabilities							
Long-term trade and other payables	6	1,165,881	1,024,804	1,072,661	1,088,489	956,777	1,001,457
Debentures	6,16	1,829,374	1,280,124	587,338	1,707,940	1,195,149	548,350
Long-term borrowings	6,15	3,623,028	3,682,472	634,381	3,382,530	3,438,028	592,271
Retirement benefit liabilities	17	1,729,939	1,119,188	823,486	1,615,105	1,044,896	768,823
Deferred income tax liabilities	29	3,429,467	2,333,442	1,618,523	3,201,818	2,178,547	1,511,085
Provisions	18	408,529	363,223	295,357	381,411	339,112	275,751
Other non-current liabilities	6	472,094	364,366	154,700	440,757	340,180	144,431
Total liabilities		59,591,364	54,486,633	45,131,167	55,635,669	50,869,791	42,135,344

The accompanying notes are an integral part of these financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

	Notes	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
		KRW	KRW	KRW	USD	USD	USD
Equity attributable to owners of the parent							
Preferred stock	20	119,467	119,467	119,467	111,537	111,537	111,537
Common stock	20	778,047	778,047	778,047	726,400	726,400	726,400
Share premium	20	4,403,893	4,403,893	4,403,893	4,111,561	4,111,561	4,111,561
Retained earnings	21	119,985,689	97,622,872	85,071,444	112,020,996	91,142,630	79,424,371
Other components of equity	23	(8,193,044)	(5,833,896)	(4,931,290)	(7,649,185)	(5,446,639)	(4,603,949)
Non-controlling interests		4,386,154	4,223,247	3,736,075	4,094,997	3,942,906	3,488,072
Total equity		121,480,206	101,313,630	89,177,636	113,416,306	94,588,395	83,257,992
Total liabilities and equity		181,071,570	155,800,263	134,308,803	169,051,975	145,458,186	125,393,336

The accompanying notes are an integral part of these financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

		For the year ended December 31,			
	Notes	**2012**	**2011**	**2012**	**2011**
		KRW	KRW	USD	USD
Revenue		201,103,613	165,001,771	187,754,283	154,048,895
Cost of sales	25	126,651,931	112,145,120	118,244,730	104,700,887
Gross profit		74,451,682	52,856,651	69,509,553	49,348,008
Selling, general and administrative expenses	25,26	45,402,344	37,212,360	42,388,520	34,742,191
Operating profit		29,049,338	15,644,291	27,121,033	14,605,817
Other non-operating income	27	1,552,989	2,251,019	1,449,901	2,101,596
Other non-operating expense	27	1,576,025	1,612,690	1,471,408	1,505,639
Share of profit or loss of associates and joint ventures	12	986,611	1,399,194	921,119	1,306,315
Finance income	28	7,836,554	7,403,525	7,316,361	6,912,076
Finance expense	28	7,934,450	7,893,421	7,407,758	7,369,453
Profit before income tax		29,915,017	17,191,918	27,929,248	16,050,712
Income tax expense	29	6,069,732	3,432,875	5,666,822	3,204,999
Profit for the year		23,845,285	13,759,043	22,262,426	12,845,713
Profit attributable to owners of the parent		23,185,375	13,382,645	21,646,322	12,494,300
Profit attributable to non-controlling interests		659,910	376,398	616,104	351,413
Earnings per share for profit attributable to the owners of the parent	30				
- Basic (in Korean won and US dollars)		154,020	89,229	143.80	83.31
- Diluted (in Korean won and US dollars)		153,950	89,146	143.73	83.23

The accompanying notes are an integral part of these financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

		For the year ended December 31,			
	Notes	**2012**	**2011**	**2012**	**2011**
		KRW	KRW	USD	USD
Profit for the year		23,845,285	13,759,043	22,262,426	12,845,713
Items not to be reclassified subsequently to profit or loss :					
Remeasurement effect of employee benefit, net of tax		(504,120)	(385,214)	(470,656)	(359,643)
Items to be reclassified subsequently to profit or loss :	17,23				
Changes in value of available-for-sale financial assets, net of tax	23	962,184	(572,028)	898,314	(534,057)
Share of associates and joint ventures, net of tax	23	(350,491)	(113,898)	(327,225)	(106,337)
Foreign currency translation, net of tax	23	(1,824,653)	183,655	(1,703,532)	171,463
Consolidated comprehensive income		22,128,205	12,871,558	20,659,327	12,017,139
Consolidated comprehensive income attributable to :					
Owners of the parent		21,499,343	12,439,116	20,072,209	11,613,403
Non-controlling interests		628,862	432,442	587,118	403,736

The accompanying notes are an integral part of these financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

		For the year ended December 31,			
	Notes	**2012**	**2011**	**2012**	**2011**
		KRW	KRW	USD	USD
Cash flows from operating activities					
Profit for the year		23,845,285	13,759,043	22,262,426	12,845,713
Adjustments	31	22,759,559	16,450,629	21,248,771	15,358,630
Changes in operating assets and liabilities	31	(5,777,949)	(4,057,345)	(5,394,406)	(3,788,017)
Cash flows from operating activities		40,826,895	26,152,327	38,116,791	24,416,326
Interest received		789,397	755,859	736,997	705,685
Interest paid		(576,379)	(641,462)	(538,119)	(598,882)
Dividend received		1,112,940	628,585	1,039,063	586,859
Income tax paid		(4,180,044)	(3,977,408)	(3,902,572)	(3,713,385)
Net cash generated from operating activities		37,972,809	22,917,901	35,452,160	21,396,603
Cash flows from investing activities					
Net decrease(increase) in short-term financial instruments		(5,965,611)	75,666	(5,569,612)	70,643
Net decrease(increase) in short-term available-for-sale financial assets		(589,072)	518,479	(549,969)	484,062
Proceeds from disposal of long-term available-for-sale financial assets		106,208	415,096	99,158	387,542
Acquisition of long-term available-for-sale financial assets		(870,249)	(419,678)	(812,482)	(391,820)
Proceeds from disposal of associates and joint ventures		41,091	306,804	38,363	286,438
Acquisition of associates and joint ventures		(279,022)	(403,538)	(260,500)	(376,751)
Disposal of property and equipment		644,062	379,878	601,309	354,662
Purchases of property and equipment		(22,965,271)	(21,965,678)	(21,440,828)	(20,507,588)
Disposal of intangible assets		61,497	9,703	57,415	9,059
Purchases of intangible assets		(650,884)	(663,678)	(607,678)	(619,623)
Proceeds from deposits		313,043	461,454	292,263	430,823
Payment for deposits		(347,746)	(594,067)	(324,662)	(554,633)
Cash outflows from business combination		(464,279)	(522,740)	(433,460)	(488,040)
Cash inflows from disposal of business		-	925,454	-	864,022
Others		(355,321)	364,281	(331,735)	340,100
Net cash used in investing activities		(31,321,554)	(21,112,564)	(29,242,418)	(19,711,104)

The accompanying notes are an integral part of these consolidated financial statements

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

		For the year ended December 31,			
	Notes	**2012**	**2011**	**2012**	**2011**
		KRW	KRW	USD	USD
Cash flows from financing activities					
Net (repayment) proceeds from short-term borrowings		(800,579)	977,315	(747,436)	912,440
Disposal of treasury stock		88,473	160,827	82,600	150,151
Proceeds from long-term borrowings and debentures		1,862,256	3,925,406	1,738,639	3,664,836
Repayment of long-term borrowings and debentures		(522,899)	(1,145,167)	(488,189)	(1,069,150)
Payment of dividends		(1,265,137)	(874,608)	(1,181,157)	(816,551)
Net increase (decrease) in Non-controlling interests		(1,200,134)	363,417	(1,120,469)	339,293
Others		(26,488)	(297,461)	(24,729)	(277,715)
Net cash provided by (used in) financing activities		(1,864,508)	3,109,729	(1,740,741)	2,903,304
Effect of exchange rate changes on cash and cash equivalents		(687,048)	(14,724)	(641,442)	(13,747)
Net increase (decrease) in cash and cash equivalents		4,099,699	4,900,342	3,827,559	4,575,056
Cash and cash equivalents					
Beginning of the year		14,691,761	9,791,419	13,716,517	9,141,461
End of the year		18,791,460	14,691,761	17,544,076	13,716,517

The accompanying notes are an integral part of these financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean Won)

2011 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2011		119,467	778,047	4,403,893	85,014,550	(4,726,398)	85,589,559	3,759,532	89,349,091
Cumulative effect of change in accounting policy	2	-	-	-	56,894	(204,892)	(147,998)	(23,457)	(171,455)
Revised balance at January 1, 2011		119,467	778,047	4,403,893	85,071,444	(4,931,290)	85,441,561	3,736,075	89,177,636
Profit for the year		-	-	-	13,382,645	-	13,382,645	376,398	13,759,043
Available-for-sale financial assets, net of tax,	9,23	-	-	-	-	(567,186)	(567,186)	(4,842)	(572,028)
Share of associates and joint ventures, net of tax	12	-	-	-	-	(113,898)	(113,898)	-	(113,898)
Foreign currency translation, net of tax		-	-	-	-	123,434	123,434	60,221	183,655
Remeasurement effect of employee benefit, net of tax	17	-	-	-	-	(385,879)	(385,879)	665	(385,214)
Total comprehensive income		-	-	-	13,382,645	(943,529)	12,439,116	432,442	12,871,558
Dividends	22	-	-	-	(824,478)	-	(824,478)	(156,388)	(980,866)
Capital transaction under common control		-	-	-	-	(108,840)	(108,840)	78,155	(30,685)
Effect of business combination		-	-	-	-	-	-	131,564	131,564
Disposal of treasury stock	23	-	-	-	-	288,773	288,773	-	288,773
Stock option activities	24	-	-	-	-	(73,008)	(73,008)	-	(73,008)
Others		-	-	-	(6,739)	(66,002)	(72,741)	1,399	(71,342)
Total transactions with owners		-	-	-	(831,217)	40,923	(790,294)	54,730	(735,564)
Balance at December 31, 2011		119,467	778,047	4,403,893	97,622,872	(5,833,896)	97,090,383	4,223,247	101,313,630

The accompanying notes are an integral part of these consolidated financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.28))

2011 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2011		111,537	726,400	4,111,561	79,371,254	(4,412,658)	79,908,094	3,509,972	83,418,066
Cumulative effect of change in accounting policy	2	-	-	-	53,117	(191,291)	(138,174)	(21,900)	(160,074)
Revised balance at January 1, 2011		111,537	726,400	4,111,561	79,424,371	(4,603,949)	79,769,920	3,488,072	83,257,992
Profit for the year		-	-	-	12,494,300	-	12,494,300	351,413	12,845,713
Available-for-sale financial assets, net of tax	9,23	-	-	-	-	(529,536)	(529,536)	(4,521)	(534,057)
Share of associates and joint ventures, net of tax	12	-	-	-	-	(106,337)	(106,337)	-	(106,337)
Foreign currency translation, net of tax		-	-	-	-	115,240	115,240	56,224	171,464
Remeasurement effect of employee benefit, net of tax	17	-	-	-	-	(360,264)	(360,264)	621	(359,643)
Total comprehensive income		-	-	-	12,494,300	(880,897)	11,613,403	403,737	12,017,140
Dividends	22	-	-	-	(769,749)	-	(769,749)	(146,007)	(915,756)
Capital transaction under common control		-	-	-	-	(101,615)	(101,615)	72,967	(28,648)
Effect of business combination		-	-	-	-	-	-	122,831	122,831
Disposal of treasury stock	23	-	-	-	-	269,604	269,604	-	269,604
Stock option activities	24	-	-	-	-	(68,162)	(68,162)	-	(68,162)
Others		-	-	-	(6,292)	(61,620)	(67,912)	1,306	(66,606)
Total transactions with owners		-	-	-	(776,041)	38,207	(737,834)	51,097	(686,737)
Balance at December 31, 2011		111,537	726,400	4,111,561	91,142,630	(5,446,639)	90,645,489	3,942,906	94,588,395

The accompanying notes are an integral part of these consolidated financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean Won)

2012 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2012		119,467	778,047	4,403,893	97,622,872	(5,833,896)	97,090,383	4,223,247	101,313,630
Profit for the year		-	-	-	23,185,375	-	23,185,375	659,910	23,845,285
Available-for-sale financial assets, net of tax	9,23	-	-	-	-	960,688	960,688	1,496	962,184
Share of associates and joint ventures, net of tax	12	-	-	-	-	(350,491)	(350,491)	-	(350,491)
Foreign currency translation, net of tax		-	-	-	-	(1,789,877)	(1,789,877)	(34,776)	(1,824,653)
Remeasurement effect of employee benefit, net of tax	17	-	-	-	-	(506,351)	(506,351)	2,231	(504,120)
Total comprehensive income		-	-	-	23,185,375	(1,686,031)	21,499,344	628,861	22,128,205
Dividends	22	-	-	-	(827,501)	-	(827,501)	(373,632)	(1,201,133)
Capital transaction under common control		-	-	-	-	(1,089,835)	(1,089,835)	(104,395)	(1,194,230)
Effect of business combination		-	-	-	-	-	-	12,844	12,844
Disposal of treasury stock	23	-	-	-	-	455,377	455,377	-	455,377
Stock option activities	24	-	-	-	-	(33,071)	(33,071)	-	(33,071)
Others		-	-	-	4,943	(5,588)	(645)	(771)	(1,416)
Total transactions with owners		-	-	-	(822,558)	(673,117)	(1,495,675)	(465,954)	(1,961,629)
Balance at December 31, 2012		119,467	778,047	4,403,893	119,985,689	(8,193,044)	117,094,052	4,386,154	121,480,206

The accompanying notes are an integral part of these consolidated financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.28))

2012 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2012		111,537	726,400	4,111,561	91,142,630	(5,446,639)	90,645,489	3,942,906	94,588,395
Profit for the year		-	-	-	21,646,322	-	21,646,322	616,104	22,262,426
Available-for-sale financial assets, net of tax	9,23	-	-	-	-	896,917	896,917	1,397	898,314
Share of associates and joint ventures, net of tax	12	-	-	-	-	(327,225)	(327,225)	-	(327,225)
Foreign currency translation, net of tax		-	-	-	-	(1,671,064)	(1,671,064)	(32,468)	(1,703,532)
Remeasurement effect of employee benefit, net of tax	17	-	-	-	-	(472,739)	(472,739)	2,083	(470,656)
Total comprehensive income		-	-	-	21,646,322	(1,574,111)	20,072,211	587,116	20,659,327
Dividends	22	-	-	-	(772,571)	-	(772,571)	(348,830)	(1,121,401)
Capital transaction under common control		-	-	-	-	(1,017,491)	(1,017,491)	(97,466)	(1,114,957)
Effect of business combination		-	-	-	-	-	-	11,991	11,991
Disposal of treasury stock	23	-	-	-	-	425,149	425,149	-	425,149
Stock option activities	24	-	-	-	-	(30,876)	(30,876)	-	(30,876)
Others		-	-	-	4,615	(5,217)	(602)	(720)	(1,322)
Total transactions with owners		-	-	-	(767,956)	(628,435)	(1,396,391)	(435,025)	(1,831,416)
Balance at December 31, 2012		111,537	726,400	4,111,561	112,020,996	(7,649,185)	109,321,309	4,094,997	113,416,306

The accompanying notes are an integral part of these consolidated financial statements

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.28))

	Notes	For the year ended December 31, 2012	2011	2012	2011
		KRW	KRW	USD	USD
Cash flows from financing activities					
Net (repayment) proceeds from short-term borrowings		(800,579)	977,315	(747,436)	912,440
Disposal of treasury stock		88,473	160,827	82,600	150,151
Proceeds from long-term borrowings and debentures		1,862,256	3,925,406	1,738,639	3,664,836
Repayment of long-term borrowings and debentures		(522,899)	(1,145,167)	(488,189)	(1,069,150)
Payment of dividends		(1,265,137)	(874,608)	(1,181,157)	(816,551)
Net increase (decrease) in Non-controlling interests		(1,200,134)	363,417	(1,120,469)	339,293
Others		(26,488)	(297,461)	(24,729)	(277,715)
Net cash provided by (used in) financing activities		(1,864,508)	3,109,729	(1,740,741)	2,903,304
Effect of exchange rate changes on cash and cash equivalents		(687,048)	(14,724)	(641,442)	(13,747)
Net increase (decrease) in cash and cash equivalents		4,099,699	4,900,342	3,827,559	4,575,056
Cash and cash equivalents					
Beginning of the year		14,691,761	9,791,419	13,716,517	9,141,461
End of the year		18,791,460	14,691,761	17,544,076	13,716,517

The accompanying notes are an integral part of these financial statements.

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 and DS. The DMC division includes digital TVs, monitors, air conditioners and refrigerators in the CE (Consumer `Electronics) business, and mobile phones, communication system, printers and computers in the IM (Information technology & Mobile Communications) business. The DS division includes products such as memory and system LSI in semiconductor business, and LCD display panels and OLED panels designed for mobiles in the LCD and other LED business. The Company is domiciled in the Republic of Korea and the address of its registered office is Suwon, 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 166 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 December 31, 2012 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership[1]
Domestic	World Cyber Games	Cyber game match hosting	99.9
	High Pioneer Private Investment Trust #1	Technology business venture capital investments	100.0
	Samsung Display (SDC)	Manufacture and sales of LCD	84.8
	SU Materials	Manufacture of electronic devices	50.0
	STECO	Manufacture of semiconductor components	51.0
	SEMES	Manufacture of semiconductor/FPD	90.3
	SECRON	Semiconductor equipments	93.1
	Samsung Electronics Service	Repair service for electronic devices	99.3
	Living Plaza	Sale of consumer electronics	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	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
	Samsung Venture Capital Union #23	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

Area	Subsidiaries	Industry	Percentage of ownership[1]
America (Cont.)	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)	Sales 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 Corporativo (SEC)	Consulting	95.2
	Samsung Electronics Digital Appliance Mexico (SEDAM)	Consulting	95.2
	Samsung Electronics Latinoamerica Miami (SEMI)	Sales of electronic devices	100.0
	Nvelo	Software	100.0
	Newton Sub	Medical equipments	100.0
	Samsung Medison America (SMUS)	Medical equipments	100.0
	Samsung Electronics Latinoamerica (SELA)	Sales 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 LCD	100.0
	Samsung Electronics GmbH (SEG)	Sale of electronic devices	100.0
	Samsung Electronics Iberia (SESA)	Sale of electronic devices	100.0
	Samsung Electronics France (SEF)	Sale and Marketing 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)	Toll processing of LCD	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 LCD	100.0
	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia (SESK)	Manufacture of CTV/monitor	100.0

Area	Subsidiaries	Industry	Percentage of ownership[1]
Europe (Cont.)	Samsung Electronics Europe Holdings (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
	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 (SDRC)	R&D	100.0
	Samsung France Research Center (SFRC)	R&D	100.0
	Samsung Cambridge Solution Centre (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 Pakistan (SEPAK)	Marketing	100.0
	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale and Marketing 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

Area	Subsidiaries	Industry	Percentage of ownership[1]
China	Samsung Display Dongguan (SDDG)	Manufacture of TFT-LCD	100.0
	Samsung Display Tianjin (SDTJ)	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)	Toll 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 devices	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 Display Suzhou (SDSZ)	Toll processing of TFT-LCD	100.0
	Samsung Suzhou LCD (SSL)	Manufacture of TFT-LCD	60.0
	Shenzhen Samsung Kejian Mobile Telecommunication Technology (SSKMT)	Manufacture of communication devices	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 (China) Semiconductor (SCS)	Manufacture of electronic devices	100.0
	Samsung Electronics Hainan Fiberoptics (SEHF)	Manufacture of optical fiber, cable	100.0
	Samsung Electronics (Beijing) Service (SBSC)	Services	100.0
	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

Area	Subsidiaries	Industry	Percentage of ownership[1]
Rest of Asia	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 investment	97.0
	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 sales 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

[1]Ownership represents the Company's ownership of the voting right in each entity.
[2]Although the Company owns less than 50% of the voting rights of BRC as at December 31, 2012, 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) 2012

	2012			
(In millions of Korean won)	**Assets**	**Liabilities**	**Sales**	**Net income**
Samsung Display (SDC)	33,791,814	9,122,941	22,304,545	2,079,916
Samsung Electronics America (SEA)	11,432,490	6,598,643	12,430,205	201,790
Samsung Austin Semiconductor (SAS)	6,728,824	3,819,196	3,063,343	(86,815)
Samsung Semiconductor (SSI)	5,502,929	2,136,789	17,325,969	20,797
Samsung (China) Investment (SCIC)	5,407,272	4,519,921	13,796,191	264,269
Samsung Telecommunications America (STA)	5,009,772	4,516,706	15,308,222	109,896
Samsung Electronics Europe Holdings (SEEH)	4,377,597	3,068,900	-	7,856
Samsung Electronics Vietnam (SEV)	3,416,148	1,498,575	14,599,505	854,250
Samsung Electronics Huizhou (SEHZ)	3,275,716	1,496,513	15,343,968	700,435
Samsung Electronica da Amazonia (SEDA)	2,556,334	1,564,590	6,145,530	198,552
Tianjin Samsung Telecom Technology (TSTC)	2,234,437	1,227,917	10,697,834	551,682
Samsung Electronics Taiwan (SET)	2,117,243	1,885,749	4,967,564	38,298

	2012			
(In millions of Korean won)	**Assets**	**Liabilities**	**Sales**	**Net income**
Shanghai Samsung Semiconductor (SSS)	1,998,989	1,824,247	12,584,108	60,991
Samsung Electronics Rus Company (SERC)	1,705,108	1,367,484	6,712,179	21,832
Samsung Electronics Slovakia (SESK)	1,696,474	426,980	5,279,531	147,665
Samsung Japan (SJC)	1,570,232	1,382,927	6,021,986	26,503
Samsung Semiconductor Europe GmbH (SSEG)	1,569,684	1,556,757	5,191,270	(32)
Samsung Electronics Europe Logistics (SELS)	1,529,851	1,443,264	12,873,583	29,372
Samsung India Electronics (SIEL)	1,449,983	964,580	5,089,445	316,994
Thai Samsung Electronics (TSE)	1,447,777	463,908	4,799,886	295,994
Samsung Electronics (UK) (SEUK)	1,349,828	763,081	5,722,969	74,329
Samsung Electronics Hungarian (SEH)	1,301,842	416,616	3,542,522	153,961
Samsung Electronics Rus Kaluga (SERK)	1,296,147	465,344	2,348,160	194,169
Samsung Electronics Hong Kong (SEHK)	1,294,473	1,067,647	2,362,833	83,950
Samsung Electronics Mexico (SEM)	1,291,398	1,053,329	2,814,961	37,902

(2) 2011

	2011			
(In millions of Korean won)	**Assets**	**Liabilities**	**Sales**	**Net income**
Samsung Electronics America (SEA)	9,816,571	4,913,504	10,873,623	(1,825)
Samsung Austin Semiconductor (SAS)	6,952,894	3,731,834	2,521,060	19,796
Samsung Semiconductor (SSI)	5,974,863	2,490,812	16,762,084	47,593
Samsung (China) Investment (SCIC)	3,323,358	2,652,717	9,117,657	124,892
Samsung Telecommunications America (STA)	2,235,101	1,818,412	10,059,797	46,184
Samsung Electronics Europe Holdings (SEEH)	3,796,937	3,592,183	-	5,227
Samsung Electronics Vietnam (SEV)	2,217,392	1,043,133	6,810,279	905,239
Samsung Electronics Huizhou (SEHZ)	2,984,592	1,816,087	8,380,968	398,015
Samsung Electronica da Amazonia (SEDA)	2,434,259	1,482,344	5,448,043	(43,406)
Tianjin Samsung Telecom Technology (TSTC)	1,664,989	907,083	7,022,353	327,649
Samsung Electronics Taiwan (SET)	1,794,858	1,582,616	5,394,509	18,497
Shanghai Samsung Semiconductor (SSS)	2,024,403	1,901,188	10,919,636	48,248
Samsung Electronics Rus Company (SERC)	1,509,256	1,189,211	5,725,681	33,313
Samsung Electronics Slovakia (SESK)	2,361,719	1,174,527	4,893,947	255,032
Samsung Japan (SJC)	2,856,471	2,197,847	7,840,230	36,929
Samsung Semiconductor Europe GmbH (SSEG)	1,338,671	1,325,034	5,198,900	483
Samsung Electronics Europe Logistics (SELS)	1,368,673	1,285,617	10,759,828	12,118
Samsung India Electronics (SIEL)	1,090,390	876,886	4,177,987	62,550
Thai Samsung Electronics (TSE)	1,169,778	443,187	3,543,691	189,320
Samsung Electronics (UK) (SEUK)	996,860	457,017	3,808,041	49,564
Samsung Electronics Hungarian (SEH)	1,318,553	592,167	4,322,195	191,329
Samsung Electronics Rus Kaluga (SERK)	1,125,145	470,867	2,177,423	291,158
Samsung Electronics Hong Kong (SEHK)	1,155,606	998,115	1,522,892	23,104
Samsung Electronics Mexico (SEM)	1,094,270	925,327	2,444,660	5,125
Samsung Electronics Suzhou Computer (SESC)	1,411,349	1,018,670	6,092,471	156,469

(C) Changes in scope of consolidation

	Subsidiaries	**Description**
Domestic	Samsung Display (SDC)	Spin-off
	Samsung Venture Capital Union #23	Acquisition of shares
America	mSpot	Acquisition of shares
	Nanoradio	Acquisition of shares
	Samsung LED America (SLA)	Acquisition of shares
	Samsung Electronics Panama (SEPA)	Incorporation
	Samsung Electronics Corporativo (SEC)	Acquisition of shares
	Samsung Electronics Digital appliance (SEDAM)	Acquisition of shares

	Subsidiaries	Description
America (Cont.)	Nvelo	Acquisition of shares
	Newton Sub	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 (SCSC)	Incorporation
	Samsung Denmark Research Center (SDRC)	Incorporation
	Samsung France Research Center (SFRC)	Acquisition of shares
Middle East and Africa	Samsung Electronics Egypt (SEEG)	Incorporation
	Samsung Electronics Tunisia (SETN)	Incorporation
	Samsung Electronics Israel (SEIL)	Incorporation
	Samsung Electronics Pakistan (SEPAK)	Incorporation
China	Tianjin Samsung LED (TSLED)	Acquisition of shares
	Samsung (China) Semiconductor (SCS)	Incorporation

(D) Details of subsidiaries deconsolidated for the year ended December 31, 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
	SEHF Korea	Merger
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)[1]	Merger
	Samsung Medison Japan(SMJP)	Liquidation

[1]Samsung Asia Private merged with Samsung Electronics Asia Holding, and the resulting subsidiary is named Samsung Asia Private (Note 37).

2. Summary of Significant Accounting Policies

2.1 Basis of Presentation

The Company first adopted International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") from January 1, 2010. International Financial Reporting Standards (IFRS) have been adopted by the Korean Accounting Standards Board as Korean IFRS based on standards and interpretations published by the International Accounting Standards Board.

The Company has prepared the consolidated financial statements in accordance with Korean IFRS (“K-IFRS”). K-IFRS permits the use of critical accounting estimates in the preparation of the financial statements and requires management judgments in applying accounting policies. Footnote 3 explains where more complex and higher standards of judgment or critical assumptions and estimates are required.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Changes in accounting policies applied in the current fiscal year are presented in footnote 2.2.

2.2 Changes in Accounting Standards

(A) Amendments Adopted

K-IFRS 1001, 'Presentation of financial statements'

The amendment requires entities to present operating income after deducting cost of sales, selling, and general and administrative expenses from revenue. The amendment has been retroactively applied in the preparation of the consolidated statement of income. Dividend income, profit on business transfer, gains and losses on disposal of property, plant and equipment, donations, and impairment losses on intangible assets which were previously classified as operating income are now excluded from operating income. As a result, operating income has increased by ₩23,036 million for the current financial year and decreased by ₩638,329 million for the prior financial years, relative to the figures under the standard prior to the amendment. The amendment does not have an impact on net income or earnings per share in the current or prior financial years.

(B) Standards Early Adopted

New standards issued and effective for the financial year beginning January 1, 2013 and 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 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. The impacts of the amendment on the financial statements are as follows:

(1) Impacts on Financial Position

	December 31, 2011		**January 1, 2011**	
(In millions of Korean won)	**Pre-amendment**	**Post-amendment**	**Pre-amendment**	**Post-amendment**
Deferred income tax assets	1,614,077	1,783,086	1,124,009	1,144,068
Defined benefit liability	418,486	1,119,188	597,829	823,486
Deferred income tax liability	2,333,442	2,333,442	1,652,667	1,618,523
Other components of equity	(5,244,167)	(5,833,896)	(4,726,398)	(4,931,290)
Retained earnings	97,542,525	97,622,872	85,014,550	85,071,444
Non-controlling interests	4,245,558	4,223,247	3,759,532	3,736,075

(2) Impacts on Business Performance

	2011	
(In millions of Korean won)	**Pre-amendment**	**Post-amendment**
Operating income[1]	15,611,388	15,644,291
Income tax expense	3,424,948	3,432,875
Net income	13,734,067	13,759,043
Net income attributable to non-controlling interests	374,875	376,398
Basic earnings per share *(in Korean won)*	89,073	89,229
Diluted earnings per share *(in Korean won)*	88,990	89,146
Other comprehensive income	(502,271)	(887,485)

[1] Operating income is calculated by retroactively applying the changes in the calculation method of operating income and expenses.

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 Company early adopted and applied the amendment retroactively in the preparation of the financial statements.

(C) Standards Not Effective or Early Adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012 and not early adopted are set out below:

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 Financial Reporting Standards. The requirements, which are largely aligned between IFRS and US GAAP, 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 within IFRS or US GAAP. The Company is still in the process of assessing the impact of the amendment on the consolidated financial statements and intends to adopt K-IFRS 1113 no later than the accounting period beginning January 1, 2013.

K-IFRS 1110, 'Consolidated financial statements'
The standard explains the principle of control which is the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard sets out further guidance where it is difficult to determine control. The standard will be effective for the fiscal year beginning January 1, 2013. The Company is in the process of assessing the impact of the standard on the consolidated financial statements

K-IFRS 1111, 'Joint arrangements Introduction'
The standard reflects the essence of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. The standard classifies joint arrangements into joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator accounts for the assets, liabilities, revenues and expenses in relation to its interest in the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Joint venturers account for the investment using the equity method. The standard will be effective for the fiscal year beginning January 1, 2013. The Company is in the process of assessing the impact of the standard on the consolidated financial statements.

K-IFRS 1112, 'Disclosure of interests in other entities'
The standard provides disclosure requirements for all types of equity investments in other entities including subsidiaries, joint arrangements, associates, consolidated structured entities and unconsolidated structured entities. The standard will be effective for the fiscal year beginning January 1, 2013. The Company is in the process of assessing the impact of the standard on the consolidated financial statements.

2.3 Consolidation

The Company prepares annual consolidated financial statements in accordance with K-IFRS 1027, *Consolidated and Separate Financial Statements.*

(A) Subsidiaries

The consolidated financial statements include the accounts of SEC and its controlled subsidiaries. Control over a subsidiary is presumed to exist when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are exercisable or convertible at the end of the reporting period are considered in determining whether the Company controls another entity. Moreover, K-IFRS 1027 requires the evaluation of whether the Company holds control over the financial and operating policies of a subsidiary where the Company's shareholding is less than or equal to 50%. Control is presumed to exist when the Company is considered to have control over the financial and operating policies of a subsidiary through its ownership relative to those of other shareholders. Subsidiaries are fully consolidated from the date when control is transferred to the Company and de-consolidated from the date which control ceases to exist.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income. For each business combination, the Company measures any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Company recognizes the acquisition-date fair value of contingent consideration. Changes in the fair value of contingent consideration classified as an asset or a liability are recognized in profit or loss in accordance with *K-IFRS 1039, 'Financial Instruments: Recognition and Measurement'*. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

The Company recognizes goodwill as of the acquisition date measured as the excess of (1) the aggregate of 1) the consideration transferred, 2) the amount of any non-controlling interest in the acquiree and 3) the acquisition-date fair value of the Company's previously held equity interest in the acquiree over (2) the net identifiable assets acquired. If the aggregate amount in (1) is less than the fair value of the acquiree's net assets (2), the difference is recognized in profit or loss.

Inter-company transactions, balances, income, expenses and unrealized gains on inter-company transactions are eliminated. Unrealized losses are eliminated upon assessing the impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(B) Changes in the ownership of a subsidiary without gain or loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity. transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(C) Disposal of a subsidiary

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(D) Non-controlling interests

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions among owners in their capacity as owners).

(E) Associated companies

Investments in companies in which the Company does not have the ability to directly or indirectly control the financial and operating decisions, but does possess the ability to exercise significant influence, are accounted for using the equity method. Generally, it is presumed that if at least 20% of the voting stock and potential voting rights is owned, significant influence exists. The Company’s investment in associates includes goodwill identified upon acquisition, net of any accumulated impairment loss.

If the ownership in associated companies decreases to the extent that the Company loses significant influence, the Company will reclassify the proportionate amount previously recognized in other comprehensive income to profit or loss.

The Company’s share of post-acquisition profit or loss is recognized in the income statement, and its share of post acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments in associates are impaired. If any such evidence exists, the Company will recognize impairment loss as the difference between the recoverable amount and the carrying amount of investments in associates. The impairment loss will be separately disclosed in the statement of income as an impairment loss on associates.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the parent company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Decrease in the interest in associates is recognized in profit or loss where the Company maintains significant influence over associates although its share has been decreased.

(F) Joint ventures

Joint ventures are entities in which the Company holds joint control with other participants based on an agreed upon contract. Investments in joint ventures are initially recognized at cost and then accounted for using the equity method. The Company's investment in joint ventures includes goodwill identified upon acquisition, net of any accumulated impairment loss. If the Company purchases assets from joint ventures, the Company does not recognize its share of post-acquisition profit until it disposes of the acquired assets to a third party. The Company recognizes losses from these transactions where such losses provide evidence of an impairment of the assets or decrease of net realizable value.

2.4 Foreign Currency Translation

(A) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated financial statements are presented in Korean won, which is SEC's functional and presentation currency.

(B) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rate at the end of the reporting period of monetary assets denominated in foreign currencies are recognized as realized foreign exchange gains and losses under finance income and expense in the statement of income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equity instruments held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sales are included in other comprehensive income.

(C) Translation into presentation currency

The results and financial position of all the foreign entities that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

Assets and liabilities are translated at the closing rate at the end of the reporting date.

Income and expenses for each statement of income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are reclassified as part of gains and losses on disposition in the statement of income. When the Company loses control over foreign subsidiaries, the exchange differences that were recorded in equity are reclassified in the statement of income during the period when the gain or loss is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments are treated as the foreign operation's assets and liabilities. The goodwill is expressed in the foreign operation's functional currency and is translated at the closing rate. Exchange differences should be recognized in other comprehensive income.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.6 Financial Assets

(A) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale, and held-to-maturity investments. The classification depends on the terms of the instruments and purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives not subject to hedge accounting and derivatives separated from financial instruments such as embedded derivatives are also categorised as held for trading. Assets in this category are classified as current assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless an investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(B) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss, including interest income, are presented as financial income in the statement of income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized as other non-operating income in the statement of income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in equity are transferred to the statement of income under other non-operating income or other expense items.

Interest on available-for-sale financial assets and held-to-maturity financial assets calculated using the effective interest method is recognized in the statement of income as part of finance income. Dividends on available-for-sale financial assets are recognized in the statement of income as part of other non-operating income when the Company's right to receive payments is established.

(C) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(D) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, when the Company transfers the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership, or when the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and has not retained control of the financial asset.

Financial liabilities that arise through a transfer of receivables in factoring arrangements with recourse do not qualify for derecognition since the Company retains substantially all the risks and rewards associated with the receivables.. Such liabilities are classified as short-term borrowings in the consolidated statement of financial position.

2.7 Impairment of Financial Assets

(A) Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment loss is recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset or group of financial assets (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following represent some of the factors that could lead the Company to assess that there is objective evidence that a financial asset or group of assets is impaired:

- significant financial difficulty of the issuer or obligor;
- delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  1) adverse changes in the payment status of borrowers in the group; or
  2) national or local economic conditions that correlate with defaults on the assets in the group.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of income. In cases of floating rate financial assets, the amount of the loss will be computed using the present effective interest rate determined by the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income.

(B) Financial Instruments Classified as Available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Debt instruments are accounted for using the provisions described in (1). In the case of equity investments classified as available-for-sale, a 20% or greater decline in the fair value of the security below its cost or a continuous decline for more than 6 months is also evidence of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity instruments recognized in the consolidated statement of income are not reversed through the consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of income.

2.8 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the Company if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method, except for materials-in-transit. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes costs of idle plant and abnormal waste. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories are reduced for the estimated losses arising from excess, obsolescence, and decline in value. This reduction is determined by estimating market value based on future customer demand. The losses on inventory obsolescence are recorded as a part of cost of sales.

2.10 Disposal Groups Classified as Held for Sale

When the carrying amount of certain assets and liabilities are expected to be recovered through sale and the sale of a disposable group is highly probable, such assets and liabilities are classified as held for sale and measured at the lower of their carrying amount and fair value.

2.11 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized and repairs and maintenance expenses are recognized in profit or loss in the period they are incurred.

Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Land is not depreciated. Costs that are directly attributable to the acquisition, construction or production of a qualifying asset, including capitalized interest costs, form part of the cost of that asset and are amortized over the estimated useful lives.

The Company policy is that assets should be depreciated over the following estimated useful lives:

	Estimated useful lives
Buildings and auxiliary facilities	15, 30 years
Structures	15 years
Machinery and equipment	5 years
Tools and fixtures	5 years
Vehicles	5 years

Tangible assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the statement of income as part of other non-operating income and expenses.

2.12 Intangible Assets

(A) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, associates, joint ventures and businesses at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets and goodwill on acquisition of associates and joint ventures are included in the investments in associates and joint ventures. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, and the allocation shall be determined based on the operating segments. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if there is any indication that it may be impaired. Goodwill is tested for impairment by comparing the carrying amount of the cash-generating units or groups of cash-generating units with the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. An impairment loss is immediately recognized and is not subsequently reversed.

(B) Capitalized development costs

The Company capitalizes certain development costs when the outcome of a development plan is for practical enhancement, probability of technical and commercial achievement for the development plans are high, and the necessary cost is reliably estimable. Capitalized costs, comprising direct labor and related overheads, are amortized on a straight-line basis over their useful lives. In presentation, accumulated amortization and accumulated impairment amounts are deducted from capitalized costs associated with development activities.

(C) Other intangible assets

Certain membership dues are regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity, and such assets are not amortized.

Trademarks and licenses which are separately acquired are presented at historical cost. Trademarks and licenses which are acquired in business combinations are recorded at the fair value at the acquisition date. They have definite useful lives and are measured at cost less any accumulated amortization and amortized on a straight-line basis over their 5 or 10 year estimated useful lives.

The contractual customer relationships were acquired in a business combination and are recognized at fair value at the acquisition date. The contractual relationships have a definite useful life and are recorded at cost less any accumulated amortization and amortized on a straight-line basis over the estimated period of the customer relationship.

Software is capitalized and amortized using the straight-line method over their useful lives, generally 5 to 10 years. Where an indication of impairment exists, the carrying amount of an intangible asset is assessed and written down to its recoverable amount.

2.13 Impairment of Non-Financial Assets

Intangible assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Financial Liabilities

(A) Financial liabilities at fair value through profit or loss

Financial liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the near term. Financial liabilities at fair value through profit or loss of the Company consist of derivatives which are not subject to hedge accounting and derivatives separated from financial instruments such as embedded derivatives.

(B) Financial liabilities measured at amortized cost

Unless financial liabilities arise when transfer of financial assets or financial liabilities at fair value through profit or loss do not qualify for derecognition, all non-derivative financial liabilities are classified as financial liabilities measured at amortized cost. If a transfer does not result in derecognition, the Company continues to recognize the transferred asset and a financial liability for the consideration received. Financial liabilities measured at amortized cost, due within twelve months after the balance sheet date, are classified as current liabilities, otherwise, they are classified as non-current liabilities.

2.15 Trade Payables

Trade payables are amounts due to suppliers for merchandise purchased or services received in the ordinary course of business. If payment is expected in one year or less (or in the normal operating cycle of the Company if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities. Non-current trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost. Any difference between cost and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method. If the Company has an indefinite right to defer payment for a period longer than 12 months after the end of the reporting date, such liabilities are recorded as non-current liabilities, otherwise, they are recorded as current liabilities.

2.17 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When it is probable that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and the amount is reasonably estimable, a corresponding provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, that is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

2.18 Defined Benefit Liabilities

The Company has a variety of retirement pension plans including defined benefit or defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Company pays contributions to annuity plans that are managed either publicly or privately on a mandatory, contractual or voluntary basis. The Company has no further future payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liabilities recognized in the statement financial position in respect of defined benefit pension plans are the present values of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses resulting from the changes in actuarial assumptions, and the differences between the previous actuarial assumptions and what has actually occurred, are recognized in other comprehensive income in the period in which it was incurred. Past service costs are immediately recognized in profit and loss.

2.19 Financial Guarantee Contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. If the amount measured in subsequent periods exceeds the unamortized balance of the amount initially recognized, the excess is classified as another financial liability.

2.20 Income Tax Expense and Deferred Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity as appropriate.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements; it is the future tax consequences of the future recovery or settlement of the carrying amount. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the parent company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. An entity shall recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures, to the extent that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Derivative Instruments

All derivative instruments are accounted for at fair value with the resulting valuation gain or loss recorded as an asset or liability. If the derivative instrument is not designated as a hedging instrument, the gain or loss is recognized in the statement of income in the period of change.

Fair value hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. Hedge accounting is applied when the derivative instrument is designated as a hedging instrument and the hedge accounting criteria have been met. The gain or loss, both on the hedging derivative instrument and on the hedged item attributable to the hedged risk, is reflected in the statement of income.

2.22 Dividend Distribution

Dividend distribution to SEC's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

2.23 Share Capital and Premium

Common shares and preferred shares with no repayment obligations are classified as equity. When the Company purchases its common shares, the acquisition costs including direct transaction costs are deducted from equity until the redemption or reissuance of treasury shares. Consideration received on the subsequent sale or issue of treasury shares is credited to equity.

2.24 Revenue Recognition

Revenue mainly comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, sales incentives and discounts and after eliminating intercompany transactions.

The Company recognizes revenue when specific recognition criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where multiple-element arrangements exist, the fair values of each element are determined based on the current market price of each of the elements when sold separately. When the fair values of each element are indeterminable, the fair values of deliverables which have already been provided are calculated in such way that the fair values of elements, which are yet to be provided, are subtracted from total contract value of the arrangement.

(A) Sales of goods

Sales of products and merchandise are recognized upon delivery when the significant risks and rewards of ownership of goods have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The Company records reductions to revenue for special pricing arrangements, price protection and other volume based discounts. If product sales are subject to customer acceptance, revenue is not recognized until customer acceptance occurs.

(B) Sales of services

Revenues from rendering services are generally recognized using the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated costs, contractual milestones or performance.

(C) Other sources of revenue

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements. Dividend income is recognized when the right to receive payment is established.

2.25 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with the conditions attached. Government grants relating to income are deferred and recognized in the statement of income over the period necessary to match them with the income that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of income on a straight-line basis over the expected lives of the related assets.

2.26 Earnings per Share

Basic earnings per share is calculated by dividing net profit for the period available to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is calculated using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

2.27 Operating Segments

Operating segments are disclosed in the manner reported to the chief operating decision-maker (please see footnote 33). The chief operating decision-maker is responsible for making strategic decisions on resource allocation and performance assessment of the operating segments. The management committee which makes strategic decisions is regarded as the chief operating decision-maker.

2.28 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 ₩1,171.10 to US $1, the exchange rate in effect on December 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.

2.29 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Directors on January 25, 2013.

3. Critical Estimates and Judgments

The Company makes estimates and assumptions concerning the future. The estimates and assumptions are continuously assessed, considering historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(A) Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver installation services. Use of the percentage-of-completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed. Revenues and earnings are subject to significant change, effected by early steps in a long-term projects, change in scope of a project, cost, period, and plans of the customers.

(B) Provision for warranty

The Company recognizes provision for warranty on products sold. The Company accrues provision for warranty based on the best estimate of amounts necessary to settle future and existing claims. The amounts are estimated based on historical data.

(C) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using a variety of methods and assumptions that are mainly based on market conditions existing at the end of each reporting period.

(D) Pension benefits

The pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company, in consideration of the interest rates of high-quality corporate bonds, determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

The principal actuarial assumptions associated with the defined benefit liability are based on the current market expectations.

(E) Estimated impairment of goodwill

The Company tests at the end of each reporting period whether goodwill has suffered any impairment in accordance with the accounting policy described in Note 2.12. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations are based on estimates.

(F) Income taxes

The operating activities of SEC span across various countries in the world; likewise, income taxes on the taxable income from operating activities are subject to various tax laws and determinations of each tax authority. There is uncertainty in determining the eventual tax effects on the taxable income from operating activities. The Company has recognized current tax and deferred tax at the end of the fiscal year based on the best estimation of future taxes payable as a result of operating activities. However, the resulting deferred income tax assets and liabilities may not equal the actual future taxes payable and such difference may impact on the current tax and deferred income tax assets and liabilities upon the determination of eventual tax effects.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Cash and cash equivalents as of December 31, 2012 and 2011, consist of the following:

(In millions of Korean won)	2012		2011	
Cash on hand	₩	12,900	₩	16,042
Bank deposits, etc.		18,778,560		14,675,719
Total	₩	18,791,460	₩	14,691,761

5. Financial Assets Subject to Withdrawal Restrictions

Financial instruments subject to withdrawal restrictions as of December 31, 2012 and 2011, consist of the following:

(In millions of Korean won)	2012	2011
Short-term financial instruments	₩ 46,489	₩ 39,770
Other non-current assets		
- Long-term financial instruments	29	21

6. Financial Instruments by Category

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

(1) As of December 31, 2012

(In millions of Korean won)	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total
Assets				
Cash and cash equivalents	₩ -	₩ 18,791,460	₩ -	₩ 18,791,460
Short-term financial instruments	-	17,397,937	-	17,397,937
Short-term available-for-sale financial assets	-	-	1,258,874	1,258,874
Trade and other receivables	-	26,674,596	-	26,674,596
Long-term available-for-sale financial assets	-	-	5,229,175	5,229,175
Deposits	-	814,693	-	814,693
Others	47,227	2,056,988	-	2,104,215
Total	₩ 47,227	₩ 65,735,674	₩ 6,488,049	₩ 72,270,950

(In millions of Korean won)	Liabilities at fair value through the profit and loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total
Liabilities				
Trade and other payables	₩ -	₩ 16,889,350	₩ -	₩ 16,889,350
Short-term borrowings	-	4,115,249	4,328,503	8,443,752
Debentures	-	1,829,374	-	1,829,374
Long-term borrowings	-	3,623,028	-	3,623,028
Long-term other payables	-	1,165,881	-	1,165,881
Others	79,212	10,788,823	-	10,868,035
Total	₩ 79,212	₩ 38,411,705	₩ 4,328,503	₩ 42,819,420

(2) As of December 31, 2011

(In millions of Korean won)	**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

(In millions of Korean won)	**Liabilities at fair value through the profit and loss**	**Financial liabilities measured at amortized cost**	**Other financial liabilities**	**Total**
Liabilities				
Trade and other payables	₩ -	₩ 18,509,490	₩ -	₩ 18,509,490
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
Long-term other payables	-	1,024,804	-	1,024,804
Others	40,932	7,818,742	-	7,859,674
Total	₩ 40,932	₩ 37,090,971	₩ 4,878,383	₩ 42,010,286

(B) Income and loss of financial instruments by category for the years ended December 31, 2012 and 2011, are as follows:

(1) As of December 31, 2012

(In millions of Korean won)

Financial Assets		Assets at fair value through the profit and loss		Loans and receivables		Available-for-sale financial assets		Total
Gain on valuation (Other comprehensive gain)	₩	-	₩	-	₩	1,185,256	₩	1,185,256
Gain/(Loss) on valuation/disposal		(74,609)		28,915		105,192		59,498
Gain on disposal (Reclassification)		-		-		23,072		23,072
Interest income		-		840,150		5,281		845,431
Foreign exchange differences (Financial income)		-		2,213,693		-		2,213,693
Foreign exchange differences (Financial expense)		-		(2,569,682)		-		(2,569,682)
Dividend income		-		-		106,181		106,181
Impairment/Reversal (Profit or loss)		-		-		(94,466)		(94,466)

(In millions of Korean won)

Financial Liabilities		Liabilities at fair value through the profit and loss		Financial liabilities measured at amortized cost		Other Financial Liabilities		Total
Loss on valuation/disposal (Profit or loss)	₩	(125,553)	₩	-	₩	-	₩	(125,553)
Interest expense		-		277,512		321,494		599,006
Foreign exchange differences (Financial income)		-		4,037,004		43,909		4,080,913
Foreign exchange differences (Financial expense)		-		(4,019,066)		-		(4,019,066)

(2) As of December 31, 2011

(In millions of Korean won)

Financial Assets	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total
Loss on valuation (Other comprehensive loss)	₩ -	₩ -	₩ (559,831)	₩ (559,831)
Gain on valuation/disposal	113,401	-	102,350	215,751
Gain on disposal (Reclassification)	-	-	134,202	134,202
Interest income	-	702,198	3,455	705,653
Foreign exchange differences (Financial income)	-	4,025,356	-	4,025,356
Foreign exchange differences (Financial expense)	-	(4,481,568)	(2,924)	(4,484,492)
Dividend income	-	-	34,423	34,423
Impairment/Reversal (Profit or loss)	-	-	(39)	(39)

(In millions of Korean won)

Financial Liabilities	Liabilities at fair value through the profit and loss	Financial liabilities measured at amortized cost	Other Financial Liabilities	Total
Loss on valuation/disposal (Profit or loss)	₩ (1,865)	₩ -	₩ -	₩ (1,865)
Interest expense	-	270,929	373,204	644,133
Foreign exchange differences (Financial income)	-	2,056,604	38,788	2,095,392
Foreign exchange differences (Financial expense)	-	(2,288,844)	(12,229)	(2,301,073)

7. Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings as of December 31, 2012 and 2011 as follows:

- Superior ability to repay: Aaa~Aa (Moody's), AAA~AA (S&P, Fitch), A1 (Credit rating agencies in Korea)
- Strong ability to repay: A (Moody's), A (S&P, Fitch), A2 (Credit rating agencies in Korea)
- Acceptable ability to repay: Baa (Moody's), BBB (S&P, Fitch), A3 (Credit rating agencies in Korea)
- Currently having the ability to repay: Ba~B (Moody's), BB~B (S&P, Fitch), B (Credit rating agencies in Korea)
- Group 1: Customers with the trade payables guaranteed by credit insurance or collateral
- Group 2: Customers experienced impairment of capital. As the trade payables are guaranteed by credit insurance or collateral, all default risk has been relieved

(A) Accounts receivables

(In millions of Korean won)		2012		2011
Counterparties with external credit rating				
Superior ability to repay	₩	1,818,158	₩	1,983,246
Strong ability to repay		3,742,515		3,813,989
Acceptable ability to repay		3,217,663		2,981,747
Currently having the ability to repay		3,834,957		2,857,491
	₩	12,613,293	₩	11,636,473
Counterparties without external credit rating				
Group 1		8,680,397		8,658,198
Group 2		50,160		67,456
	₩	8,730,557	₩	8,725,654
	₩	21,343,850	₩	20,362,127

(B) Cash equivalents and short-term financial instruments

(In millions of Korean won)		2012		2011
Superior ability to repay	₩	2,850,476	₩	1,378,015
Strong ability to repay		32,675,712		24,448,843
Acceptable ability to repay		505,631		278,216
Currently having the ability to repay		12,896		15,397
Others[1]		131,782		85,153
	₩	36,176,497	₩	26,205,624

[1] Short-term financial instruments at financial institutions (Credit union etc.) without external credit rating

8. Transfers of Financial Assets

Trade receivables have been discounted through factoring agreements with banks. Collateral (trade receivables and other) provided in transactions of discount and factoring of trade receivables do not meet the requirements for asset derecognition as risks and rewards are not substantially transferred in the event the debtor defaults. Financial liabilities recognized in relation to these transactions are included as short-term borrowings in the statement of financial position (Note 15).

The following table presents a break down of discounted trade receivables as of December 31, 2012 and 2011:

(In millions of Korean won)		**December 31, 2012**		**December 31, 2011**
Carrying amount of the discounted trade receivables[1]	₩	4,328,503	₩	4,878,383
Carrying amount of the related borrowing	₩	4,328,503	₩	4,878,383

[1] The discounted trade receivables include intercompany balances.

9. Available-for-Sale Financial Assets

The changes of available-for-sale financial assets are as follows:

	(In millions of Korean won)	**2012**	**2011**
	Balance as of January 1	₩ 3,879,567	₩ 4,199,358
	Acquisitions	2,630,247	2,309,143
	-Increase from business combinations	16,544	1,018
	Disposals	(1,171,666)	(2,004,296)
	Changes in value, net of tax	1,185,256	(559,831)
	Impairment losses	(28,009)	(39)
	Translation and exchange difference	(19,302)	1,007
	Others	11,956	(65,775)
	Balance as of December 31	₩ 6,488,049	₩ 3,879,567
A)	Current portion	1,258,874	655,969
B)	Non-current portion	5,229,175	3,223,598

(A) Short-term available-for-sale financial assets

Short-term available-for-sale financial assets as of December 31, 2012 and 2011 consist of national bonds and beneficiary certificates whose maturities are within 1 year.

(In millions of Korean won)	**2012**	**2011**
National bonds	₩ 1	₩ -
Beneficiary certificates[1]	1,258,873	655,969
	₩ 1,258,874	₩ 655,969

[1] Beneficiary certificates as of December 31, 2012 and 2011 consist of follows:

(In millions of Korean won)	**2012**	**2011**
Bonds	₩ 1,159,290	₩ 647,379
Time deposits	238	715
Call loan	85,200	-
Others	14,145	7,875
	₩ 1,258,873	₩ 655,969

For the years ended December 31, 2012 and 2011, changes in valuation gain (loss) recognized in equity (other comprehensive income) on short-term available-for-sale financial assets are as follows:

(In millions of Korean won)	**2012**	**2011**
Balance at January 1	₩ 5,969	₩ 9,144
Fair value gains	8,873	5,969
Net gains transferred from equity	(5,969)	(9,144)
Balance at December 31	8,873	5,969
Deferred income tax and minority interest	(2,147)	(1,444)
	₩ 6,726	₩ 4,525

(B) Long-term available-for-sale financial assets

Long-term available-for-sale financial assets as of December 31, 2012 and 2011 are as follows:

	Detail	**2012**	**2011**
Equity securities-Listed	(1)	₩ 4,435,856	₩ 2,526,187
Equity securities-Unlisted	(2)	667,325	623,739
Debt securities[1]		125,994	73,672
		₩ 5,229,175	₩ 3,223,598

[1] The maximum exposure to credit risk of debt securities that are available-for-sale financial assets is the carrying value as of December 31, 2012 and 2011.

(1) Equity securities-Listed (Except for Associates and Joint Ventures)

Listed equity securities as of December 31, 2012 and 2011, are as follows:

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

	2012				2011
	Number of Shares Owned	Percentage of Ownership(%)	Acquisition Cost	Book Value	Book Value
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩ 1,568,046	₩ 1,134,850
Samsung Fine Chemicals	2,164,970	8.4	45,678	132,063	132,063
Hotel Shilla	2,004,717	5.0	13,957	88,107	77,182
Cheil Worldwide	2,998,725	2.6	2,920	64,623	56,826
iMarket Korea	647,320	1.8	324	18,416	10,487
A-Tech Solution[1]	1,592,000	15.9	26,348	11,606	17,830
SFA	1,822,000	10.2	38,262	85,998	111,142
KT Skylife	240,000	0.5	3,000	8,028	6,576
ASML	12,595,575	3.0	726,024	856,253	-
CSR	9,925,000	4.9	59,612	58,765	-
Rambus[1]	4,788,125	4.3	92,682	24,976	41,692
Seagate Technology	45,239,490	12.0	788,454	1,474,032	855,665
Others[1]	-	-	35,809	44,943	81,874
			₩ 2,091,369	₩ 4,435,856	₩ 2,526,187

[1] The impairment loss of ₩85,280 million is recognized relating to A-Tech Solution and Rambus,etc. as the fair value decreased steadily below the acquisition cost.

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

(2) Equity securities-Unlisted (Except for Associates and Joint ventures)

Unlisted equity securities as of December 31, 2012 and 2011 are as follows:

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

	2012				2011
	Number of Shares Owned	Percentage of Ownership(%)	Acquisition Cost	Book Value	Book Value
Kihyup Technology	1,000,000	17.2	₩ 5,000	₩ 5,000	₩ 5,000
Pusan Newport[1]	1,135,307	1.0	5,677	5,677	5,677
Samsung Venture	980,000	16.3	4,900	6,053	5,835
Samsung Petrochemical	514,172	13.0	8,040	84,427	91,489
Samsung General Chemicals	1,914,251	3.9	19,143	74,487	71,365
icube Investment	40	16.2	4,000	4,000	4,000
Maltani Lighting	9,000	15.0	16,544	16,225	-
SK Telink	14,609	1.1	4,357	4,357	4,357
CSOT[2]	-	15.0	278,130	278,130	278,130
Nanosys	13,100,436	13.0	17,861	17,861	17,861
OpenX	8,899,172	3.5	10,738	10,738	-
Voltaix	7,785	5.8	13,671	13,671	-
Others[3]	-	-	157,934	146,699	140,025
			₩ 545,995	₩ 667,325	₩ 623,739

[1] As of December 31, 2012, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt (Note 19).
[2] Nonmarketable shares are measured at cost because the variation of reasonable fair value estimates is not insignificant and the probabilities of the various estimates and applicable discount rate cannot be reasonably assessed (Note 32).
[3] Impairment losses on unlisted equity securities resulting from the decline in realizable value below the acquisition cost amounted to ₩2,235 million and ₩39 million for the year ended December 31, 2012 and 2011, respectively.

For the years ended December 31, 2012 and 2011, changes in valuation gain (loss) on long-term available-for-sale financial assets are as follows:

(In millions of Korean won)	2012	2011
Balance at January 1	₩ 1,367,331	₩ 2,058,189
Fair value gains(losses)	1,176,383	(565,800)
Net gains (losses) transferred from equity	29,041	(125,058)
Balance at December 31	2,572,755	1,367,331
Deferred income tax and minority interest	(577,945)	(331,008)
Total	₩ 1,994,810	₩ 1,036,323

10. Trade and other receivables

All current trade and other receivables are due within 1 year from the end of the reporting period. The carrying amount is a reasonable approximation of fair value for current trade and other receivables, with the effect of discounting being insignificant.

(A) Trade and other receivables as of December 31, 2012 and 2011, are as follows:

	2012		2011	
(In millions of Korean won)	Trade	Non-Trade	Trade	Non-Trade
Receivables	₩ 24,168,427	₩ 2,834,187	₩ 22,133,741	₩ 2,311,996
Less:				
Allowances for impairment	(276,787)	(2,595)	(214,597)	(37,833)
Trade receivables, net	₩ 23,891,640	₩ 2,831,592	₩ 21,919,144	₩ 2,274,163
Less: Non-current portion	(30,405)	(18,231)	(37,017)	(3,262)
Current portion	₩ 23,861,235	₩ 2,813,361	₩ 21,882,127	₩ 2,270,901

The Company transferred receivable balances to financial institutions in exchange for cash. The outstanding balances of transferred receivable balances amounting to ₩4,328,503 million and ₩4,878,383 million have been accounted for as borrowings as of December 31, 2012 and 2011 (Note 15).

(B) Movements on the provision for impairment of trade receivables are as follows:

	2012		2011	
(In millions of Korean won)	**Trade**	**Non-Trade**	**Trade**	**Non-Trade**
Balance on January 1	₩ (214,597)	₩ (37,833)	₩ (185,758)	₩ (19,585)
Provision for receivables impairment	(181,751)	(20,351)	(78,202)	(11,478)
Receivables written off during the year as uncollectible	18,752	28,203	7,345	224
Unused amounts reversed	98,163	26,721	56,539	11,561
Others	2,646	665	(14,521)	(18,555)
Balance on December 31	₩ (276,787)	₩ (2,595)	₩ (214,597)	₩ (37,833)

(C) An aging analysis of trade and other receivables as of December 31, 2012 and 2011, is as follows:

(In millions of Korean won)	**December 31, 2012**	**December 31, 2011**
Receivables not past due	₩ 24,151,060	₩ 22,467,108
Receivables past due, not impaired[1] :		
Less than 31 days overdue	2,226,759	1,351,566
Bad debts[2] :		
31 days to 90 days overdue	231,343	339,107
90 days overdue or more	393,452	287,956
	₩ 27,002,614	₩ 24,445,737

[1] The Company does not consider receivables that are overdue for less than or equal to 31 days as impaired.

[2] The balance of allowance for doubtful debts as of December 31, 2012 amounts to ₩279,382 million (2011: ₩252,430 million).

(D) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As of December 31, 2012, the Company has credit insurance with Korea Trade Insurance and overseas insurance companies against its export accounts receivables from approved foreign customers.

11. Inventories

Inventories as of December 31, 2012 and 2011, are as follows:

	2012			2011		
(In millions of Korean won)	**Gross Amount**	**Valuation Allowance**	**Book Value**	**Gross Amount**	**Valuation Allowance**	**Book Value**
Finished goods	₩ 7,003,826	₩ (166,576)	₩6,837,250	₩6,105,312	₩ (199,432)	₩ 5,905,880
Work in Process	3,623,572	(392,996)	3,230,576	3,454,823	(383,461)	3,071,362
Raw materials and supplies	5,239,262	(157,866)	5,081,396	4,673,143	(186,523)	4,486,620
Materials-in-transit	2,598,191	-	2,598,191	2,252,853	-	2,252,853
	₩18,464,851	₩ (717,438)	₩ 17,747,413	₩16,486,131	₩ (769,416)	₩ 15,716,715

The inventories recognized as expense and included in 'cost of sales' amounted to ₩125,746,083 million (2011: ₩110,802,871 million) in which inventory valuation loss of ₩367,279 million (2011: ₩575,332 million) is included.

12. Associates and Joint Ventures

(A) Changes in investments in associates and joint ventures for the years ended December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	**2012**	**2011**
Balance at January 1	₩ 9,204,169	₩ 8,335,290
Acquisition	279,022	403,538
Disposal	(21,891)	(298,375)
Share of profit	986,611	1,399,194
Others [1]	(1,662,422)	(635,478)
Balance at December 31	₩ 8,785,489	₩ 9,204,169

[1] Others consist of dividends, business combination, and the effect of change in foreign exchange rates, etc.

(B) Major associates and Joint Ventures as of December 31, 2012, consist of the following:

(1) Associates

Investee	**Industry**	**Percentage of Ownership (%)[1]**	**Region**
Samsung Card	Finance	37.5	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

[1] The ownership represents the Company’s ownership of the voting rights in the entity.

(2) Joint ventures

Investee	**Industry**	**Percentage of Ownership (%)[1]**	**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

[1] The ownership represents the Company’s ownership of the voting rights in the entity.

(C) Details of investments in associates and joint ventures as of December 31, 2012 and 2011 are as follows:

(1) Associates

(In millions of Korean won) — **2012**

Investee	Acquisition cost	Net asset value	Book value
SamsungCard	₩ 1,538,540	₩ 2,221,201	₩ 2,238,073
Samsung Electro-Mechanics	359,237	887,933	890,460
Samsung SDI	423,722	1,450,811	1,174,183
Samsung SDS	17,967	689,874	701,808
Samsung Techwin	174,531	401,146	360,739
Others	461,599	513,580	457,016
Total	₩ 2,975,596	₩ 6,164,545	₩ 5,822,279

(In millions of Korean won) — **2011**

Investee	Acquisition cost	Net asset value	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

(2) Joint ventures

(In millions of Korean won) — **2012**

Investee	Acquisition cost	Net asset value	Book value
Samsung Corning Precision Materials	₩ 297,165	₩ 2,825,104	₩ 2,794,617
Samsung Corning Advanced Glass	115,000	114,274	114,274
Others	419,461	64,193	54,319
Total	₩ 831,626	₩ 3,003,571	₩ 2,963,210

(In millions of Korean won) — **2011**

Investee	Acquisition cost	Net asset value	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

(D) Gain/loss on valuation of equity

(1) 2012

	Balance at January 1	**Gain/loss on valuation**	**Other comprehensive gains**	**Others[1]**	**Balance on December 31**
Samsung Card	₩ 2,184,855	₩ 264,688	₩ (181,217)	₩ (30,253)	₩ 2,238,073
Samsung Electro-Mechanics	799,792	102,946	11,689	(23,967)	890,460
Samsung SDI	1,185,509	31,256	(30,531)	(12,051)	1,174,183
Samsung SDS	632,593	89,157	(16,488)	(3,454)	701,808
Samsung Techwin	370,379	39,356	(27,171)	(21,825)	360,739
Samsung LED	340,145	(22,519)	(712)	(316,914)	-
Samsung Corning Precision Materials	3,089,298	644,242	(10,300)	(928,623)	2,794,617
Samsung Corning Advanced Glass	-	(726)	-	115,000	114,274
Others	601,598	(161,789)	(95,761)	167,287	511,335
Total	₩ 9,204,169	₩ 986,611	₩ (350,491)	₩ (1,054,800)	₩ 8,785,489

[1] Others include acquisitions, disposals, dividends and changes in currency exchange rates.

(2) 2011

	Balance at January 1	**Gain/loss on valuation**	**Other comprehensive gains**	**Others[1]**	**Balance on December 31**
Samsung Card	₩ 2,201,154	₩ 132,331	₩ (80,800)	₩ (67,830)	₩ 2,184,855
Samsung Electro-Mechanics	793,932	78,179	(50,307)	(22,012)	799,792
Samsung SDI	1,172,130	63,242	(11,274)	(38,589)	1,185,509
Samsung SDS	569,678	74,382	(2,939)	(8,528)	632,593
Samsung Techwin	269,360	65,684	42,245	(6,910)	370,379
Samsung LED	306,005	30,669	3,471	-	340,145
Samsung Corning Precision Materials	2,599,010	975,221	(7,588)	(477,345)	3,089,298
Others	424,021	(20,514)	(6,706)	204,797	601,598
Total	₩ 8,335,290	₩ 1,399,194	₩ (113,898)	₩ (416,417)	₩ 9,204,169

[1] Others include acquisitions, disposals, dividends and changes in currency exchange rates.

(E) Summarized financials of associates and joint ventures as of and for the year ended December 31, 2012 and 2011, are as follows:

(1) Associates

(In millions of Korean won)	2012			
Investee	**Assets**	**Liabilities**	**Sales**	**Net Income**
Samsung Card	₩ 16,287,816	₩ 10,357,253	₩ 3,817,670	₩ 749,875
Samsung Electro-Mechanics	6,891,464	2,925,816	7,912,830	440,803
Samsung SDI	10,895,087	3,330,606	5,771,185	1,471,502
Samsung SDS	4,465,407	1,220,467	6,105,858	395,805
Samsung Techwin	3,240,938	1,663,263	2,934,702	131,324
Samsung LED	-	-	367,423	(51,164)

(In millions of Korean won)	2011			
Investee	**Assets**	**Liabilities**	**Sales**	**Net Income**
Samsung Card	₩ 16,135,253	₩ 9,991,910	₩ 3,196,455	₩ 374,831
Samsung Electro-Mechanics	7,455,731	3,579,943	7,624,623	349,473
Samsung SDI	8,527,411	2,212,884	5,443,883	320,109
Samsung SDS	4,027,597	1,057,695	4,765,178	324,767
Samsung Techwin	3,223,454	1,582,808	3,171,532	241,014
Samsung LED	1,454,193	831,104	1,292,245	64,783

(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:

	2012			
(In millions of Korean won)	**Samsung Corning Precision Materials**	**Samsung Corning Advanced Glass**	**Others**	**Total**
Current Assets	₩ 1,457,132	₩ 93,842	₩ 179,238	₩ 1,730,212
Non-Current Assets	1,585,498	25,834	336,801	1,948,133
Total Assets	3,042,630	119,676	516,039	3,678,345
Current Liabilities	183,321	5,351	153,440	342,112
Non-Current Liabilities	34,205	51	298,406	332,662
Net Assets	2,825,104	114,274	64,193	3,003,571
Sales	1,465,702	17,913	724,437	2,208,052
Expense	889,924	18,639	788,540	1,697,103
Net income	575,778	(726)	(64,103)	510,949

	2011			
(In millions of Korean won)	**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
Total Sales	2,066,427	157,084	749,809	2,973,320
Total Expense	1,086,094	194,764	740,522	2,021,380
Net income	980,333	(37,680)	9,287	951,940

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

	December 31, 2012		**December 31, 2011**
(In millions of Korean won, except for number of shares)	**Number of shares held**	**Market value**	**Market value**
Samsung SDI	9,282,753	₩ 1,401,696	₩ 1,239,248
Samsung Electro-Mechanics	17,693,084	1,755,154	1,374,753
Samsung Card	43,393,170	1,583,851	1,687,994
Samsung Techwin	13,526,935	807,558	719,633

13. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the years ended December 31, 2012 and 2011, are as follows:

	2012					
(In millions of Korean won)	**Land**	**Buildings and Structures**	**Machinery and Equipment**	**Construction -In-Progress/ Machinery-In-Transit**	**Others**	**Total**
Balance at January 1, 2012	₩ 7,214,734	₩ 12,778,760	₩ 33,453,220	₩ 6,982,473	₩ 1,614,764	₩ 62,043,951
Acquisition cost	7,214,734	18,472,852	96,618,176	6,982,473	4,683,845	133,972,080
Accumulated depreciation and impairment	-	(5,694,092)	(63,164,956)	-	(3,069,081)	(71,928,129)
Acquisition and capital expense[1]	54,960	1,681,106	18,302,895	1,854,111	956,723	22,849,795
Business combinations	-	-	654,490	21,612	29,007	705,109
Depreciation	-	(1,121,614)	(12,895,133)	-	(818,299)	(14,835,046)
Sale / Disposal /	(76,724)	(100,854)	(604,989)	(22,213)	(114,292)	(919,072)
Impairment	-	(3,992)	(211,299)	-	(34)	(215,325)
Others	(40,829)	(224,567)	(653,008)	(343,098)	116,833	(1,144,669)
Balance at December 31, 2012	₩ 7,152,141	₩ 13,008,839	₩ 38,046,176	₩ 8,492,885	₩ 1,784,702	₩ 68,484,743
Acquisition cost	7,152,141	19,624,030	110,034,355	8,492,885	5,011,914	150,315,325
Accumulated depreciation and impairment	-	(6,615,191)	(71,988,179)	-	(3,227,212)	(81,830,582)

[1] The capitalized borrowing costs are ₩36,129 million and the interest rate used to calculate the borrowing costs eligible for capitalization is 2.50%

	2011					
(In millions of Korean won)	**Land**	**Buildings and Structures**	**Machinery and Equipment**	**Construction-In-Progress/ Machinery-In-Transit**	**Others**	**Total**
Balance at January 1, 2011	₩ 6,631,392	₩ 10,312,316	₩ 26,474,573	₩ 8,243,827	₩ 1,302,486	₩ 52,964,594
Acquisition cost	6,631,392	15,055,715	81,456,534	8,243,827	4,147,859	115,535,327
Accumulated depreciation and impairment	-	(4,743,399)	(54,981,961)	-	(2,845,373)	(62,570,733)
Acquisition and capital expense[1]	553,058	3,443,087	18,596,927	(966,244)	1,046,373	22,673,201
Business combinations	53,771	55,605	5,522	451	8,620	123,969
Depreciation	-	(980,863)	(11,244,032)	-	(709,379)	(12,934,274)
Sale / Disposal	(22,394)	(49,794)	(376,727)	-	(83,507)	(532,422)
Impairment	-	(4,923)	(81,641)	-	(55)	(86,619)
Others	(1,093)	3,332	78,598	(295,561)	50,226	(164,498)
Balance at December 31, 2011	₩ 7,214,734	₩ 12,778,760	₩ 33,453,220	₩ 6,982,473	₩ 1,614,764	₩ 62,043,951
Acquisition cost	7,214,734	18,472,852	96,618,176	6,982,473	4,683,845	133,972,080
Accumulated depreciation and impairment	-	(5,694,092)	(63,164,956)	-	(3,069,081)	(71,928,129)

[1] The capitalized borrowing costs are ₩46,863 million and the interest rate used to calculate the borrowing costs eligible for capitalization is 4.35%

(B) Details of property, plant and equipment's depreciation by line item as of December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	2012	2011
Cost of sales	₩ 13,666,700	₩ 11,945,495
Selling, general and administrative expenses	442,080	368,123
Research and development expenses	726,266	620,656
	₩ 14,835,046	₩ 12,934,274

14. Intangible Assets

(A) Changes in intangible assets for the years ended December 31, 2012 and 2011, are as follows:

	2012					
	Intellectual property rights	**Capitalized cost**	**Membership**	**Goodwill**	**Others**	**Total**
At January 1, 2012	₩ 983,802	₩ 473,024	₩ 197,957	₩ 523,409	₩1,177,044	₩ 3,355,236
Internally generated (development costs)	-	359,639	-	-	-	359,639
External acquisition	227,538	-	9,520	-	64,832	301,890
Business Combinations	163,164	-	3,670	259,961	71,917	498,712
Amortization	(169,668)	(229,186)	-	-	(388,116)	(786,970)
Sale / Disposal	(13,123)	-	(39,095)	-	(980)	(53,198)
Impairment	(124)	(1,203)	-	(204,746)	(10,717)	(216,790)
Others	(5,556)	-	(1,209)	(4,779)	282,730	271,186
Balance at December 31, 2012	₩ 1,186,033	₩ 602,274	₩ 170,843	₩ 573,845	₩1,196,710	₩ 3,729,705

	2011					
(In millions of Korean won)	**Intellectual property rights**	**Capitalized cost**	**Membership**	**Goodwill**	**Others**	**Total**
At January 1, 2011	₩ 601,882	₩ 334,617	₩ 191,431	₩ 571,412	₩1,080,097	₩ 2,779,439
Internally generated (development costs)	-	331,576	-	-	-	331,576
External acquisition	260,399	-	3,494	-	68,209	332,102
Business Combinations	234,644	-		135,118	181,455	551,217
Amortization	(125,636)	(193,169)	-	-	(338,985)	(657,790)
Sale / Disposal	(18,927)	-	(93)	-	(5,109)	(24,129)
Impairment	(85)	-	-	(183,145)	(236)	(183,466)
Others	31,525	-	3,125	24	191,613	226,287
Balance at December 31, 2011	₩ 983,802	₩ 473,024	₩ 197,957	₩ 523,409	₩1,177,044	₩ 3,355,236

(B) Goodwill

Goodwill is allocated to Cash-Generating Units at the end of the reporting period, and consists of the following:

(In millions of Korean won)	**2012**	**2011**
S. LSI business	₩ 112,723	₩ -
Memory business	74,995	39,883
Health care equipment business	89,258	80,799
Digital Imaging business	82,599	287,199
LCD business	80,299	80,299
LED business	79,277	-
Others	54,694	35,229
Total	₩ 573,845	₩ 523,409

Goodwill impairment reviews are undertaken annually. Impairment tests suggest that, except for Samsung Digital Imaging, the carrying values of cash generating units do not exceed the recoverable amounts. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which Samsung Digital Imaging operates. In addition, a constant growth rate assumption is used for perpetual cash flow calculation.

The Digital Imaging Division has posted consecutive deficits for several years and is not expected to be profitable in the near future so that the Company recognized an impairment of goodwill. The major assumptions calculating the value in use of the Digital Imaging Division are as followings:

Samsung Digital Imaging	**2012**	**2011**
Sales profit margin rate	0.9	2.3
Sales growth rate[1]	6.7	13.6
Perpetual growth rate[2]	(2.4)	2.1
Pre-tax discount rate[3]	15.6	13.6

[1] Future cashflow of 5 years are projected based on previous growth rate and the industry estimates.
[2] The projected growth rate beyond five years is consistent with industry estimates.
[3] Pre-tax discount rate applied to the cash flow projections

Sales growth rate were determined on the basis of past performance and expectations of market fluctuations. The discount rate reflects the special risk related to the division.

The carrying value of Samsung Digital Imaging exceeded the value in use by ₩204,600 million in 2012 and ₩183,145 million in 2011 and the amounts have been recognized as the other non-operating expenses - net in the consolidated income statements.

(C) Amortization of intangible assets as of December 31, 2012 and 2011 is classified as follows:

(In millions of Korean won)

Account	2012		2011	
Cost of sales	₩	327,869	₩	266,101
Selling general and administrative expenses		353,909		300,497
Research and development expenses		105,192		91,192
Total	₩	786,970	₩	657,790

15. Borrowings

(A) Borrowings as of December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	Financial Institutions	Annual Interest Rates (%) as of December 31, 2012	2012	2011
Short-term Borrowings				
Collateralized borrowings[1]	Shinhan Bank, etc	0.9 ~ 5.1	₩ 4,328,503	₩ 4,878,383
Without collateralized borrowings	BOA etc,	0.5 ~ 15.1	4,115,249	4,775,339
Total			₩ 8,443,752	₩ 9,653,722
Current Portion of long-term Borrowings				
Bank borrowings	MIZUHO Bank, etc	1.6 ~ 4.6	₩ 480,567	₩ 10,820
Financial lease liabilities[2]	APCI, etc	2.2 ~15.7	13,293	13,936
Total			₩ 493,860	₩ 24,756
Long-term Borrowings				
Bank borrowings	SMBC, etc	0.7 ~ 5.3	₩ 3,521,257	₩ 3,559,554
Financial lease liabilities[2]	CSSD, etc	2.2 ~ 15.7	101,771	122,918
Total			₩ 3,623,028	₩ 3,682,472

[1] Collateralized borrowings are secured by trade receivables (Note 8).
[2] Leased property, plant and equipment were pledged as collateral (Note 19).

(B) Maturities of long-term borrowings, outstanding as of December 31, 2012, are as follows:

(In millions of Korean won)	Long-term borrowings in local currency	
For the Years Ending December 31		
2013	₩	493,860
2014		2,583,907
2015		380,722
2016		573,564
Thereafter		84,835
Total	₩	4,116,888

16. Debentures

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

(In millions of Korean won)	2012	2011
Korean won denominated debenture(A)	₩ 697,822	₩ 1,197,079
Foreign currency denominated debenture(B)	1,131,552	83,045
Total	₩ 1,829,374	₩ 1,280,124

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

(In millions of Korean won)	Issue Date	Due Date	Annual Interest Rates (%) as of December 31, 2011	2012	2011
Unsecured debentures	2010.6.17	2013.6.17	4.7	500,000	500,000
Unsecured debentures	2011.11.17	2014.11.17	4.1	500,000	500,000
Unsecured debentures	2011.11.17	2016.11.17	4.2	200,000	200,000
Less: Current portion				(500,000)	-
Less: Discounts				(2,178)	(2,921)
Total				697,822	1,197,079

Samsung Display, SEC's domestic subsidiary, issued Korean won denominated debentures as above table.

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

(In millions of Korean won)	Issue Date	Due Date	Annual Interest Rates (%) as of December 31, 2012	2012	2011
US dollar denominated straight bonds[1]	1997.10.2	2027.10.1	7.7	₩ 80,333 (US$75 million)	₩ 92,264 (US$80 million)
US dollar denominated unsecured bonds[2]	2012.4.10	2017.4.10	1.8	1,071,100 (US$ 1,000 million)	-
Less: Current portion				(5,150)	(5,536)
Less: Discounts				(14,731)	(3,683)
Total				₩ 1,131,552	₩ 83,045

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

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

(C) Maturities of debentures outstanding as of December 31, 2012 are as follows:

(In millions of Korean won)

For the Years Ending December 31	**Debentures**
2013	₩ 505,356
2014	505,356
2015	5,356
2016	205,356
Thereafter	1,130,009
Total	₩ 2,351,433

17. Retirement Benefit Liabilities

(A) Defined benefit liability recognized on the statements of finance position as of December 31, 2012 and 2011, is as follows:

(In millions of Korean won)	**2012**	**2011**
Present value of funded defined benefit obligation	₩ 4,593,284	₩ 3,283,629
Present value of unfunded defined benefit	76,183	258,711
Subtotal	4,669,467	3,542,340
Fair value of plan assets	(2,939,528)	(2,423,152)
Total	₩ 1,729,939	₩ 1,119,188

(B) The amounts recognized in the income statements for the years ended December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	**2012**	**2011**
Current service cost	₩ 670,123	₩ 508,958
Interest cost	58,591	39,901
The effect of any settlement or curtailment	8,033	11,941
	₩ 736,747	₩ 560,800

(C) The amounts recognized as cost of defined contribution plan for the years ended December 31, 2012 and 2011, are ₩31,676 million and ₩23,296 million, respectively.

(D) Remeasurement impact recognized as other comprehensive income for the years ended December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	**2012**	**2011**
Remeasurement impact before income tax	₩ 657,804	₩ 508,928
Income tax effect	(153,684)	(123,714)
Remeasurement impact after income tax	₩ 504,120	₩ 385,214

(E) The pension expenses related to defined-benefit plans recognized in the statement of income for the years ended December 31, 2012 and 2011, are allocated to the following accounts:

(In millions of Korean won)	2012	2011
Cost of sales	₩ 291,355	₩ 247,908
Selling, general and administrative expenses	185,125	121,213
Research and development expenses	260,267	191,679
	₩ 736,747	₩ 560,800

(F) Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	2012	2011
Balance at the beginning of the year	₩ 3,542,340	₩ 2,621,192
Current service cost	670,123	508,958
Interest cost	194,625	160,605
Remeasurement :		
Loss from change in demographic assumptions	81,587	-
Loss from change in financial assumptions	473,488	291,946
Others	55,396	176,829
Benefits paid	(301,444)	(256,261)
Foreign exchange	(22,028)	18,591
Others	(24,620)	20,480
Balance at the end of the year	₩ 4,669,467	₩ 3,542,340

(G) The movement in the fair value of plan assets for the years ended December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	2012	2011
Balance at the beginning of the year	₩ 2,423,152	₩ 1,797,706
Expected return on plan assets	136,034	120,704
Remeasurement factor of plan assets	(47,333)	(40,153)
Contributions by the employer	595,420	555,815
Benefits paid	(155,000)	(72,179)
Foreign exchange	(8,812)	(92)
Others	(3,933)	61,351
Balance at the end of the year	₩ 2,939,528	₩ 2,423,152

Expected contributions to retirement benefit plans for the year ending December 31, 2013, are ₩947,072 million.

(H) The principal actuarial assumptions as of December 31, 2012 and 2011 are as follows:

(In %)	**2012**	**2011**
Discount rate	3.7 ~ 7.0	4.9 ~ 7.5
Future salary increases (including inflation)	2.5 ~ 9.0	2.6 ~ 9.9

The expected return on plan assets is based on the expected return multiplied with the respective percentage weight of the market-related value of plan assets. The expected return is defined on a uniform basis, reflecting long-term historical returns, current market conditions and strategic asset allocation.

(I) The actual returns on plan assets for the years ended December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	**2012**	**2011**
Actual return on plan assets	₩ 88,701	₩ 80,551

(J) Plan assets as of December 31, 2012 and 2011, are comprised as follows:

(In millions of Korean won)	**2012**	**2011**
Equity instruments	₩ 59,988	₩ 68,375
Debt instruments	2,859,415	2,325,392
Other	20,125	29,385
	₩ 2,939,528	₩ 2,423,152

[1] Plan assets are mostly invested in instruments which have a quoted price in active market.

(K) The analysis of the overall pension liability's sensitivity to changes in the weighted principal assumptions is as follows :

(In millions of Korean won)	**Change in value**	**Rate of change**
Discount rate		
1% increases	₩ 4,201,001	90%
1% decreases	5,235,704	112%
Future salary increases		
1% increases	₩ 5,220,723	112%
1% decreases	4,203,970	90%

(L) Expected maturity analysis of undiscounted pension benefits as of December 31, 2012, is as follows:

(In millions of Korean won)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Total
Pension benefits	₩ 250,111	₩ 256,194	₩ 1,081,159	₩ 2,957,385	₩ 4,544,849

18. Provisions

The changes in the provisions during the year ended December 31, 2012, are as follows:

(In millions of Korean won)	Warranty (A)	Royalty expenses (B)	Long-term incentives (C)	Others	Total
January 1, 2012	₩ 1,680,534	₩ 1,590,079	₩ 510,901	₩ 96,245	₩ 3,877,759
Increase	2,403,512	1,510,409	199,566	(9,936)	4,103,551
Decrease	(1,970,017)	(174,702)	(134,138)	-	(2,278,857)
Others[1]	(81,212)	(152,590)	-	(5,269)	(239,071)
December 31, 2012	₩ 2,032,817	₩ 2,773,196	₩ 576,329	₩ 81,040	₩ 5,463,382

[1] 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 amount of payment depends on the settlement of the 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.

19. Commitments and Contingencies

(A) Guarantees

(In millions of Korean won)	2012	2011
Guarantees of debt for housing rental[1]	₩ 151,817	₩ 153,989

[1] 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.

.

As of December 31, 2012, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt (Note 9).

(B) Lease

As of December 31, 2012, details of lease contracts held by the Company are as follows:

Finance leases

The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under finance lease agreements are included in property, plant and equipment with a net book value of ₩121,402 million (2011: ₩141,875 million). Depreciation expense for the finance lease assets amounted to ₩9,650 million for the year ended December 31, 2012 (2011: ₩16,430 million).

The minimum lease payments under finance lease agreements and their present value as of December 31, 2012 and 2011 are as follows:

	2012		2011	
(In millions of Korean won)	**Minimum Lease payments**	**Present values**	**Minimum Lease payments**	**Present values**
Within one year	₩ 21,399	₩ 13,293	₩ 25,968	₩ 13,936
From one year to five years	70,310	40,216	81,970	49,486
More than five years	108,865	61,555	131,263	73,432
Total	₩ 200,574	₩ 115,064	₩ 239,201	₩ 136,854
Present value adjustment	(85,510)	-	(102,347)	-
Finance lease payables	₩ 115,064	-	₩ 136,854	-

(C) Litigation

(1) Based on the agreement entered on August 24, 1999 with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, Samsung Motor Inc.'s creditors ("the Creditors") filed a civil action against Mr. Kun Hee Lee, former 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 billion (approximately $2.12 billion) for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest.

SLI completed its Initial Public Offering ("IPO") on May 7, 2010. After disposing 2,277,787 shares and paying the principal balance owed to the Creditors, ₩878 billion (approximately $0.76 billion) was deposited in to an escrow account. That remaining balance was to be used to pay the Creditors interest due to the delay in the SLI IPO. On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay ₩600 billion (approximately $0.52 billion) to the Creditors and pay 5% annual interest for the period between May 8, 2010 and January 11, 2011, and pay 20% annual interest for the period after January 11, 2011 until the amounts owed to the Creditors are paid. In accordance with the Seoul High Court order, ₩620.4 billion (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. On February 7, 2011, the Samsung Group affiliates and the Creditors appealed the Seoul High Court' ruling to the Korean Supreme Court and the appeal is currently in progress. The amount of loss related to this matter cannot be reasonably determined. Accordingly, the Company has concluded that no provision for loss should be reflected in the Company's consolidated financial statements at December 31, 2012.

(2) The litigation with Apple Inc. in multiple regions including the U.S.A. and Germany is 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.

(3) 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

(D) Other commitments

As of December 31, 2012, the Company has a trade financing agreement, trade notes receivable discounting facilities, and loan facilities with accounts receivable pledged as collateral with 12 financial institutions, including Woori bank, with a combined limit of up to ₩11,406,806 million. In addition, the Company has a trade financing agreement with 21 financial institutions, including Kookmin bank, for up to USD 5,134 million and ₩62,140 million, and has loan facilities with accounts receivable pledged as collateral with 7 financial institutions, including Kookmin bank, for up to ₩789,100 million.

Samsung Display has a facility loan agreement with 6 financial institutions including SMBC for up to ₩400,000 million and JPY 80,000 million, and has overdraft agreement with Woori bank for up to ₩10,000 million.

Two foreign subsidiaries including SEA have a contract for issuing ABS (Asset Backed Securities) backed by accounts receivable with BTMU and other financial institutions for up to USD 1,361 million and other 5 subsidiaries including SSL have a credit facility agreement with Bank of China and other financial institutions for up to CNY 1,540 million and EUR 30 million.

20. Share Capital and Premium

The Company's number of authorized shares is 500,000,000 shares. The Company has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as of December 31, 2012, 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.

The changes in the number of shares outstanding as of December 31, 2012 and 2011, are as follows:

(In millions of Korean won and number of shares)

	Number of shares of Preferred stock[1]	Number of shares of Common stock[2]	Share capital	Share premium	Total
Balance at December 31, 2010	19,853,734	129,843,077	₩ 897,514	₩ 4,403,893	₩ 5,301,407
Shares issued	-	485,650	-	-	-
Disposal of treasury stock	-	57,996	-	-	-
Balance at December 31, 2011	19,853,734	130,386,723	₩ 897,514	₩ 4,403,893	₩ 5,301,407
Shares issued	-	191,309	-	-	-
Disposal of treasury stock	-	269,867	-	-	-
Balance at December 31, 2012	19,853,734	130,847,899	₩ 897,514	₩ 4,403,893	₩ 5,301,407

[1] Non-cumulative, non-voting preferred stock with par value of ₩5,000 per share that were all issued on or before February 28, 1997 and are entitled to an additional cash dividend of 1% of par value over common stock.
[2] Common stock with par value of ₩5,000 per share.

Issuance of shares

SEC is authorized, subject to the Board of Directors' approval, to issue shares of common or preferred stock to investors other than current shareholders for issuance of depository receipts, general public subscription, urgent financing with financial institutions, and strategic alliance.

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

	2012		**2011**	
	Non-voting Preferred Stock	**Common Stock**	**Non-voting Preferred Stock**	**Common Stock**
Outstanding GDR				
- Share of Stock	3,323,283	7,569,675	3,092,581	7,316,976
- Share of GDR	6,646,566	15,139,350	6,185,162	14,633,952

21. Retained Earnings

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

(In millions of Korean won)	**2012**	**2011**
Appropriated	₩ 87,915,275	₩ 78,713,318
Unappropriated	32,070,414	18,909,554
Total	₩ 119,985,689	₩ 97,622,872

22. Dividends

SEC declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2012 and 2011 and as year-end dividends for the years ended December 31, 2012 and 2011.

Details of interim dividends and year-end dividends are as follows:

(A) Interim Dividends

(In millions of Korean won and number of shares)		**2012**	**2011**
Number of shares eligible for dividends	Common stock	130,759,755 shares	130,148,288 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate		10%	10%
Dividend amount	Common stock	₩ 65,380	₩ 65,074
	Preferred stock	9,927	9,927
Total		₩ 75,307	₩ 75,001

(B) Year-end Dividends

(In millions of Korean won and number of shares)		**2012**	**2011**
Number of shares eligible for dividends	Common stock	130,847,899 shares	130,386,723 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate	Common stock	150%	100%
	Preferred stock	151%	101%
Dividend amount	Common stock	₩ 981,359	₩ 651,934
	Preferred stock	149,896	100,261
Total		₩ 1,131,255	₩ 752,195

(C) Dividend Payout Ratio (Including interim dividends)

	2012	**2011**
Dividend payout ratio	5.20%	6.18%

(D) Dividend Yield Ratio (Including interim dividends)

	2012		**2011**	
	Common Stock	**Preferred Stock**	**Common Stock**	**Preferred Stock**
Dividend yield ratio[1]	0.54%	0.95%	0.52%	0.85%

[1] The average closing price in the stock market for a week before 2 trading days prior to dividend date.

23. Other Components of Equity

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

(In millions of Korean won)	**2012**	**2011**
Treasury stock[1]	₩ (7,350,927)	₩ (7,539,561)
Stock option	22,242	55,313
Unrealized gains on available-for-sale financial assets	2,001,536	1,040,849
Share of associates and joint ventures accumulated other comprehensive gains	720,944	1,071,435
Foreign-currency translation differences	(2,623,963)	(834,086)
Remeasurement impact of employee benefit	(1,097,228)	(590,877)
Others	134,352	963,031
Total	₩ (8,193,044)	₩ (5,833,896)

[1] As of December 31, 2012, the Company holds 16,451,438 common shares and 2,979,693 preferred shares as treasury stock.

	2012		**2011**	
(In millions of Korean won and number of shares)	**Preferred Stock**	**Common Stock**	**Preferred Stock**	**Common Stock**
Number of shares	2,979,693 shares	16,451,438 shares	2,979,693 shares	16,912,614 shares
Acquisition cost	₩ 621,843	₩ 6,729,084	₩ 621,843	₩ 6,917,718

24. Share Based Compensation

The Company has a stock option plan that provides for the granting of stock purchase options to employees or directors who have contributed or are expected to contribute to the management and technological innovation of the Company. No share based compensation has been granted since December 20, 2005. All options currently in issue are fully vested.

A summary of the terms and the number of outstanding stock options as of December 31, 2012 is as follows:

	Date of the Grant					
	March 9, 2001	**February 28, 2002**	**March 25, 2002**	**March 7, 2003**	**April 16, 2004**	**December 20, 2005**
At January 1, 2011	176,072	160,221	30,975	74,875	344,568	10,000
Exercised during 2011	176,072	112,626	28,046	25,624	143,282	-
At December 31, 2011		47,595	2,929	49,251	201,286	10,000
Exercised During 2012	-	47,595	2,929	33,404	102,381	5,000
At December 31, 2012	-	-	-	15,847	98,905	5,000
Exercise price	₩ 197,100	₩ 329,200	₩ 342,800	₩ 288,800	₩ 580,300	₩ 606,700
Weighted average share price at the date of exercise during 2011	₩ 943,994	₩ 949,456	₩ 931,977	₩ 935,942	₩ 998,175	₩ -
Weighted average share price at the date of exercise during 2012	₩ -	₩ 1,102,409	₩ 1,154,394	₩ 1,308,176	₩ 1,276,208	₩ 1,404,000
Exercise period from the date of the grant	3-10years	2-10years	2-10years	2-10years	2-10years	2-10years

25. Expenses by Nature

Expenses by nature for the years ended December 31, 2012 and 2011 consist of the following:

(In millions of Korean won)	2012	2011
Raw materials and goods	₩ 85,193,865	₩ 75,329,188
Wages and salaries	13,629,400	11,906,674
Pension expenses	768,423	584,096
Depreciation expenses	14,835,046	12,934,274
Amortization expenses	786,970	657,790
Welfare expenses	2,481,756	1,998,559
Commission and service charges	6,961,701	5,936,770
Other expenses	47,397,114	40,010,129
Total[1]	₩ 172,054,275	₩ 149,357,480

[1] Expenses above equal to the sum of cost of sales, selling, general and administrative expenses in the Statements of Income.

26. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2012 and 2011, are as follows:

(In millions of Korean won)	2012		2011	
Wages and salaries	₩	4,032,848	₩	3,551,588
Pension expenses		204,929		140,587
Commission and service charges		6,961,701		5,936,770
Depreciation expenses		442,080		368,123
Amortization expenses		353,909		300,497
Advertising expenses		4,887,089		2,982,270
Sales promotion expenses		6,055,105		4,649,293
Transportation expenses		3,794,950		3,789,476
Warranty		3,247,757		2,805,696
Public relation expenses		627,901		523,149
Research and development expenses		11,532,795		9,955,164
Others		3,261,280		2,209,747
	₩	45,402,344	₩	37,212,360

27. Other Non-Operating Income and Expense

Other non-operating income for the years ended December 31, 2012 and 2011, consists of the following:

(In millions of Korean won)	2012		2011	
Dividend income	₩	106,181	₩	34,423
Commission income		100,535		26,313
Rental income		98,462		92,155
Gain on disposal of investments		113,886		223,535
Gain on disposal of property, plant and equipment		147,645		113,690
Gain on disposal of business[1]		-		1,062,793
Others		986,280		698,110
	₩	1,552,989	₩	2,251,019

[1] Gain on disposal of business in 2011 relates to sales of the Solar battery business and the HDD business.

Other non-operating expense for the years ended December 31, 2012 and 2011, consists of the following:

(In millions of Korean won)	2012		2011	
Loss from disposal of property, plant and equipment	₩	324,993	₩	109,338
Donations		235,349		272,275
Impairment losses on intangible assets		216,790		186,759
Impairment losses on property, plant and equipment		215,325		97,517
Impairment losses on available-for-sale financial assets		87,515		39
Others		496,053		946,762
	₩	1,576,025	₩	1,612,690

28. Financial Income and Costs

Financial income and costs for the years ended December 31, 2012 and 2011 are as follows:

(*In millions of Korean won*)	2012	2011
Finance income		
Interest income	₩ 845,431	₩ 705,653
Interest income from loans and receivables	840,150	702,198
Interest income from available-for-sale financial assets	5,281	3,455
Foreign exchange differences	6,452,612	6,120,748
Gains on valuation of derivatives	27,719	80,103
Gains on derivatives transaction	510,792	497,021
	₩ 7,836,554	₩ 7,403,525

(*In millions of Korean won*)	2012	2011
Finance expense		
Interest expense:	₩ 599,006	₩ 644,133
Interest expense from financial liabilities measured at amortized cost	277,512	270,929
Other financial liabilities	321,494	373,204
Foreign exchange differences	6,596,524	6,785,565
Losses on valuation of derivatives	124,344	59,697
Losses on derivatives transaction	614,576	404,026
	₩ 7,934,450	₩ 7,893,421

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

29. Income Tax

(A) Income tax expense for the years ended December 31, 2012 and 2011, consists of the following:

(In millions of Korean won)	2012	2011
Current taxes :		
Current tax on profits for the year	₩ 5,656,298	₩ 3,051,406
Adjustments in respect of prior years	95,296	95,670
	5,751,594	3,147,076
Deferred taxes :		
Deferred income taxes - tax credit	235,640	(75,311)
Deferred income taxes - temporary difference	19,885	381,715
Deferred income taxes - accumulated operating loss	(850)	(22,599)
Others	60,654	-
Items charged directly to equity	2,809	1,994
Income tax expense	₩ 6,069,732	₩ 3,432,875

(B) The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

(In millions of Korean won)	**2012**	**2011**
Income before tax	₩ 29,915,017	₩ 17,191,918
Tax calculated at weighted average tax rates applicable[1]	7,664,722	4,354,162
Tax effects of:		
Permanent difference	(161,762)	(393,004)
Temporary differences for which no deferred income tax was recognized	(7,930)	7,309
Tax credit	(1,980,710)	(1,633,452)
Subsidiaries, associates and interests in joint ventures	650,000	906,505
Impact of changes in tax rates	(3,602)	140,181
Other	(90,986)	51,174
Income tax expense	₩ 6,069,732	₩ 3,432,875
Effective tax rate	20.29%	19.97%

[1] Weighted average statutory tax rates that are applied differently for the profits of the Company at each tax authority as of December 31, 2012 and 2011.

(C) Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2012, are as follows:

	Temporary Differences			Deferred Income Tax Assets (Liabilities)		
(In millions of Korean won)	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (18,146)	₩ (14,951)	₩ (33,097)	₩ (4,391)	₩ (3,619)	₩ (8,010)
Revaluation of land	(4,017,316)	539,625	(3,477,691)	(972,191)	130,590	(841,601)
Subsidiaries, associates and interests in joint ventures	(13,450,537)	(11,813,329)	(25,263,866)	(3,032,268)	(650,000)	(3,682,268)
Depreciation	26,975	1,229,250	1,256,225	(52,318)	250,219	197,901
Capitalized interest expense	(40,522)	21,690	(18,832)	(9,806)	5,249	(4,557)
Accrued income	(92,953)	(31,224)	(124,177)	(21,337)	(6,826)	(28,163)
Provisions, accrued expenses and others	7,144,431	3,217,777	10,362,208	1,806,514	750,331	2,556,845
Foreign currency translation	150,908	(164,168)	(13,260)	35,482	(41,449)	(5,967)
Impairment losses on investments	52,901	37,755	90,656	10,937	5,587	16,524
Others	779,626	(1,673,860)	(894,234)	288,217	(459,967)	(171,750)
Subtotal	₩(9,464,633)	₩(8,651,435)	₩(18,116,068)	₩(1,951,161)	₩ (19,885)	₩ (1,971,046)
Deferred tax assets arising from carryforwards						
Undisposed accumulated deficit	₩ 100,401	₩ 30,591	₩ 130,992	₩ 26,961	₩ 850	₩ 27,811
Tax credit carryforwards	1,512,052	(195,543)	1,316,509	1,495,747	(235,640)	1,260,107
Deferred items recognized in other comprehensive income						
Valuation of available-for-sale financial instruments	₩ (1,316,863)	₩(1,264,765)	₩(2,581,628)	₩ (318,052)	₩(262,040)	₩ (580,092)
Actuarial valuation	813,514	657,804	1,471,318	196,149	153,684	349,833
Subtotal	₩ (503,349)	₩ (606,961)	₩(1,110,310)	₩ (121,903)	₩(108,356)	₩ (230,259)
Deferred tax assets						₩ 2,516,080
Deferred tax liabilities						(3,429,467)
Total						₩ (913,387)

Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2011, are as follows:

	Temporary Differences			**Deferred Income Tax Asset (Liabilities)**		
(In millions of Korean won)	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (18,146)	₩ -	₩ (18,146)	₩ (3,992)	₩ (399)	₩ (4,391)
Revaluation of land	(3,984,173)	(33,143)	(4,017,316)	(876,518)	(95,673)	(972,191)
Subsidiaries, associates and interests in joint ventures	(14,160,207)	709,670	(13,450,537)	(2,109,299)	(922,969)	(3,032,268)
Depreciation	130,396	(103,421)	26,975	(9,325)	(42,993)	(52,318)
Capitalized interest expense	(39,867)	(655)	(40,522)	(8,810)	(996)	(9,806)
Accrued income	(144,621)	51,668	(92,953)	(34,930)	13,593	(21,337)
Provisions, accrued expenses and others	3,742,343	3,402,088	7,144,431	926,713	879,801	1,806,514
Foreign currency translation	(23,022)	173,930	150,908	(6,568)	42,050	35,482
Impairment losses on investments	45,420	7,481	52,901	9,994	943	10,937
Others	1,970,813	(1,191,187)	779,626	565,168	(276,951)	288,217
	₩(12,481,064)	₩3,016,431	₩(9,464,633)	₩(1,547,567)	₩(403,594)	₩ (1,951,161)
Deferred tax assets arising from carryforwards						
Undisposed accumulated deficit	₩ 40,822	₩ 59,579	₩ 100,401	₩ 4,362	₩ 22,599	₩ 26,961
Tax credit carryforwards	1,581,825	(69,773)	1,512,052	1,420,436	75,311	1,495,747
Deferred items recognized in other comprehensive income						
Valuation of available-for-sale financial instruments	₩(2,274,471)	₩ 957,608	₩(1,316,863)	₩ (424,121)	₩ 106,069	₩ (318,052)
Actuarial valuation	304,586	508,928	813,514	72,435	123,714	196,149
Total	(1,969,885)	1,466,536	(503,349)	(351,686)	229,783	(121,903)
Deferred tax assets						₩ 1,783,086
Deferred tax liabilities						(2,333,442)
Total						₩ (550,356)

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Temporary differences whose deferred tax effects were not recognized due to the uncertainty regarding ultimate realizability of such assets as of December 31, 2012 and 2011 are as follows:

(In millions of Korean won)	**2012**	**2011**
Undisposed accumulated deficit	₩ -	₩ 144,108
Tax credit carryforwards	48,262	159,160

Expiry date of unused tax losses and unused tax credits for which no deferred tax asset is recognized in the balance sheet are as follows:

(In millions of Korean won)	**2013**	**2014**	**2015**	**2016 and after**
Tax credit carryforwards	₩ 1,103	₩ 3,455	₩ 22,313	₩ 21,391

(D) The amount of income tax relating to each component of other comprehensive income is as follows:

(In millions of Korean won)	**2012**	**2011**
Valuation of available-for-sale financial assets	₩ (580,092)	₩ (340,760)
Foreign currency translation adjustment	-	22,708
Actuarial valuation	349,833	196,149
Total	₩ (230,259)	₩ (121,903)

(E) The liquidity analysis of deferred tax assets and deferred tax liabilities is as follows:

(In millions of Korean won)	**2012**	**2011**
Current	₩ 1,898,481	₩ 2,869,404
Non-current	(2,811,868)	(3,419,760)
Total	₩ (913,387)	₩ (550,356)

30. Earnings per Share

Basic earnings per share for the years ended December 31, 2012 and 2011, are calculated as follows:

(In millions of Korean won, except for share amounts)	**2012**	**2011**
Net income as reported on the statements of income	₩ 23,185,375	₩ 13,382,645
Net income available for common stock	20,130,020	11,613,300
Weighted-average number of common shares outstanding (in thousands)	130,698	130,152
Basic earnings per share (in Korean won)	₩ 154,020	₩ 89,229

(In millions of Korean won, except for share amounts)	**2012**	**2011**
Net income as reported on the statements of income	₩ 23,185,375	₩ 13,382,645
Net income available for preferred stock	3,055,355	1,769,345
Weighted-average number of preferred shares outstanding (in thousands)	19,854	19,854
Basic earnings per preferred share (in Korean won)	₩ 153,893	₩ 89,119

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: Stock options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the years ended December 31, 2012 and 2011 are calculated as follows:

(In millions of Korean won, except for share amounts)	**2012**	**2011**
Net income available for common stock and common equivalent shares	₩ 20,131,405	₩ 11,614,952
Weighted-average number of shares of common stock and common shares equivalent (in thousands)	130,766	130,292
Diluted earnings per share (in Korean won)	₩ 153,950	₩ 89,146

(In millions of Korean won, except for share amounts)	**2012**	**2011**
Net income available for preferred stock and preferred equivalent shares	₩ 3,053,970	₩ 1,767,693
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)	₩ 153,823	₩ 89,036

31. Cash Generated from Operations

(A) Cash flows from operating activities as of December 31, 2012 and 2011, consist of the following:

(In millions of Korean won)	**2012**	**2011**
Adjustments for:		
Tax expense	₩ 6,069,732	₩ 3,432,875
Finance income	(2,068,888)	(1,821,379)
Finance expense	1,755,715	1,661,180
Severance and retirement benefits	768,423	584,096
Depreciation expenses	14,835,046	12,934,274
Amortization expenses	786,970	657,790
Bad debt expenses and etc.	205,424	93,801
Gain on valuation of equity method	(986,611)	(1,399,194)
Gain on disposal of property, plant and equipment	(147,645)	(113,690)
Loss on disposal of property, plant and equipment	324,993	109,338
Obsolescence and scrappage of inventories	1,212,222	1,353,320
Gain on disposal of investments	(113,886)	(223,535)
Gain on transfer of business	-	(1,062,793)
Impairment losses on intangible assets	216,790	186,759
Other income/expense	(98,726)	57,787
Adjustments, total	₩ 22,759,559	₩ 16,450,629

(In millions of Korean won)	**2012**	**2011**
Changes in assets and liabilities:		
Increase in trade receivables	₩ (2,032,126)	₩ (2,015,177)
Increase in other receivables	(536,202)	(181,613)
Increase in advance payment	(277,329)	(147,387)
Increase in prepaid expenses	(72,285)	(27,432)
Increase in inventories	(4,011,553)	(3,919,683)
Increase in trade payables	(465,450)	750,048
Increase in other payables	(416,870)	375,478
Increase in advance received	88,152	548,416
(Decrease)/Increase in withholdings	(663,733)	556,563
Increase in accrued expenses	2,183,846	508,657
Increase in utilization of provisions	1,824,693	722,421
Payment of severance benefits	(301,444)	(256,261)
Increase in plan assets	(440,420)	(531,743)
Others	(657,228)	(439,632)
Changes in net working capital, total	₩ (5,777,949)	₩ (4,057,345)

(B) Significant transactions not affecting cash flows for the years ended, 2012 and 2011, are as follows:

(In millions of Korean won)	**2012**	**2011**
Valuation of available-for-sale financial assets	₩ 1,185,256	₩ (559,831)
Reclassification of construction-in-progress and machinery-in-transit to property, plant and equipment	19,567,010	22,530,787
Increase in share of associates and joint ventures accumulated other comprehensive income	(350,491)	(113,898)
Net assets acquired from business combination	(633,708)	-
Net assets acquired in transfer of business	-	788,454

(C) The Company reported on a net basis cash receipts and payments arising from transactions occurring frequently and short-term financial instruments, loans, and borrowings.

(D) Among the net cash used in investing activities, cash outflows from business combination include the acquisition of assets and liabilities of CSR.

32. Financial Risk Management

Financial risk factors

The Company is exposed to credit risk, liquidity risk and market risk. Market risk arises from currency risk, interest rate risk and fair value risk associated with investments. The Company has a risk management program in place to monitor and actively manage such risks.

Also, financial risk management officers are dispatched to the regional head quarters of each area including US, UK, Singapore, China, Japan, Brazil and Russia to run and operate a 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 and 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 all normal business transactions to be in local currency, or cash-in currency 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 very specifically.

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.

A summary of foreign assets and liabilities of the Company, presented in Korean won, as of December 31, 2012 and 2011 is as follows:

(In millions of Korean won)	2012				2011			
	USD	**EUR**	**JPY**	**Other**	**USD**	**EUR**	**JPY**	**Other**
Financial Assets	₩ 12,709,235	₩ 1,085,390	₩ 178,373	₩ 1,577,076	₩ 12,310,076	₩ 660,482	₩ 568,204	₩ 1,288,309
Financial Liabilities	9,550,081	978,953	1,142,081	214,639	11,092,528	524,075	1,064,553	197,362

Foreign currency exposure to financial assets and liabilities of a 5% currency rate change against the Korean won are presented below.

(In millions of Korean won)	2012		2011	
	Increase	**Decrease**	**Increase**	**Decrease**
Financial assets	₩ 777,504	₩ (777,504)	₩ 741,354	₩ (741,354)
Financial liabilities	(594,288)	594,288	(643,926)	643,926
Net effect	183,216	(183,216)	97,428	(97,428)

(2) Price risk

The Company's investment portfolio consists of direct and indirect investments in equity securities classified as available-for-sale. The market values for the Company's equity investments for the year-ended December 31, 2012 and 2011 are ₩5,103,181 million and ₩3,149,926 million, respectively. Refer to Note 9.

If there is a change in the price of equity investments by 1%, the amount of other comprehensive income changes for the year-ended December 31, 2012 and 2011 would be ₩44,359 million and ₩25,262 million, respectively.

(3) Interest rate risk

Interest rate risk is defined as the risk that the fair value of 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 arising 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.

As of the reporting date, the interest rate profile of the Company's interest bearing assets and liabilities is presented in the table below:

(In millions of Korean won)	2012		2011	
	Fixed rate	**Floating rate**	**Fixed rate**	**Floating rate**
Financial assets	₩ 59,351,335	₩ 7,816,434	₩ 50,476,935	₩ 2,838,767
Financial liabilities	40,632,972	2,186,448	41,129,584	880,702

The sensitivity risk of the Company is determined based on the following assumptions:

- Changes in market interest rates that could impact the interest income and expenses of floating interest rate financial instruments

Based on the above assumption, changes to profit and net equity as a result of 1% increases in interest rate on borrowings are presented below:

(In millions of Korean won)	**2012**		**2011**	
	Increase	**Decrease**	**Increase**	**Decrease**
Financial assets	₩ 78,164	₩ (78,164)	₩ 28,388	₩ (28,388)
Financial liabilities	(21,864)	21,864	(8,807)	8,807
	₩ 56,300	₩ (56,300)	₩ 19,581	₩ (19,581)

(B) Credit risk

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

Credit risk arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To minimize such risk, the Company transacts only with banks which have strong international credit rating (S&P A 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 requires separate approval for contracts with restrictions.

Therefore, the Company estimates credit risk exposure to itself as limited and the carrying value of financial assets represents net of impairment loss to reflect the Company's maximum exposure to the credit risk.

The top five customers account for approximately 12.9% and 12.9% and ₩3,074,791 million and ₩2,831,801 million of accounts receivables for the year ended 2012 and 2011, respectively, while the top three credit exposures by country amounted to 18.2%, 13.8% and 9.4% (December 31, 2011:16.0%, 14.7% and 10.4%).

(C) Liquidity risk

The Company manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. Beyond effective working capital and cash management, the Company mitigates liquidity risk by contracting with financial institutions with respect to bank overdrafts, Cash Pooling or Banking Facility agreements for efficient management of funds. The Cash Pooling programs allow sharing of funds among subsidiaries to minimize liquidity risk and reduce financial expense.

The following table is an undiscounted cash flow analysis for financial liabilities that are presented on the balance sheet according to their remaining contractual maturity.

2012

(In millions of Korean won)	**Less than 3 months**	**4-6 months**	**7-12 months**	**1-5 years**	**More than 5 years**
Financial liabilities	₩ 32,257,940	₩ 1,690,825	₩ 2,371,879	₩ 7,006,975	₩ 76,236

2011

(In millions of Korean won)	**Less than 3 months**	**4-6 months**	**7-12 months**	**1-5 years**	**More than 5 years**
Financial liabilities	₩ 31,045,236	₩ 1,134,966	₩ 3,951,111	₩ 6,467,585	₩ 92,737

The Company's trading portfolio derivative instruments have been included at their fair value of ₩79,212 million (2011: ₩40,932 million) within the less than three month time bucket because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Net settled derivatives consist of forward exchange contracts used by the Company to manage the exchange rate profile.

The maximum liquidity risk exposure from other than financial liabilities (e.g. debt guarantee with rental housing) at December 31, 2012 is ₩151,817 million (December 31, 2011: ₩153,989 million)

(D) Capital risk management

The object of capital management is to maintain a sound capital structure. Consistent with others in the industry, the Company monitors capital on the basis of a total liabilities to equity ratio. This ratio is calculated as total liabilities divided by equity based on the consolidated financial statements.

During 2012, the Company's strategy was to maintain a reliable credit rating. The Company has maintained an A credit rating from S&P and A1 from Moody's throughout the period. The gearing ratios at 31 December 2012 and 2011 were as follows:

(In millions of Korean won)	**2012**	**2011**
Total liabilities	₩ 59,591,364	₩ 54,486,633
Total equity	121,480,206	101,313,630
Gearing ratio	49.1%	53.8%

(E) Fair value estimation

(1) The following table presents the assets and liabilities that are measured by fair value hierarchy, by level.

2012

(In millions of Korean won)	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Derivatives	₩ -	₩ 47,227	₩ -	₩ 47,227
Available-for-sale financial assets	5,694,730	125,994	389,195	6,209,919
Total assets	5,694,730	173,221	389,195	6,257,146
Derivatives	-	79,212	-	79,212
Total liabilities	₩ -	₩ 79,212	₩ -	₩ 79,212

2011

(In millions of Korean won)	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Derivatives	₩ -	₩ 130,057	₩ -	₩ 130,057
Available-for-sale financial assets	3,182,156	73,672	623,739	3,879,567
Total assets	3,182,156	203,729	623,739	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 of 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.

(2) Changes in Level 3 instruments:

(In millions of Korean won)	**2012**	**2011**
Opening balance	₩ 623,739	₩ 326,359
Purchases	82,508	397,865
Disposals	(31,972)	(97,390)
Gains and losses recognized in other comprehensive income	(6,294)	69,004
Others[1]	(278,786)	(72,099)
Closing balance	₩ 389,195	₩ 623,739

[1] CSOT equity securities, which are non-marketable securities, are measured at cost as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

33. Segment Information

The chief operating decision maker has been identified as the Management Committee. The Management Committee is responsible for making strategic decisions based on review of the group's internal reporting. The Management Committee has determined the operating segments based on these reports.

The Management Committee reviews operating profits of each operating segment in order to assess performance and make decisions about resources to be allocated to the segment.

The operating segments are product based and include CE, IM, Semiconductor and LCD. In accordance with the changes of the Accounting Policies (Note 2) to provide consistent presentation, operating segment information of the previous year has been re-written to match with organizational changes made in 2012.

Depreciation, amortization of 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.

The segment information provided to the Management committee for the reportable segments for the year ended 31 December 2012 and 2011 is as follows:

2012 (In millions of Korean won)	DMC Total[1]	DMC CE	DMC IM	DS Total[1]	DS Semi conductor	DS LCD	Total[1]	Elimination	Consoli-dated
Total segment Revenue	347,393,209	111,397,867	231,420,085	136,724,256	66,976,623	69,359,762	479,499,910	(278,396,297)	201,103,613
Inter-segment Revenue	(189,065,192)	(62,954,118)	(122,914,049)	(68,436,962)	(32,090,017)	(36,360,406)	(278,396,297)	278,396,297	-
Revenue from external customers	158,328,017	48,443,749	108,506,036	68,287,294	34,886,606	32,999,356	201,103,613	-	201,103,613
Depreciation	1,371,373	565,310	497,607	13,354,303	9,087,880	4,179,088	14,835,046	-	14,835,046
Amortization	376,956	70,370	188,740	274,568	186,497	77,047	786,970	-	786,970
Operating profit(loss)	21,612,818	2,301,431	19,440,840	7,416,325	4,173,730	3,214,750	29,049,338	-	29,049,338

2011 (In millions of Korean won)	DMC Total[1]	DMC CE	DMC IM	DS Total[1]	DS Semi conductor	DS LCD	Total[1]	Elimination	Consoli-dated
Total segment Revenue	249,807,647	103,530,319	142,127,410	132,790,577	71,305,465	61,648,667	378,693,504	(213,691,733)	165,001,771
Inter-segment Revenue	(133,588,287)	(56,233,694)	(74,679,457)	(67,015,926)	(34,315,914)	(32,405,595)	(213,691,733)	213,691,733	-
Revenue from external customers	116,219,360	47,296,625	67,447,953	65,774,651	36,989,551	29,243,072	165,001,771	-	165,001,771
Depreciation	1,194,509	589,010	356,902	11,732,649	7,678,022	4,027,032	12,934,274	-	12,934,274
Amortization	244,284	57,207	158,394	213,002	143,810	61,943	657,790	-	657,790
Operating profit(loss)	9,523,446	1,256,788	8,122,626	6,062,934	6,383,875	(347,114)	15,644,291	-	15,644,291

[1] The total amount includes others not composing operating segments.

The regional segment information provided to the Management Committee for the reportable segments for the years ended 31 December 2012 and 2011, is as follows:

2012 (In millions of Korean won)	Korea	America	Europe	Asia and Africa	China	Eliminations	Consolidated
Total segment - Revenue	179,434,349	81,440,718	75,448,403	57,246,033	85,930,407	(278,396,297)	201,103,613
Inter-segment - Revenue	(150,254,258)	(23,277,536)	(25,927,742)	(21,167,278)	(57,769,483)	278,396,297	-
Revenue from external customers	29,180,091	58,163,182	49,520,661	36,078,755	28,160,924	-	201,103,613
Non-current assets[1]	60,591,343	6,890,648	1,030,437	1,749,330	2,574,796	(622,106)	72,214,448

[1] The total of non-current assets other than financial instruments, deferred tax assets, associates, and interests in joint ventures.

2011 *(In millions of Korean won)*	**Korea**	**America**	**Europe**	**Asia and Africa**	**China**	**Eliminations**	**Consolidated**
Total segment - Revenue	143,717,714	67,967,462	63,096,978	41,853,227	62,058,123	(213,691,733)	165,001,771
Inter-segment - Revenue	(117,185,100)	(20,441,236)	(24,028,163)	(13,035,182)	(39,002,052)	213,691,733	-
Revenue from external customers	26,532,614	47,526,226	39,068,815	28,818,045	23,056,071	-	165,001,771
Non-current assets[1]	53,864,391	7,157,372	943,800	1,333,012	2,229,989	(129,377)	65,399,187

[1] The total of non-current assets other than financial instruments, deferred tax assets, associates, and interests in joint ventures.

34. Related Parties

(A) Associates

The principal associate companies are Samsung SDI, Samsung Electro-mechanics, Samsung SDS, Samsung Techwin and Samsung card.

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

(In millions of Korean won)	**2012**	**2011**
Transactions		
Sales	₩ 806,658	₩ 1,695,298
Purchases	9,710,610	8,634,597
Receivables and Payables		
Receivables	85,701	225,076
Payables	955,349	1,168,952

(B) Joint ventures

The principal joint venture company is Samsung Corning Precision Materials as of December 31, 2012.

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

(In millions of Korean won)	**2012**	**2011**
Transactions		
Sales	₩ 35,484	₩ 7,195
Purchases	2,800,989	3,210,831
Receivables and Payables		
Receivables	878	6,379
Payables	408,885	379,944

(C) Other related parties

Samsung Everland and other companies are defined as related parties for the Company as of December 31, 2012

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

(In millions of Korean won)	**2012**	**2011**
Transactions		
Sales	₩ 109,228	₩ 85,907
Purchases	752,170	655,062
Receivables and Payables		
Receivables	189,840	244,411
Payables	179,646	172,872

(D) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

(In millions of Korean won)	**2012**	**2011**
Salaries and other short-term benefits	₩ 10,062	₩ 15,808
Termination benefits	530	696
Other long-term benefits	5,865	5,096

35. Significant Changes of Non-Controlling Interests

(A) Acquisition of non-controlling interests in 2012 are as follows:

(In millions of Korean won)	**S-LCD**	**Samsung Japan**	**Samsung Asia Private**
Date of acquisition	January 19, 2012	April 27, 2012	April 27, 2012
Acquired percentage of non-controlling interests	50%	49%	30%
Ownership share after transaction	100%	100%	100%
Consideration paid to non-controlling interests	1,067,082	159,278	19,452
Carrying amount of non-controlling interests acquired	1,764,927	60,667	13,313
Capital Surplus[1]	697,845	(98,611)	(6,139)

[1] The difference between the carrying amount of non-controlling interests at the time of transaction and consideration paid has been accounted for as capital surplus which belongs to the owner of consolidated company.

(B) In 2012 Samsung Display Corporation, the subsidiary, merged other subsidiaries, Samsung Mobile Display and S-LCD. This transaction resulted in the reduced percentage of ownership of the Company of Samsung Display from 100% to 84.8% and increased non-controlling interests by ₩1,654,645 million, which was recognized as the decrease of the equity to the owner of consolidated company (Refer to Note 37 for further details).

36. Business Combinations

(A) Samsung LED

The Company acquired Samsung LED with a closing date of April 1, 2012 to improve shareholder value through the enhancement of business efficiency and maximization of business synergies. The approval of the Board of Directors of the Company replaces shareholders' meeting approval of the acquisition, as the acquisition of Samsung LED is a small and simple merger as defined in the commercial law.

(1) Overview of the acquired company

Name of the acquired company	Samsung LED
Headquarters location	Giheung-gu, Yongin-si, Gyeonggi-do
Representative director	Nam-seong Cho
Classification of the acquired company	Unlisted company
Former relationship with the Company	Associates

(2) Terms of the business combination

The shareholders of Samsung LED received 0.0134934 shares of the Company's common stock for each share of Samsung LED common stock owned on the closing date. The Company transferred its treasury stock to the shareholders of Samsung LED, instead of issuing new stock.

(3) Purchase price allocation

The following table summarizes the consideration paid for Samsung LED and the amounts of the assets acquired and liabilities assumed as of the acquisition date.

Classification		Amount *(In millions of Korean won)*
I. Consideration transferred		
Fair value of equity interest held before the business combination [1]	₩	344,082
Fair value of additional consideration transferred[2]		344,082
Total	₩	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 Subsidiary, Associates and Joint Ventures		68,839
Deferred income tax assets		62,733
Other financial assets		47,370
Trade and other payables		157,571
Borrowings		584,338
Defined benefit liability		30,108
Other financial liabilities		62,500
Total	₩	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.

(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 loss contributed by Samsung LED division after the merger date of April 1, 2012 amount to ₩923,358 million and ₩ 10,527 million, respectively.

(B) Mobile business of Cambridge Silicon Radio("CSR")

On October 4, 2012, the Company acquired tangible/intangible assets including patents, R&D workforce and equity shares of 4.9% of the company from UK-based semiconductor company CSR and its subsidiaries in attempt to expand its connectivity business such as Bluetooth, GPS and WiFi, etc. Consideration transferred amounts to $344 million and there could be additional payment or refund of $10 million depending on the outcome of an ongoing R&D project. Estimated fair value by weighted-average DCF is $113,000.

(1) Purchase price allocation

The following table summarizes the consideration paid for CSR and the amounts of the assets acquired recognized at the acquisition date.

Classification		**Amount** *(In millions of Korean won)*
I. Considerations transferred		
Cash and cash equivalents	₩	383,498
II. Identifiable assets and liabilities		
Cash and cash equivalents		1,753
Trade and other receivables		304
Property, Plant & Equipment		3,714
Intangible assets[1]		158,117
Available-for-sales[2]		59,572
Long-term prepaid expenses		54,339
Other financial assets		15,779
Trade and other payables		374
Other financial liabilities		1,687
Total Identifiable net assets	₩	291,517
III. Goodwill[3]	₩	91,981

[1] This figure includes ₩102,442 million of Connectivity Semiconductor related patents and ₩55,675 million of other intangible assets.

[2] Samsung Electronics Europe Holdings (SEEH) acquired a 4.9% share in CSR plc according to the contract terms set by the Company.

[3] Goodwill arising from the acquisition was recognized as this transaction will allow faster response to changes in the domestic and international business environments and strengthen manufacturing competitiveness.

37. Business Restructuring within Consolidated Entity

(A) Spin-off of LCD division

The Company established Samsung Display Corporation through a spin-off of the LCD segment during the year.

Name of the new company	Samsung Display Corporation
Headquarters location	Giheung-gu, Yongin-si, Gyeonggi-do
Business	LCD
Date of Spin-off	April 1, 2012

(B) 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.

(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	Associates	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. Acquired assets and liabilities were recognized at book value in the consolidated financial statements as the acquisition is a business combination under common control. As a result, the Company does not recognize an additional goodwill.

(C) 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

(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 of newly issued common shares from Samsung Medison in exchange for 570,000 common shares of Prosonic which were previously owned by the Company. Acquired assets and liabilities were recognized at book value in the consolidated financial statements as the acquisition is a merger between subsidiaries. There is no additional goodwill.

(D) Others

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

On July 1, 2012, SEAH merged with SAPL and changed the company name to 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.

(2) 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.

Subsequently the Company merged SEHF Korea on December 1, 2012 to maximize business synergies. Acquired assets and liabilities of SEHF Korea were recognized at book value in the consolidated financial statements as the acquisition is a merger between parent company and subsidiary. There is no additional goodwill.

38. Subsequent Events

(A) Merger within Subsidiaries

On January 1, 2013, SEMES, a subsidiary of SEC, merged with SECRON and GES in order to maximize synergies and enhance the competitiveness in the semiconductor/LCD equipment business.

(1) Overview of the acquired company

	SECRON	GES
Headquarters location	Cheonan-si, Chungcheongnam-do	Hwaseong-si, Gyeonggi-do
Representative director	Jae-kyung Lee	Min-seok Han
Classification of the acquired company	Unlisted company	Unlisted company
Relationship with the Company	Associates	Associates

(2) Share exchange ratio and distribution

Type	Acquiring Company	Acquired Company	Acquired Company
Name	SEMES	SECRON	GES
Merger Ratio	1	0.4473688	0.7684500