

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.25))

	Notes	December 2010 KRW	December 2009 KRW	January 2009 KRW	December 2010 USD	December 2009 USD	January 2009 USD
Assets							
Current Assets							
Cash and cash equivalents	4	9,791,419	10,149,930	6,904,366	8,597,260	8,912,047	6,062,311
Short-term financial instruments	6	11,529,392	8,629,113	3,575,942	10,123,270	7,576,708	3,139,821
Available-for-sale financial assets	7	1,159,152	2,104,420	982,067	1,017,782	1,847,765	862,294
Trade and other receivables	8	21,308,834	19,796,779	15,366,544	18,710,013	17,382,368	13,492,444
Advances		1,302,428	1,566,921	1,328,232	1,143,584	1,375,820	1,166,241
Prepaid expenses		2,200,739	1,460,449	1,883,759	1,932,337	1,282,333	1,654,016
Inventories	9	13,364,524	9,839,329	9,398,075	11,734,590	8,639,327	8,251,888
Other current assets		746,101	664,356	671,104	655,106	583,331	589,256
Total current assets		61,402,589	54,211,297	40,110,089	53,913,942	47,599,699	35,218,271
Non-current assets							
Available-for-sale financial assets	7	3,040,206	1,489,138	1,268,935	2,669,423	1,307,523	1,114,176
Associates and joint ventures	10	8,335,290	7,334,705	5,912,930	7,318,720	6,440,166	5,191,790
Property, plant and equipment	11	52,964,594	43,560,295	46,276,757	46,505,043	38,247,691	40,632,854
Intangible assets	12	2,779,439	1,256,008	1,088,072	2,440,459	1,102,826	955,371
Deposits		655,662	582,148	604,874	575,698	511,149	531,104
Long-term prepaid expenses		3,544,572	2,440,608	404,501	3,112,277	2,142,952	355,168
Deferred income tax assets		1,124,009	1,051,601	905,617	986,925	923,348	795,168
Other non-current assets		442,383	253,989	206,824	388,431	223,012	181,600
Total assets		134,288,744	112,179,789	96,778,599	117,910,918	98,498,366	84,975,502

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.25))

	Notes	December 2010 KRW	December 2009 KRW	January 2009 KRW	December 2010 USD	December 2009 USD	January 2009 USD
Liabilities and Equity							
Current liabilities							
Trade and other payables		16,049,800	13,542,626	10,123,749	14,092,370	11,890,970	8,889,059
Short-term borrowings		8,429,721	7,780,007	9,054,543	7,401,634	6,831,159	7,950,253
Advance received		883,585	1,283,314	710,353	775,823	1,126,801	623,719
Withholdings		1,052,555	844,918	551,262	924,186	741,872	484,030
Accrued expenses		7,102,427	5,945,348	5,140,938	6,236,217	5,220,255	4,513,950
Income tax payable		2,051,452	1,124,423	676,717	1,801,257	987,289	594,185
Current portion of long-term borrowings and debentures	13,14	1,123,934	234,327	20,449	986,859	205,749	17,955
Provisions		2,917,919	3,205,865	2,829,711	2,562,050	2,814,878	2,484,600
Other current liabilities		333,328	243,596	228,095	292,675	213,887	200,276
Total current liabilities		39,944,721	34,204,424	29,335,817	35,073,071	30,032,860	25,758,027
Non-current liabilities							
Long-term trade and other payables		1,072,661	1,120,982	674,119	941,839	984,267	591,904
Debentures	14	587,338	224,183	171,045	515,706	196,842	150,184
Long-term borrowings	13	634,381	1,156,094	969,839	557,012	1,015,097	851,558
Retirement benefit obligation	15	597,829	751,267	830,336	524,918	659,643	729,068
Deferred income tax liabilities	27	1,652,667	1,249,964	1,086,323	1,451,108	1,097,519	953,835
Provisions	16	295,356	244,443	176,887	259,334	214,631	155,314
Other non-current liabilities		154,700	183,230	73,848	135,835	160,882	64,842
Total liabilities		44,939,653	39,134,587	33,318,214	39,458,823	34,361,741	29,254,732

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.25))

	Notes	December	December	January	December	December	January
		2010	2009	2009	2010	2009	2009
		KRW	KRW	KRW	USD	USD	USD
Equity attributable to owners of the parent							
Preferred stock	18	119,467	119,467	119,467	104,897	104,897	104,897
Common stock	18	778,047	778,047	778,047	683,157	683,157	683,157
Share premium	18	4,403,893	4,403,893	4,403,893	3,866,795	3,866,795	3,866,795
Retained earnings	19	85,014,550	71,065,247	62,281,216	74,646,194	62,398,145	54,685,412
Other reserve	21	(4,726,398)	(6,801,601)	(6,607,692)	(4,149,968)	(5,972,080)	(5,801,820)
Non-controlling interests		3,759,532	3,480,149	2,485,454	3,301,020	3,055,711	2,182,329
Total equity		89,349,091	73,045,202	63,460,385	78,452,095	64,136,625	55,720,770
Total liabilities and equity		134,288,744	112,179,789	96,778,599	117,910,918	98,498,366	84,975,502

The accompanying notes are an integral part of these consolidated 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 2.25))

	Notes	2010 KRW	2009 KRW	2010 USD	2009 USD
Revenue		154,630,328	136,323,670	135,771,646	119,697,664
Cost of sales		102,666,824	94,594,863	90,145,600	83,058,093
Gross profit		51,963,504	41,728,807	45,626,046	36,639,571
Research and development expenses		9,099,352	7,386,712	7,989,597	6,485,830
Selling, general and administrative expenses	24	26,243,122	23,362,086	23,042,516	20,512,851
Other operating income	25	1,755,441	837,534	1,541,348	735,389
Other operating expenses	25	1,079,935	892,284	948,227	783,462
Operating profit		17,296,536	10,925,259	15,187,054	9,592,817
Share of profit or loss of associates and joint ventures		2,267,091	1,713,299	1,990,597	1,504,345
Finance income	26	7,465,128	9,727,257	6,554,683	8,540,923
Finance expense	26	7,700,099	10,174,219	6,760,997	8,933,373
Profit before income tax		19,328,656	12,191,596	16,971,337	10,704,712
Income tax expense	27	3,182,131	2,431,046	2,794,039	2,134,557
Profit for the year		16,146,525	9,760,550	14,177,298	8,570,155
Profit attributable to owners of the parent		15,799,035	9,571,598	13,872,188	8,404,248
Profit attributable to non-controlling interest		347,490	188,952	305,110	165,907
Earnings per share for profit attributable to the owners of the parent(in Korean Won and US dollars):					
Basic	28	105,992	64,888	93.07	56.97
Diluted	28	105,672	64,586	92.78	56.71

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 2.25))

For the years ended December 31,					
	Note	2010	2009	2010	2009
Cash flows from operating activities		KRW	KRW	USD	USD
Profit for the period		16,146,525	9,760,550	14,177,298	8,570,155
Adjustments	29	19,514,754	16,963,466	17,134,739	14,894,605
Changes in operating assets and liabilities	29	(11,094,466)	(6,599,196)	(9,741,387)	(5,794,359)
Cash flows from operating activities		24,566,813	20,124,820	21,570,650	17,670,401
Interest received		457,508	301,795	401,710	264,988
Interest paid		(582,292)	(546,000)	(511,276)	(479,410)
Dividend received		1,520,037	616,426	1,334,654	541,247
Income tax paid		(2,135,287)	(1,974,573)	(1,874,868)	(1,733,754)
Net cash generated from operating activities		23,826,779	18,522,468	20,920,870	16,263,472
Cash flows from investing activities					
Net outflow in financial assets at fair value through profit or loss		(2,991,820)	(5,078,099)	(2,626,938)	(4,458,775)
Net proceeds (outflow) in short-term available-for-sale financial assets		981,599	(1,117,932)	861,883	(981,589)
Proceeds from disposal of long-term available-for-sale financial assets		9,207	3,111	8,084	2,732
Acquisition of long-term available-for-sale financial assets		(414,978)	(86,616)	(364,367)	(76,052)
Proceeds from disposal of associates and joint ventures		277,907	44,832	244,014	39,364
Acquisition of associates and joint ventures		(243)	(180,916)	(213)	(158,852)
Purchases of property and equipment		(21,619,244)	(8,072,165)	(18,982,566)	(7,087,685)
Proceeds from disposal of property and equipment		1,228,007	100,899	1,078,240	88,593
Purchases of intangible assets		(1,259,895)	(550,053)	(1,106,238)	(482,969)
Proceeds from disposal of intangible assets		16,620	56,795	14,593	49,868
Payment for deposits		(420,986)	(466,323)	(369,643)	(409,450)
Proceeds from deposits		366,304	482,257	321,630	423,441
Business combination		47,549	290,218	41,750	254,823
Others		(204,904)	396,732	(179,916)	348,347
Net cash used in investing activities		(23,984,877)	(14,177,260)	(21,059,687)	(12,448,204)

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.25))

Notes	For the years ended December 31,			
	2010	2009	2010	2009
	KRW	KRW	USD	USD
Cash flows from financing activities				
Payment of dividends	(1,917,637)	(823,627)	(1,683,762)	(723,178)
Proceeds from treasury stock disposal	184,291	330,738	161,815	290,401
Net proceeds from (repayment of) short-term borrowings	868,156	(533,298)	762,276	(468,257)
Repayment of long-term borrowings	(304,074)	(400,562)	(266,989)	(351,710)
Proceeds from long-term borrowings	1,137,646	311,500	998,899	273,510
Others	(120,677)	(248,390)	(105,960)	(218,096)
Net cash used in financing activities	(152,295)	(1,363,639)	(133,721)	(1,197,330)
Effect of exchange rate changes	(48,118)	263,995	(42,249)	231,798
Net (decrease) increase in cash and cash equivalents	(358,511)	3,245,564	(314,787)	2,849,736
Cash and cash equivalents				
Beginning of the year	10,149,930	6,904,366	8,912,047	6,062,311
End of the year	9,791,419	10,149,930	8,597,260	8,912,047

The accompanying notes form 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)

2009 KRW	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, 2009	119,467	778,047	4,403,893	62,281,216	(6,607,692)	60,974,931	2,485,454	63,460,385
Profit for the period	-	-	-	9,571,598	-	9,571,598	188,952	9,760,550
Available-for-sale financial assets, net of tax	-	-	-	-	106,208	106,208	2,009	108,217
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	49,879	49,879	-	49,879
Foreign currency translation, net of tax	-	-	-	-	(745,835)	(745,835)	(73,967)	(819,802)
Total comprehensive income	-	-	-	9,571,598	(589,748)	8,981,850	116,994	9,098,844
Dividends	-	-	-	(808,948)	-	(808,948)	(14,678)	(823,626)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	-	-	-	52,356	52,356	163,589	215,945
Effect of business combinations	-	-	-	-	-	-	722,285	722,285
Disposal of treasury stock	-	-	-	-	504,031	504,031	-	504,031
Stock option activities	-	-	-	-	(172,874)	(172,874)	-	(172,874)
Others	-	-	-	21,381	12,326	33,707	6,505	40,212
Total transactions with owners	-	-	-	(787,567)	395,839	(391,728)	877,701	485,973
Balance at December 31, 2009	119,467	778,047	4,403,893	71,065,247	(6,801,601)	69,565,053	3,480,149	73,045,202

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.25))

2009 USD	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, 2009	104,897	683,157	3,866,795	54,685,412	(5,801,819)	53,538,442	2,182,329	55,720,771
Profit for the period	-	-	-	8,404,248	-	8,404,248	165,907	8,570,155
Available-for-sale financial assets, net of tax	-	-	-	-	93,255	93,255	1,764	95,019
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	43,796	43,796	-	43,796
Foreign currency translation, net of tax	-	-	-	-	(654,873)	(654,873)	(64,946)	(719,819)
Total comprehensive income	-	-	-	8,404,248	(517,822)	7,886,426	102,725	7,989,151
Dividends	-	-	-	(710,289)	-	(710,289)	(12,888)	(723,177)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	-	-	-	45,971	45,971	143,638	189,609
Effect of business combinations	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	-	-	-	-	-	-
Stock option activities	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	-	-	442,559	442,559	-	442,559
Stock option activities	-	-	-	-	(151,790)	(151,790)	-	(151,790)
Others	-	-	-	18,773	10,823	29,596	5,712	35,308
Total transactions with owners	-	-	-	(691,516)	347,563	(343,953)	770,657	426,704
Balance at December 31, 2009	104,897	683,157	3,866,795	62,398,144	(5,972,078)	61,080,915	3,055,711	64,136,626

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean Won)

2010 KRW	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, 2010	119,467	778,047	4,403,893	71,065,247	(6,801,601)	69,565,053	3,480,149	73,045,202
Profit for the period	-	-	-	15,799,035	-	15,799,035	347,490	16,146,525
Available-for-sale financial assets, net of tax	-	-	-	-	926,428	926,428	5,956	932,384
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	387,457	387,457	-	387,457
Foreign currency translation, net of tax	-	-	-	-	(211,802)	(211,802)	33,445	(178,357)
Total comprehensive income	-	-	-	15,799,035	1,102,083	16,901,118	386,891	17,288,009
Dividends	-	-	-	(1,858,994)	-	(1,858,994)	(71,869)	(1,930,863)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	-	-	-	-	-	(49,294)	(49,294)
Effect of business combinations	-	-	-	-	-	-	17,647	17,647
Disposal of treasury stock	-	-	-	-	1,060,990	1,060,990	-	1,060,990
Stock option activities	-	-	-	-	(84,762)	(84,762)	-	(84,762)
Others	-	-	-	9,262	(3,108)	6,154	(3,992)	2,162
Total transactions with owners	-	-	-	(1,849,732)	973,120	(876,512)	(107,508)	(984,120)
Balance at December 31, 2010	119,467	778,047	4,403,893	85,014,550	(4,726,398)	85,589,559	3,759,532	89,349,091

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.25))

2010 USD	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, 2010	104,897	683,157	3,866,795	62,398,145	(5,972,079)	61,080,915	3,055,711	64,136,626
Profit for the period	-	-	-	13,872,188	-	13,872,188	305,110	14,177,298
Available-for-sale financial assets, net of tax	-	-	-	-	813,441	813,441	5,230	818,671
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	340,203	340,203	-	340,203
Foreign currency translation, net of tax	-	-	-	-	(185,971)	(185,971)	29,366	(156,605)
Total comprehensive income	-	-	-	13,872,188	967,673	14,839,861	339,706	15,179,567
Dividends	-	-	-	(1,632,271)	-	(1,632,271)	(63,104)	(1,695,375)
Change in ownership interests, including new stock issues by consolidated subsidiaries	-	-	-	-	-	-	(43,282)	(43,282)
Effect of business combinations	-	-	-	-	-	-	15,495	15,495
Disposal of treasury stock	-	-	-	-	931,592	931,592	-	931,592
Stock option activities	-	-	-	-	(74,424)	(74,424)	-	(74,424)
Others	-	-	-	8,132	(2,729)	5,403	(3,505)	1,898
Total Transactions with owners	-	-	-	(1,624,139)	854,439	(769,700)	(94,396)	(864,096)
Balance at December 31, 2010	104,897	683,157	3,866,795	74,646,194	(4,149,967)	75,151,076	3,301,021	78,452,097

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Samsung Electronics Co., Ltd. ("SEC") was incorporated under the laws of the Republic of Korea to manufacture and sell semiconductors, LCDs, telecommunication products, and digital media products.

As of December 31, 2010, SEC's shares are listed on the Korea Stock Exchange, and its global depository receipts are listed on the London and Luxembourg Stock Exchange. SEC is domiciled in the Republic of Korea and the address of its registered office is Suwon, the Republic of Korea.

Consolidated Subsidiaries

The consolidated financial statements include the accounts of SEC and its controlled subsidiaries (collectively referred to as "the Company"). Controlled subsidiaries generally include those companies over which the Company exercises control. Control over an entity is presumed to exist when the Company owns, directly or indirectly through subsidiaries, over 50% of the voting rights of the entity, the Company has the power to govern the operating and financial policies of the entity through agreement or the Company has the power to appoint or remove the majority of the members of the board of the entity.

Outlined below is a full list of SEC's consolidated subsidiaries:

Area	Subsidiaries
Korea	Samsung Gwangju Electronics, STECO, SEMES, Samsung Electronics Service, Living Plaza, Samsung Electronics Logitech, SECRON, S-LCD, Samsung Electronics Hainan Fiberoptics Korea, Samsung Electronics Football Club, Samsung Mobile Display, World Cyber Games, Samsung Venture Capital Union #6, #7 and #14, Ray, GES
Americas	Samsung Electronics Canada (SECA), Samsung Electronics America (SEA), Samsung Electronics Latinoamerica (SELA), Samsung Electronics Mexico (SEM), Samsung Electronics Argentina (SEASA), Samsung Receivables (SRC), Samsung Semiconductor (SSI), Samsung Information Systems America (SISA), Samsung Telecommunications America (STA), Samsung International (SII), Samsung Austin Semiconductor (SAS), Samsung Mexicana (SAMEX), Samsung Electronics Latinoamerica Miami (SEMI), Samsung Electronica Columbia (SAMCOL), Samsung Electronica da Amazonia (SEDA), SEMES America (SEMESA), Samsung Electronics Chile (SECH), Samsung Electronics Peru (SEPR), Samsung Electronics Venezuela (SEVEN)

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries
Europe and Africa	<p> Samsung Electronics Iberia (SESA), Samsung Electronics Nordic (SENA), Samsung Electronics Hungarian (SEH), Samsung Electronics Portuguesa (SEP), Samsung Electronics France (SEF), Samsung Electronics (UK)(SEUK), Samsung Electronics Holding (SEHG), Samsung Electronics Italia (SEI), Samsung Electronics South Africa (SSA), Samsung Electronics Benelux (SEBN), Samsung Electronics LCD Slovakia (SELSK), Samsung Electronics Polska (SEPOL), Samsung Semiconductor Europe (SSEL), Samsung Electronics GmbH (SEG), Samsung Semiconductor Europe GmbH (SSEG), Samsung Electronics Austria (SEAG), Samsung Electronics Overseas (SEO), Samsung Electronics Europe Logistics (SELS), Samsung Electronics Rus (SER), Samsung Electronics Rus Company (SERC), Samsung Electronics Slovakia (SESK), Samsung Russia Service Center (SRSC), Samsung Electronics Rus Kaluga (SERK), Samsung Electronics Baltics (SEB), Samsung Electronics Ukraine Company (SEUC), Samsung Electronics KZ and Central Asia (SEKZ), Samsung Semiconductor Israel R&D Center(SIRC), Samsung Gulf Electronics (SGE), Samsung Electronics Ukraine (SEU), Samsung Electronics Limited (SEL), Samsung Telecoms (UK)(STUK), Samsung Electronics Kazakhstan (SEK), Samsung Electronics Turkey (SETK), Samsung Electronics Levant (SELV), Samsung Electronics Romania (SEROM), Samsung Electronics Czech and Slovak (SECZ), Samsung Electronics European Holding(SEEH), Samsung Electronics Morocco (SEMRC), Samsung Electronics Poland Manufacturing (SEPM), Samsung Electronics West Africa (SEWA), Samsung Electronics Greece (SEGR), Liquavista B.V.(LV), Liquavista UK (LVUK), Samsung Opto-Electronics GmbH (SOG) </p>
China	<p> Samsung Electronics Hong Kong (SEHK), Samsung Electronics Taiwan (SET), Samsung Electronics Huizhou (SEHZ), Samsung Electronics (Shandong) Digital Printing (SSDP), Samsung Electronics Suzhou Semiconductor (SESS), Suzhou Samsung Electronics (SSEC), Samsung Suzhou Electronics Export (SSEC-E), Samsung (China) Investment (SCIC), Tianjin Samsung Electronics (TSEC), Tianjin Samsung Telecom Technology (TSTC), Samsung Electronics Suzhou LCD (SESL), Samsung Electronics Suzhou Computer (SESC), Shanghai Samsung Semiconductor (SSS), Shenzhen Samsung Kejian Mobile Telecommunication Technology (SSKMT), Samsung Electronics Hainan Fiberoptics (SEHF), Samsung Electronics (Beijing) Service (SBSC), Samsung Semiconductor (China) R&D (SSCR), Beijing Samsung Telecom R&D Center (BST), Samsung Electronics Shanghai Telecommunication (SSTC), Samsung Electronics Shenzhen (SESZ), Samsung Electronics China R&D Center (SCRC), Dongguan Samsung Mobile Display (DSMD), Tianjin Samsung Mobile Display (TSMD), Samsung Guangzhou Mobile R&D Center (SGMC), Tianjin Samsung Opto-Electronics (TSOE), Samsung Tianjin Mobile R&D (STMC), Liquavista HK (LVHK) </p>

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries
Rest of Asia	<p>Samsung Yokohama Research Institute (SYRI), Samsung Electronics Australia (SEAU), Samsung Electronics Indonesia (SEIN), Samsung Asia (SAPL), Samsung Electronics Asia Holding (SEAH), Samsung Electronics Display (M)(SDMA), Samsung Electronics (M)(SEMA), Samsung Vina Electronics (SAVINA), Samsung India Electronics (SIEL), Thai Samsung Electronics (TSE), Samsung Electronics Philippines (SEPCO), Batino Realty Corporation (BRC), Samsung Electronics Philippines Manufacturing (SEPHIL), Samsung Japan (SJC), Samsung Telecommunications Indonesia (STIN), Samsung Malaysia Electronics (SME), Samsung Electronics Vietnam (SEV), Samsung India Software Operations (SISO), Samsung Telecommunications Japan (STJ), Samsung Telecommunications Malaysia (STM) Samsung Bangladesh R&D (SBRC)</p>

Changes in scope of consolidation

(a) Subsidiaries newly included in consolidation for the year ended December 31, 2010, as follows:

Location	Name of Subsidiaries	Remark
Korea	<p>Ray (RAY)</p> <p>Global Engineering Solutions (GES)</p>	<p>Newly acquired</p> <p>Newly acquired</p>
Americas	<p>Samsung Electronics Peru S.A.C (SEPR)</p> <p>Samsung Electronics Venezuela (SEVEN)</p>	<p>Newly incorporated</p> <p>Newly incorporated</p>
Europe and Africa	<p>Samsung Electronics Greece (SEGR)</p> <p>Samsung Electronics West Africa (SEWA)</p> <p>Samsung Opto-Electronics GmbH (SOG)</p> <p>Liquavista B.V. (LV)</p> <p>Liquavista UK (LVUK)</p>	<p>Newly incorporated</p> <p>Newly incorporated</p> <p>Newly acquired</p> <p>Newly acquired</p> <p>Newly acquired</p>
Asia	Samsung Bangladesh R&D (SBRC)	Newly incorporated
China	<p>Samsung Guangzhou Mobile R&D Center (SGMC)</p> <p>Tianjin Samsung Opto-Electronics Company (TSOE)</p> <p>Samsung Tianjin Mobile R&D (STMC)</p> <p>Liquavista HK (LVHK)</p>	<p>Newly incorporated</p> <p>Newly acquired</p> <p>Newly incorporated</p> <p>Newly acquired</p>

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Details of subsidiaries deconsolidated for the year ended December 31, 2010, are as follows:

Location	Name of Subsidiaries	Remark
China	Tianjin Tongguan Samsung Electronics (TTSEC)	Merged
	Tianjin Samsung Electronics Display (TSED)	Merged

2. Summary of Significant Accounting Policies

The Company first adopted the International Financial Reporting Standards as adopted by Republic of Korea ("Korean IFRS") from January 1, 2010 (the date of transition: January 1, 2009). These standards have been consistently applied to 2009 comparative financial information presented.

The principles used in the preparation of these financial statements are based on Korean IFRS and interpretations effective as of December 31, 2010 or standards that will be enforceable after December 31, 2010 but which the Company has decided to early adopt.

Principal adjustments made by the Company in restating its previously published financial statements in accordance with generally accepted accounting principle in the Republic of Korea ("Korean GAAP") are described in Note 3.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.1 Basis of Presentation

The Company prepares its financial statements in accordance with International Financial Reporting Standards as adopted by Korea ("Korean IFRS"). These are those standards, subsequent amendments and related interpretations issued by the IASB that have been adopted by Korea.

First-time adoption of Korean IFRS is set out under Korean IFRS 1101, *First-time Adoption of International Financial Reporting*. Korean IFRS 1101 requires application of the same accounting policies to the opening statement of financial position and for the periods when the first comparative financial statements are disclosed. In addition, mandatory exceptions and optional exemptions which have been applied by the Company are described in Note 3.

There are a number of standards, amendments and interpretations, which have been issued but not yet come into effect. The Company does not expect that the adoption of these new standards, interpretations and amendments will have a material impact on the financial condition and results of operations.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted.

The Company's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

'Revised IAS 24 (revised), 'Related party disclosures'. It supersedes IAS 24, 'Related party disclosures'. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The Company will apply the revised standard from January 1, 2011. When the revised standard is applied, the Company and the parent will need to disclose any transactions between its subsidiaries and its associates. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

'Classification of rights issues' (amendment to IAS 32). The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Company will apply the amended standard from January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

'IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company will apply the interpretation from January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

'Prepayments of a minimum funding requirement'(amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. The Company will apply these amendments for the financial reporting period commencing on January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 Consolidation

1) 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 currently exercisable or convertible are considered in determining whether the Company controls another entity. 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. All inter-company transactions and balances are eliminated as part of the consolidation process. For each business combination, the Company shall measure any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

2) Transactions and 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. And 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).

3) Associated companies and joint ventures

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 on acquisition, net of any accumulated impairment loss. Investments in companies in which the Company has joint control are also accounted for using the equity method.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in other reserves is recognized in other reserves. The cumulative post-acquisition movements are adjusted against 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.

Unrealized gains and loss on transactions between the Company and its associates are eliminated to the extent of the parent company's interest in the associates and joint ventures. 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 group.

Any dilution gains and losses arising in investments in associates and joint ventures are recognized in the statement of income.

2.3 Foreign currency translation

1) 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 an entity operates ('the functional currency'). The consolidated financial statements are presented in Korean Won, which is the SEC's functional currency.

2) 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 in the statement of income, except when deferred in equity 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 such as equities 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-sale are included in other comprehensive income.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3) Foreign subsidiaries

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 for each statement of financial position presented 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 and presented as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and presented as a separate component of equity. When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are recognized in the statement of income where there is a loss of control.

2.4 Cash flow statements

Cash flow statements are prepared using the indirect method. Foreign currency cash flows have been translated into Korean Won using the average rates of exchange for the period under consideration.

2.5 Cash and cash equivalents

The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Bank overdrafts are considered as short-term borrowings in the statement of financial position and treated as financing activities in the cash flow statements, unless the overdraft is repayable on demand and used for cash management purposes only, in which case the overdraft is treated as cash and cash equivalents in the cash flow statement.

2.6 Financial assets

1) 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.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) 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 are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) 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; such loans and receivables are classified as non-current assets.

(c) 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.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

2) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. 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. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. 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 category are presented 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 in the statement of income when the Company's right to receive payments is established.

Samsung Electronics Co., Ltd. and Subsidiaries

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Equity instruments of which the fair value cannot be measured reliably are recognized as cost. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised 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. Interest on available-for-sale 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 equity instruments are recognized in the statement of income as part of other operating income when the Company's right to receive payments is established.

3) 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.

4) 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 incurred 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 (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 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. 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.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Assets 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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. 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.

2.7 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 noncurrent assets. Non-current trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established based on a periodic review of all outstanding amounts when there is evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that a trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognized in the statement of income within selling, general and administrative expenses. When a trade receivable is uncollectible, bad debts are written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses in the statement of income.

In the event of sale of receivables and factoring, the Company derecognizes receivables when the Company has given up control or continuing involvement.

2.8 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.

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Inventories are reduced for the estimated losses arising from excess, obsolescence, and the 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.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is 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.

Capitalized interest is added to the cost of the underlying assets. The acquisition cost of property, plant and equipment acquired under a finance lease is determined at the lower of the present value of the minimum lease payments and the fair market value of the leased asset at the inception of the lease. Property, plant and equipment acquired under a finance lease, leasehold improvements are depreciated over the shorter of the lease term or useful life.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

The assets' 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.

2.10 Intangible assets

1) 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Capitalized development costs

The Company capitalizes certain development costs when outcome of 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 overhead, are amortized by straight-line method over their useful lives. In presentation, accumulated amortization amount and accumulated impairment amount are deducted from capitalized costs associated with development activities.

3) Other intangible assets

Patents, trademarks, software licenses for internal use are capitalized and amortized using straight-line method over their useful lives, generally 5 to 10 years. Certain club membership is 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; such asset is not amortized. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down its recoverable amount.

2.11 Impairment of non-financial assets

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.

2.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs. Borrowings 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.13 Employee benefits

1) Retirement benefit obligation

The Company has either defined benefit or defined contribution plans at respective company level. 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. 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 liability recognized in the statement financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. 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 are recognized using the corridor approach. The company recognizes actuarial gains and losses in excess of a de minimis over the remaining working lives of employees. The de minimis amount, which is also referred to as the 'corridor limit', is the greater of ten per cent of the present value of the defined benefit obligation at the end of the previous reporting period (before deducting plan assets) and ten per cent of the fair value of any plan assets at that date.

For defined contribution plans, the Company pays contributions on a mandatory, contractual or voluntary basis. The Company has no further 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.

2) Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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2.14 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 passage of time is recognized as interest expense.

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, 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.

2.15 Leases

The Company leases certain property, plant and equipment. Lease of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding balance. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.16 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.

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2.17 Dividend distribution

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

2.18 Share-based compensation

The Company uses the fair-value method in determining compensation costs of stock options granted to its employees and directors. The compensation cost is estimated using the Black-Scholes option-pricing model and is accrued and charged to expense over the vesting period, with a corresponding increase in a separate component of equity.

2.19 Revenue recognition

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

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.

1) 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.

2) 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.

The Company enters into transactions involving multiple components consisting of any combination of goods, services, etc. The commercial effect of each separately identifiable component of the transaction is evaluated in order to reflect the substance of the transaction. The consideration received from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. The Company determines the fair value of each component by taking into consideration factors such as the price when component or a similar component is sold separately by the Company or a third party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3) 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.

2.20 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.

2.21 Income tax expense and deferred taxes

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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2.22 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.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for making strategic decisions on resource allocation and performance assessment of the operating segments, has been identified as the company's Management Committee.

2.24 Critical estimates and judgments

The preparation of consolidated financial statements requires management to exercise significant judgment and assumptions based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. 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.

1) 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.

2) Provision for warranty (note 16)

The Company recognizes provision for warranty at the point of recording related revenue. The company accrues provision for warranty based on the best estimate of amounts necessary to settle future and existing claims on products sold as of each balance sheet date. Continuous release of products, that are more technologically complex and changes in local regulations and customs could result in additional allowances being required in future periods.

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3) Estimated impairment of goodwill (note 12, 33)

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 2.11. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4) Legal contingencies (note 17)

Legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against the Company. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

2.25 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 ₩1,138.90 to US \$1, the exchange rate in effect on December 31, 2010. 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.

2.26 These consolidated financial statements were approved by the Board of Directors on January 28, 2011.

3. Transition to International Financial Reporting Standards as adopted by the Republic of Korea from Generally Accepted Accounting Principle in the Republic of Korea.

The Company adopted Korean IFRS from the fiscal year 2010 (the date of first-time adoption to Korean IFRS: January 1, 2010). The comparison year, 2009, is restated in accordance with Korean IFRS 1101, *First-time adoption of international financial reporting standards* (the date of transition to Korean IFRS: January 1, 2009).

Significant differences in accounting policies

Significant differences between the accounting policies chosen by the Company under Korean IFRS and under previous Korean GAAP are as follows:

1) First time adoption of Korean IFRS

The Company elected the following exemptions upon the adoption of Korean IFRS in accordance with Korean IFRS 1101, *First-time adoption of international financial reporting standards*:

a) Business combination: Past business combinations that occurred before the date of transition to Korean IFRS will not be retrospectively restated under Korean IFRS 1103, *Business combinations*.

b) Fair value as deemed cost: The Company elects to measure certain land assets at fair value at the date of transition to Korean IFRS and use the fair value as its deemed cost. Valuations were made on the basis of recent market transactions on the arm's length terms by independent valuers.

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c) Cumulative translation differences: All cumulative translation gains and losses arising from foreign subsidiaries and associates as of the date of transition to Korean IFRS are reset to zero.

d) Employee benefits: The Company elected to use the 'corridor' approach for actuarial gains and losses and all cumulative actuarial gains and losses have been recognized at the date of transition to Korean IFRS.

2) Employee benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with SEC, its Korean subsidiaries and certain foreign subsidiaries, based on their length of service and rate of pay at the time of termination. Under the previous severance policy pursuant to Korean GAAP, Accrued severance benefits represented the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the end of the reporting period. However, under Korean IFRS, the liability is determined based on the present value of expected future payments calculated and reported using actuarial assumptions.

3) Capitalization of development costs

Under Korean GAAP the Company recorded expenditures related to research and development activities as current expense. Under Korean IFRS if such costs related to development activities meet certain criteria they are recorded as intangible assets.

4) Goodwill or bargain purchase arising from business combinations

Under Korean GAAP, the Company amortizes goodwill or recognizes a gain in relation to bargain purchase (negative goodwill¹) acquired as a result of business combinations on a straight-line method over five years from the year of acquisition. Under Korean IFRS, goodwill is not amortized but reviewed for impairment annually. Bargain purchase is recognized immediately in the statement of income. The impact of this adjustment is included within "other" adjustment in the tables below.

¹ Negative goodwill under Korean GAAP is referred to as bargain purchase under Korean IFRS

5) Derecognition of financial assets

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under Korean IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

6) Deferred Tax

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse. Under Korean IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

In addition, there is a difference between Korean IFRS and Korean GAAP in terms of recognition of deferred tax assets or liabilities relating to investments in subsidiaries. Under Korean GAAP there is specific criteria as to when deferred tax assets and liabilities relating to investments in subsidiaries should be recognized, whereas

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under Korean IFRS, the related deferred tax assets or liabilities are recognized according to sources of reversal of the temporary differences.

7) Changes in scope of consolidation

At the date of transition, changes in the scope of consolidation as a result of adoption of Korean IFRS are as follows:

Changes	Description	Name of Entity
Newly added	Under the former ' <i>Act on External Audit of Stock companies</i> ' in the Republic of Korea, companies those whose total assets are less than 10 billion Korean Won were not subject to consideration, but they are subject to consolidation under Korean IFRS.	World Cyber Games, Samsung Electronics Football Club, SEMES America, Samsung Electronics Ukraine, Samsung Electronics Romania, Samsung Electronics Kazakhstan, Samsung Electronics Czech and Slovak s.r.o. Samsung Electronics Levant, Samsung Electronics European Holding, Batino Realty Corporation, Samsung Telecommunications Malaysia, Samsung Electronics Shenzhen, Samsung Electronics China R&D Center, Samsung Electronics Limited, Samsung Electronics Poland Manufacturing, Samsung Telecoms(UK)
Newly added	Under Korean GAAP, a union is not regarded as a legal entity and excluded from scope of consolidation. However, it is subject to consolidation under Korean IFRS.	Samsung Venture Capital Union #6, #7 and #14
Excluded	Under Korean GAAP, entities where the Company owns more than 30% of shares and is the largest shareholder with the largest voting rights were included in scope of consolidation. Under Korean IFRS, such entities are not subject to consolidation unless control over the entity is established.	Samsung Card

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The effects of the adoption of Korean IFRS on financial position, Comprehensive income and cash flows of the Company

(a) Adjustments to the statement of financial position as of the date of transition, January 1, 2009.

<i>(In millions of Korean Won)</i>	Asset	Liabilities	Equity
Korean GAAP	₩ 105,300,650	₩ 42,376,696	₩ 62,923,954
Adjustments:			
Change in scope of consolidation	(12,972,168)	(10,649,400)	(2,322,768)
Fair valuation of land (*)	3,816,293	927,141	2,889,152
Derecognition of financial asset	1,807,675	1,807,675	-
Capitalization of development costs	200,478	-	200,478
Pension and compensated absence	-	186,978	(186,978)
Deferred tax on investments in equity and reclassification to non-current	(1,434,287)	(1,332,886)	(101,401)
Effect of the adoption of IFRS for jointly controlled entities and associates	155,163	-	155,163
Other	(95,064)	-	(95,064)
Tax-effect on adjustments	(141)	2,010	(2,151)
Total	(8,522,051)	(9,058,482)	536,431
Korean IFRS	₩ 96,778,599	₩ 33,318,214	₩ 63,460,385

(*) The adjustment includes the effect of deferred tax

(b) The effect of the adoption of Korean IFRS on financial position and comprehensive income of the Company as of and for the year ended December 31, 2009.

<i>(In millions of Korean Won)</i>	Assets	Liabilities	Equity	Comprehensive income
Korean GAAP	₩ 118,281,488	₩45,227,196	₩73,054,292	₩9,700,671
Adjustments:				
Change in scope of consolidation	(10,120,256)	(7,372,830)	(2,747,426)	(489,504)
Fair valuation of land (*)	3,804,404	924,525	2,879,879	(9,273)
Derecognition of financial asset	754,969	754,969	-	-
Capitalization of development costs	214,451	-	214,451	13,973
Pension and compensated absence	-	153,357	(153,357)	33,621
Deferred tax on investments in equity and reclassification to non-current	(874,056)	(564,016)	(310,040)	(200,099)
Effect of the adoption of IFRS for Jointly controlled entities and associates	266,742	-	266,742	111,579
Other	(143,058)	-	(143,058)	(47,994)
Tax-effect on adjustments	(4,895)	11,386	(16,281)	(14,130)
Total	(6,101,699)	(6,092,609)	(9,090)	(601,827)
Korean IFRS	₩112,179,789	₩ 39,134,587	₩ 73,045,202	₩ 9,098,844

(*) The adjustment includes the effect of deferred tax

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(c) Adjustments to the statement of cash flows for the year ended December 31, 2009

According to Korean IFRS 1007, *Cash Flow Statements*, cash flows from interest, dividends received and taxes on income shall each be disclosed separately. The comparison year, 2009, is restated in accordance with Korean IFRS. There are no other significant differences between cash flows under Korean IFRS and those under previous Korean GAAP for the year ended December 31, 2009.

4. Cash and cash equivalent

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of less than three months.

5. Financial assets subject to withdrawal restrictions

Short and long-term financial instruments subject to withdrawal restrictions as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>		2010		2009		2009. 1. 1
(1) Short-term financial instruments	₩	46,371	₩	69,165	₩	37,680
Government grant		32,923		54,336		24,505
Others		13,448		14,829		13,175
(2) Long-term financial instrument		26		26		20
Special Deposit		18		18		11
Others		8		8		9

6. Financial instruments by category

Financial instruments by category as of December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	Assets at fair value through the profit and loss		Loans and receivables		Available-for-sale financial assets		Held-to-maturity investments		Total	Fair value
Assets										
Cash and cash equivalents	₩	-	₩	9,791,419	₩	-	₩	-	₩ 9,791,419	₩ 9,791,419
Short-term financial instruments		-		11,529,392		-		-	11,529,392	11,529,392
Available-for-sale financial assets		-		-		4,199,358		-	4,199,358	4,199,358
Trade and other receivables		-		21,308,834		-		-	21,308,834	21,308,834
Other financial assets (*)		34,458		1,669,433		-		-	1,703,891	1,703,891
Total	₩	34,458	₩	44,299,078	₩	4,199,358	₩	-	₩48,532,894	₩48,532,894

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<i>(In millions of Korean Won)</i>	Liabilities at fair value through the profit and loss		Financial liabilities measured at amortized cost		Total		Fair value	
Liabilities								
Trade and other payables	₩	-	₩	16,049,800	₩	16,049,800	₩	16,049,800
Short-term borrowings				8,429,721		8,429,721		8,429,721
Current portion of long-term borrowings and debentures				1,123,934		1,123,934		1,123,934
Non-current Debentures		-		587,338		587,338		587,338
Non-current portion of long- term borrowings		-		634,381		634,381		634,381
Other financial liabilities**		24,638		8,862,228		8,886,866		8,886,866
Total	₩	24,638	₩	35,687,402	₩	35,712,040	₩	35,712,040

Financial instruments by category as of December 31, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	Assets at fair value through the profit and loss		Loans and receivables		Available-for- sale financial assets		Held-to- maturity investments		Total		Fair value	
Assets												
Cash and cash equivalents	₩	-	₩	10,149,930	₩	-	₩	-	₩	10,149,930	₩	10,149,930
Short - term finance instruments		-		8,629,113		-		-		8,629,113		8,629,113
Available-for-sale financial assets		-		-		3,593,558		-		3,593,558		3,593,558
Trade and other receivables		-		19,796,779		-		-		19,796,779		19,796,779
Other financial Assets(*)		16,242		1,404,935		-		-		1,421,177		1,421,177
Total	₩	16,242	₩	39,980,757	₩	3,593,558	₩	-	₩	43,590,557	₩	43,590,557

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<i>(In millions of Korean Won)</i>	Liabilities at fair value through the profit and loss		Financial liabilities measured at amortized cost		Total		Fair value	
Liabilities								
Trade and other payables	₩	-	₩	13,542,626	₩	13,542,626	₩	13,542,626
Short-term borrowings		-		7,780,007		7,780,007		7,780,007
Current portion of long-term borrowings and debentures		-		234,327		234,327		234,327
Non-current portion of Debentures		-		224,183		224,183		224,183
Non-current portion of long- term borrowings		-		1,156,094		1,156,094		1,156,094
Other financial liabilities**		15,122		7,778,445		7,793,567		7,793,567
Total	₩	15,122	₩	30,715,682	₩	30,730,804	₩	30,730,804

Financial instruments by category as of January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	Assets at fair value through the profit and loss		Loans and receivables		Available-for- sale financial assets		Held-to- maturity investments		Total		Fair value	
Assets												
Cash and cash equivalents	₩	-	₩	6,904,366	₩	-	₩	-	₩	6,904,366	₩	6,904,366
Short - term finance instruments		-		3,575,942		-		-		3,575,942		3,575,942
Available-for-sale financial assets		-		-		2,251,002		-		2,251,002		2,251,002
Trade and other receivables		-		15,366,544		-		-		15,366,544		15,366,544
Other financial assets(*)		59,105		1,365,039		-		-		1,424,144		1,424,144
Total	₩	59,105	₩	27,211,891	₩	2,251,002	₩	-	₩	29,521,998	₩	29,521,998

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<i>(In millions of Korean Won)</i>	Liabilities at fair value through the profit and loss		Financial liabilities measured at amortized cost		Total		Fair value	
Liabilities								
Trade and other payables	₩	-	₩	10,123,749	₩	10,123,749	₩	10,123,749
Short-term borrowings		-		9,054,543		9,054,543		9,054,543
Current portion of long-term borrowings and debentures		-		20,449		20,449		20,449
Non-current portion of Debentures		-		171,045		171,045		171,045
Non-current portion of long- term borrowings		-		969,839		969,839		969,839
Other financial liabilities**		63,119		6,228,010		6,291,129		6,291,129
Total	₩	63,119	₩	26,567,635	₩	26,630,754	₩	26,630,754

(*) Other financial assets consist of amounts included in other current assets, deposits, and other non-current assets in the statement of financial position, and do not include investments in joint-ventures and associated companies.

(**) Other financial liabilities consist of amounts included in accrued expenses, long term trade and other payables, other current and non-current liabilities and withholdings, excluding items which are non-financial.

The following table presents the assets and liabilities that are measured at fair value at 31 December 2010.

<i>(In millions of Korean Won)</i>	Level 1		Level 2		Level 3		Total balance	
Short-term derivatives	₩	-	₩	34,458	₩	-	₩	34,458
Available-for-sale financial assets(*)		3,823,234		49,765		326,359		4,199,358
Total assets		3,823,234		84,223		326,359		4,233,816
Short-term derivatives		-		24,638		-		24,638
Total liabilities	₩	-	₩	24,638	₩	-	₩	24,638

The following table presents the assets and liabilities that are measured at fair value at 31 December 2009.

<i>(In millions of Korean Won)</i>	Level 1		Level 2		Level 3		Total balance	
Short-term derivatives	₩	-	₩	16,242	₩	-	₩	16,242
Available-for-sale financial assets(*)		3,334,089		30,496		228,973		3,593,558
Total assets		3,334,089		46,738		228,973		3,609,800
Short-term derivatives		-		15,122		-		15,122
Total liabilities	₩	-	₩	15,122	₩	-	₩	15,122

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The following table presents the assets and liabilities that are measured at fair value at 1 January 2009.

<i>(In millions of Korean Won)</i>	Level 1		Level 2		Level 3		Total balance
Short-term derivatives	₩	-	₩	59,105	₩	-	₩ 59,105
Available-for-sale financial assets(*)		2,051,371		1,770		197,861	2,251,002
Total assets		2,051,371		60,875		197,861	2,310,107
Short-term derivatives		-		63,119		-	63,119
Total liabilities	₩	-	₩	63,119	₩	-	₩ 63,119

(*) Investments in Samsung Life Insurance and iMarket Korea, classified as available-for-sale financial assets, were listed during 2010, ₩94,102 million of level 3 as of December 31, 2009 and January 1, 2009 was transferred to level 1 (₩238,238 million as of December 31, 2010).

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 group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise 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.

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7. Available-for-sale financial assets

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

<i>(In millions of Korean Won)</i>	2010	2009
Balance as of January 1	₩ 3,593,558	₩ 2,251,002
Translation & exchange difference	447	(2,567)
Acquisitions/additions	3,815,003	3,863,353
Dispositon/redemptions/reductions	(4,378,927)	(2,661,867)
Valuation(losses)	1,193,297	143,637
Impairment loss	(10,719)	-
Others	(13,301)	-
Balance as of December 31	₩ 4,199,358	₩ 3,593,558
(1) Current	1,159,152	2,104,420
(2) Non-current	3,040,206	1,489,138
	₩ 4,199,358	₩ 3,593,558

(1) Short-Term Available-For-Sale Financial Assets

Short-term available-for-sale financial assets as of December 31, 2010, 2009 and January 1, 2009, consist of national bonds and beneficiary certificates whose maturities are within 1 year.

<i>(In millions of Korean Won)</i>	2010	2009	2009. 1. 1
National Bonds	₩ 8	₩ -	₩ -
Beneficiary certificates ¹	1,159,144	2,104,420	982,067
	₩ 1,159,152	₩ 2,104,420	₩ 982,067

¹ Beneficiary certificates as of December 31, 2010, 2009 and January 1, 2009, consist of the following

<i>(In millions of Korean Won)</i>	2010	2009	2009. 1. 1
Bonds	₩ 995,400	₩ 1,569,532	₩ 622,911
Time deposits	100,572	390,738	127,307
Certificates of deposit	39,708	118,689	231,561
Call loan	9,606	8,670	157
Others	13,858	16,791	131
	₩ 1,159,144	₩ 2,104,420	₩ 982,067

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For the years ended December 31, 2010 and 2009, changes in valuation gain(loss) on short-term available-for-sale securities are as follows:

<i>(In millions of Korean Won)</i>	2010		2009	
Balance at January 1	₩	4,420	₩	12,067
Valuation amount		9,144		4,420
Net gains transfer from equity		4,420		12,067
Balance at December 31		9,144		4,420
Deferred income tax and minority interest		(2,213)		(1,070)
	₩	6,931	₩	3,350

(2) Long-Term Available-For-Sale Financial Assets

Long-term available-for-sale financial assets as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>		2010		2009		2009. 1. 1
	Detail	Acquisition Cost	Recorded Book Value	Recorded Book Value	Recorded Book Value	Recorded Book Value
Listed equities ¹	1)	₩ 703,138	₩ 2,664,082	₩ 1,229,669	₩ 1,069,304	
Non-listed equities ^{1, 2}	2)	234,894	326,359	228,973	197,861	
Government and public bonds and others		49,765	49,765	30,496	1,770	
		₩ 987,797	₩ 3,040,206	₩ 1,489,138	₩ 1,268,935	

¹ Excludes associates and joint ventures.

² The company measures available-for-sale financial assets, at their fair values. For an investment in equity instruments that do not have a quoted market price in an active market and its fair value cannot be measured reliably, it is measured at cost.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) Listed equities

Listed equities as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

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

			2010			2009	2009. 1. 1
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value	Recorded Book Value	Recorded Book Value	Recorded Book Value
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩ 1,675,836	₩1,675,836	₩ 984,350	₩919,269
Samsung Fine Chemicals	2,164,970	8.4	45,678	179,476	179,476	101,862	83,243
Samsung Life Insurance ¹	1,315,880	0.7	92,112	134,878	134,878	-	-
iMarket Korea ¹	3,800,000	10.6	1,900	103,360	103,360	-	-
Hotel Shilla	2,004,717	5.0	13,957	55,631	55,631	41,297	25,761
Cheil Worldwide	2,998,725	2.6	2,920	41,532	41,532	37,784	23,390
A-Tech Solution	1,592,000	15.9	26,348	33,432	33,432	32,636	-
SFA	1,822,000	10.0	38,262	89,278	89,278	-	-
SNU Pricision	1,075,446	5.3	14,204	18,874	18,874	-	-
Rambus	9,576,250	8.3	185,363	223,363	223,363	-	-
Others			24,095	108,422	108,422	31,740	17,641
			₩ 703,138	₩ 2,664,082	₩2,664,082	₩1,229,669	₩1,069,304

¹ Certain investees including Samsung Life Insurance and iMarket Korea, were listed during the current year.

The differences between the acquisition cost and fair value of the investment is recorded under other reserves, a separate component of equity.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Non-listed equities

Non-listed equities as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

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

	2010			2009		2009. 1. 1
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Recorded Book Value	Recorded Book Value	Recorded Book Value
Kihyup Technology	1,000,000	17.2	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Pusan Newport	1,135,307	1.0	5,677	5,677	5,677	5,677
Samsung Venture	980,000	16.3	4,900	5,223	4,900	4,900
Samsung Life Insurance	-	-	-	-	92,112	92,112
Samsung Petrochemical	514,172	13.0	8,040	58,940	8,040	8,040
Samsung General Chemicals	1,914,251	3.9	19,143	65,322	13,864	13,864
iMarketKorea	-	-	-	-	1,900	1,900
icube Investment	40	16.2	4,000	4,000	4,000	-
Yong Pyong Resort	400,000	1.1	1,869	1,869	1,869	1,869
Korea Digital Satellite	240,000	0.7	3,344	3,000	3,000	3,000
SK Telink(TU Media) ¹	14,609	1.1	4,357	4,357	15,076	15,076
Nanosys	13,100,436	12.5	17,861	17,861	-	-
WIC	600,000	18.5	60,000	60,000	-	-
Others			100,703	95,110	73,535	46,423
			₩ 234,894	₩ 326,359	₩ 228,973	₩ 197,861

¹TU Media was merged into SK Telink in the year 2010

Impairment losses on non-listed equities resulting from the decline in realizable value below the acquisition cost amounted to ₩10,719 million for the year ended December 31, 2010.

As of December 31, 2010, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009, changes in valuation gain (loss) on long-term available-for-sale securities are as follows:

<i>(In millions of Korean Won)</i>	2010		2009	
Balance at January 1	₩	874,036	₩	734,819
Valuation Amount		1,184,153		139,217
Balance at December 31		2,058,189		874,036
Deferred income tax and minority interest		(457,085)		(195,778)
	₩	1,601,104	₩	678,258

8. Trade and other receivables

Substantially 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 effect of discount being insignificant.

Trade and other receivables of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010		2009		2009. 1. 1	
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Receivables excluding associates and joint ventures	₹ 19,277,300	₹ 2,171,115	₹ 17,926,719	₹ 2,049,336	₹ 13,915,906	₹ 1,524,129
Receivables related to associated companies and joint ventures	61,587	8,638	43,788	10,293	42,560	31,484
Less: Allowances for impairment	(185,758)	(19,585)	(129,078)	(26,510)	(89,987)	(30,816)
Trade receivables, net	₹ 19,153,129	₹ 2,160,168	₹ 17,841,429	₹ 2,033,119	₹ 13,868,479	₹ 1,524,797
Less: Non-current receivables	(15)	(4,448)	(22,689)	(55,080)	(17,158)	(9,574)
Current receivables	₹ 19,153,114	₹ 2,155,720	₹ 17,818,740	₹ 1,978,039	₹ 13,851,321	₹ 1,515,223

The Company transferred receivable balances to financial institutions in exchange for cash. The outstanding balance of transferred receivable balances amounting to ₩5,090,433 million, ₩5,355,185 million and ₩5,533,419 million has been accounted for as borrowings as of December 31, 2010, 2009 and January 1, 2009.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(In millions of Korean Won)</i>	2010		2009	
	Trade	Non-Trade	Trade	Non-Trade
Balance on January 1	₩ (129,078)	₩ (26,510)	₩ (89,987)	₩ (30,816)
Provision for receivables impairment	(100,912)	(10,561)	(97,203)	(5,565)
Receivables written off during the year as uncollectible	10,909	10,668	31,108	5,700
Unused amounts reversed	32,062	7,776	24,246	3,520
Translation difference	1,261	(958)	2,758	651
Balance on December 31	₩ (185,758)	₩ (19,585)	₩ (129,078)	₩ (26,510)

The company does not consider receivables that are overdue for less than or equal to 31 days as impaired.

Trade and other receivables that are overdue for less than or equal to 31 days are as follows:

<i>(In millions of Korean Won)</i>	2010	2009	2009. 1. 1
Trade receivables	₩ 1,065,603	₩ 1,078,189	₩ 1,261,800
Other receivables	93,326	58,251	73,714

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, 2010, the Company has credit insurance with Korea Trade Insurance and overseas insurance companies against its export accounts receivables from approved foreign customers.

9. Inventories

Inventories, net of valuation losses, as of December 31, 2010, 2009 and January, 1 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010	2009	2009. 1. 1
Finished goods	₩ 4,511,391	₩ 3,010,502	₩ 3,064,671
Work in Process	2,619,713	1,901,363	1,948,698
Raw materials and supplies	4,159,842	3,188,373	3,136,361
Materials-in-transit	2,073,578	1,739,091	1,248,345
Total	₩ 13,364,524	₩ 9,839,329	₩ 9,398,075

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2010, losses from valuation of inventories amounted to ₩524,850 million (December 31, 2009: ₩369,033 million, January 1, 2009: ₩651,085 million).

As of December 31, 2010, losses from obsolescence and scrappage of inventories amounted to 1,284,956 million (December 31, 2009: ₩458,826 million, January 1, 2009: ₩506,319 million).

10. Associates and Joint Ventures

Associates and Joint Ventures as of December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	2010	2009
At January 1	₩ 7,334,705	₩ 5,912,930
Acquisition of Associates and Joint Ventures	243	180,916
Disposal of Associates and Joint Ventures	(216,733)	(44,832)
Share of profit ¹	2,267,091	1,713,299
Others ²	(1,050,016)	(427,608)
At December 31	₩ 8,335,290	₩ 7,334,705

¹ Share of profit/(loss) is after tax and minority interest in associates.

² Others consist of dividends and effect of change in foreign exchange rates. For the year ended December 31, it also includes effect from combination of Samsung SDS and Samsung Networks.

Financial information of associates and joint ventures as of and for the year ended December 31, 2010, 2009 and January 1, 2009, follows:

1) Associates

<i>(In millions of Korean Won)</i>		2010			
Investee	Percentage of Ownership (%)	Assets	Liabilities	Sales	Proportionate Net Income
Samsung Card	35.3	₩ 14,246,893	₩ 8,057,223	₩ 3,171,971	₩ 1,199,091
Samsung Electro-Mechanics	22.8	6,972,461	3,169,622	7,180,831	666,716
Samsung SDI	19.7	7,933,567	1,702,446	5,124,275	385,112
Samsung SDS	21.3	3,653,483	1,013,265	4,329,994	327,635
Samsung LED	50.0	1,339,988	788,624	1,317,753	204,399

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Korean Won)

2009

Investee	Percentage of Ownership (%)	Assets	Liabilities	Sales	Proportionate Net Income
Samsung Card	35.3	₩ 13,462,265	₩ 8,957,605	₩ 2,716,224	₩ 612,030
Samsung Electro-Mechanics	22.8	4,198,925	1,600,520	3,192,031	310,946
Samsung SDI	19.7	6,388,498	1,535,513	3,550,584	232,050
Samsung SDS	21.3	1,992,836	598,347	2,494,052	272,450
Samsung LED	50.0	751,053	404,603	544,598	59,114

(In millions of Korean Won)

2009. 1. 1

Investee	Percentage of Ownership (%)	Assets	Liabilities
Samsung Card	35.3	₩ 16,822,733	₩ 12,996,775
Samsung Electro-Mechanics	22.8	3,208,324	1,258,004
Samsung SDI	19.7	5,863,583	1,414,290
Samsung SDS	21.3	1,872,801	730,698
Samsung LED	-	-	-

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:

	Ownership (%)	Invest amount
Samsung Corning Precision Materials	42.5	297,165
Siltronic Samsung Wafers	50.0	266,949
TSST Japan	49.0	150,451
Syrian Korean Company for Manufacturing & Marketing Telecommunication Equipment	49.0	2,061

(In millions of Korean Won)

2010

2009

2009.1. 1

Current Assets	₩ 1,772,685	₩ 2,213,686	₩ 1,365,509
Non-Current Assets	2,028,554	1,753,952	1,934,880
Total Assets	3,801,239	3,967,638	3,300,389
Current Liabilities	581,971	657,148	625,228
Non-Current Liabilities	363,499	331,819	311,590
Net Assets	2,855,769	2,978,671	2,363,571
Total Sales	3,568,044	3,736,217	-
Total Expense	2,134,170	2,572,603	-
Net income	1,433,874	1,163,614	-

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Market value information of publicly listed investees as of December 31, 2010 and 2009, and January 1, 2009 are as follows:

(In millions of Korean Won)

	2010		2009		2009. 1. 1	
	Market Value of Investee	Recorded Book Value	Market Value of Investee	Recorded Book Value	Market Value of Investee	Recorded Book Value
Associates	₩ 5,153,483	₩ 2,235,422	₩ 4,776,448	₩ 1,862,664	₩ 1,658,452	₩ 1,575,510

11. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2010 and 2009, consist of the following:

(In millions of Korean Won)

	2010					
	Land	Buildings and Structures	Machinery and Equipment	Construction -In-Progress/ Machinery- In-Transit	Others	Total
Balance at January 1, 2010	₩ 7,017,731	₩ 9,853,909	₩ 22,288,401	₩ 3,416,199	₩ 984,055	₩ 43,560,295
Acquisition cost	7,017,731	13,936,341	71,886,218	3,416,199	3,596,180	99,852,669
Accumulated depreciation and impairment	-	(4,082,432)	(49,597,817)	-	(2,612,125)	(56,292,374)
Acquisitions	8,250	369,090	1,619,721	19,167,984	454,199	21,619,244
Acquisitions from business combinations	-	1,060	18,699	-	3,642	23,401
Reclassifications	114	1,111,636	12,950,627	(14,351,744)	289,367	-
Depreciation	-	(779,389)	(9,679,264)	-	(388,721)	(10,847,374)
Disposals	(401,690)	(168,543)	(658,086)	1,890	(57,636)	(1,284,065)
Net exchange differences	7,093	(35,136)	(47,356)	(23,051)	8,124	(90,326)
Others	(106)	(40,311)	(18,169)	32,549	9,456	(16,581)
Balance at December 31, 2010	₩ 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)

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Korean Won)

2009

				Construction- In-Progress/ Machinery-In- Transit		
	Land	Buildings and Structures	Machinery and Equipment		Others	Total
Balance at January 1, 2009	₩ 6,901,822	₩ 9,020,278	₩ 24,023,386	₩ 5,160,084	₩ 1,171,187	₩ 46,276,757
Acquisition cost	6,901,822	12,492,802	67,191,220	5,160,084	3,673,681	95,419,609
Accumulated depreciation and impairment	-	(3,472,524)	(43,167,834)	-	(2,502,494)	(49,142,852)
Acquisitions	14,972	49,720	89,661	7,545,684	372,128	8,072,165
Acquisitions from business combinations	-	112,328	431,153	268,049	29,898	841,428
Reclassifications	132,952	1,456,309	7,131,260	(8,850,888)	130,367	-
Depreciation	-	(748,100)	(9,390,162)	-	(633,072)	(10,771,334)
Disposals	(19,053)	(42,301)	(64,962)	(28,872)	(11,320)	(166,508)
Net exchange differences	(13,007)	(106,651)	(189,199)	(184,365)	(61,631)	(554,853)
Others	45	112,326	257,264	(493,493)	(13,502)	(137,360)
Balance at December 31, 2009	₩ 7,017,731	₩ 9,853,909	₩ 22,288,401	₩ 3,416,199	₩ 984,055	₩ 43,560,295
Acquisition cost	7,017,731	13,936,341	71,886,218	3,416,199	3,596,180	99,852,669
Accumulated depreciation and impairment	-	(4,082,432)	(49,597,817)	-	(2,612,125)	(56,292,374)

As of December 31, 2010 and 2009 and January 1, 2009, a certain portion of overseas subsidiaries' property, plant and equipment amounting to ₩5,592 million, ₩5,518 million and ₩5,766 million is pledged as collateral for various loans from financial institutions , respectively.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Intangible Assets

Changes in intangible assets for the years ended December 31, 2010 and 2009, are as follows:

	2010											
<i>(In millions of Korean Won)</i>	Intellectual property rights		Development expense		Membership	Goodwill	Others	Total				
Balance at January 1, 2010	₩	453,548	₩	214,451	₩	183,623	₩	83,462	₩	320,924	₩	1,256,008
Internally generated (development costs)		-		311,510		-		-		-		311,510
External acquisition		144,037		-		8,715		-		795,633		948,385
Business Combinations (*)		119,805		-		-		624,284		242,688		986,777
Amortization		(76,182)		(191,344)		-		-		(278,996)		(546,522)
Disposal		(15,768)		-		(852)		-		-		(16,620)
Impairment (**)		(5,382)		-		-		(154,117)		(674)		(160,173)
Net exchange differences		(153)		-		7		(281)		(1,658)		(2,085)
Others		(18,023)		-		(62)		18,064		2,180		2,159
Balance at December 31, 2010	₩	601,882	₩	334,617	₩	191,431	₩	571,412	₩	1,080,097	₩	2,779,439

(*) The amount includes intangible assets and goodwill arising from the business combination with Samsung Digital Imaging.

(**) The impairment charge relates to Samsung Digital Imaging, and is a result of a decline in profitability and increased market competitiveness that occurred in the fourth quarter of 2010.

	2009										
(In millions of Korean Won)	Intellectual property rights		Development expense		Membership		Goodwill		Others		Total
Balance at January 1, 2009	₩	405,817	₩	200,478	₩	170,546	₩	9,885	₩	301,346	₩ 1,088,072
Internally generated (development costs)		-		176,530		-		-		-	176,530
External acquisition		174,445		-		14,309		-		184,769	373,523
Business Combinations		-		-		-		80,300		(275)	80,025
Amortization		(80,891)		(157,149)						(128,362)	(366,402)
Disposal		(38,011)		(5,408)		(1,232)		-		(12,144)	(56,795)
Net exchange differences		5,669		-		-		(1,982)		(190)	3,497
Others		(13,481)		-		-		(4,741)		(24,220)	(42,442)
Balance at December 31, 2009	₩	453,548	₩	214,451	₩	183,623	₩	83,462	₩	320,924	₩ 1,256,008

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The amortization expense of intangible assets for the years ended December 31, 2010 and 2009, is allocated to the following accounts:

(In millions of Korean Won)

Account	2010	2009
Production costs	₩ 236,223	₩ 285,063
Selling general and administrative expenses	227,195	78,083
Research and development expenses	83,104	3,256
Total	₩ 546,522	₩ 366,402

Goodwill was allocated to each cash-generating unit. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The Company has performed impairment test for goodwill annually. The revenue growth rate and discount rate associated with future cash flows were the major assumptions. The majority of good will as of December 31, 2010 relates to the business combination with Samsung Digital Imaging. For this goodwill, the discount rate used to present value cash flows of the cash-generating unit as of December 31, 2010 was 15.23%. The revenue growth rate was based on the Company's forecast for the next five years, and its range was 2.5%. The Company determines its revenue growth rate based on historical performance and its expectation for market conditions. The applied weighted average growth rate is consistent with industry reports.

13. Borrowings

Borrowings as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	Financial Institutions	Annual Interest Rates (%) as of December 31,	2010	2010	2009	2009. 1. 1
Short-term Borrowings						
Collateralized borrowings	Woori Bank etc	1.5 ~ 4.6	₩ 5,090,433	₩ 5,355,185	₩ 5,533,419	
Bank borrowings	Woori Bank etc	0.2 ~ 16.4	3,339,288	2,424,822	3,521,124	
Total			₩ 8,429,721	₩ 7,780,007	₩ 9,054,543	
Current Portion of long-term Borrowings						
Bank borrowings	Woori Bank etc	1.0 ~ 9.6	₩ 1,008,884	₩ 123,100	₩ 13,094	
Financial lease liabilities	APCI etc	6.0 ~ 15.7	9,591	5,639	1,345	
Total			₩ 1,018,475	₩ 128,739	₩ 14,439	
Long-term Borrowings						
Bank borrowings	Woori Bank etc	1.0 ~ 9.6	₩ 536,871	₩ 1,047,937	₩ 913,191	
Financial lease liabilities	APCI etc	2.3 ~ 15.7	97,510	108,157	56,648	
Total			₩ 634,381	₩ 1,156,094	₩ 969,839	

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(*1) As of December 31, 2010, 2009 and January 1, 2009, overdraft facilities of the Company amount to ₩202,700 million, ₩239,300 million and ₩239,300 million.

(*2) Collateralized borrowings are secured by trade receivables (note 8). Bank borrowings are secured by lands and buildings (note 11).

(*3) The Company leases certain property, plant and equipment under various finance lease arrangements (note 17).

The carrying value of the borrowings approximates their fair value.

Maturities of long-term borrowings, outstanding as of December 31, 2010, are as follows:

<i>(In millions of Korean Won)</i>	Long-term borrowings in local currency		Long-term borrowings in foreign currency		Total	
For the Years Ending December 31						
2011	₩	254,850	₩	763,625	₩	1,018,475
2012		2,430		42,828		45,258
2013		50,000		465,696		515,696
2014		-		13,143		13,143
Thereafter		-		60,284		60,284
Total	₩	307,280	₩	1,345,576	₩	1,652,856

14. Debentures

Debentures as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010		2009		2009.1.1	
Korea Won denominated debenture(A)	₩	600,000	₩	200,000	₩	-
Foreign currency denominated debenture(B)		92,797		130,021		177,333
Total	₩	692,797	₩	330,021	₩	177,333
Current portion of debentures		105,459		105,838		6,288
Non-current portion of debentures		587,338		224,183		171,045

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(A) Korean Won denominated debentures as of December 31, 2010, 2009, January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of December 31, 2010		2010		2009		2009. 1. 1
Samsung Mobile									
Display	2006.12.01	2011.12.01	5.1	₩	100,000	₩	200,000	₩	-
Samsung Mobile									
Display	2010.6.17	2013.6.17	4.7		500,000		-		-
Total				₩	600,000	₩	200,000	₩	-
Current portion					100,000		100,000		-

Korean Won denominated debentures were issued by Samsung Mobile Display, one of SEC's domestic subsidiaries and included in consolidation scope since 2009. The debenture issued in 2006 will mature on December 1, 2011 with repayment to be made annually for two years after a three-year grace period, while the one issued in 2010 is due for repayment at maturity.

(B) Debentures denominated in foreign currencies as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of December 31, 2010		2010		2009		2009. 1. 1
US dollar									
denominated	1997.10.2	2027.10.1		₩	96,807	₩	105,084	₩	119,463
straight bonds			7.7		(USD 85M)		(USD 90M)		(USD 95M)
Overseas subsidiaries									
US dollar									
denominated	1997.4.1	-			-		-		31,438
fixed rate notes			-						(USD 25M)
US dollar									
denominated	2000.4.1	-			-		29,190		31,438
fixed rate notes			-				(USD 25M)		(USD 25M)
Less: Discounts					(4,010)		(4,253)		(5,006)
Total				₩	92,797	₩	130,021	₩	177,333
Current portion					5,459		5,838		6,288

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

The carrying value of the debenture issued approximates their fair value.

Maturities of debentures outstanding as of December 31, 2010, are as follows:

<i>(In millions of Korean Won)</i>		
For the Years Ending December 31		Debentures
2011	₩	105,695
2012		5,695
2013		505,695
2014		5,695
Thereafter		74,027
	₩	696,807

15. Retirement benefit obligation

The Company operates defined pension plans in various subsidiaries according to their local regulations and practices in each country. The amounts recognized in the statement of financial position as of December 31, 2010, 2009 and January 1, 2009, are as follows:

<i>(In millions of Korean Won)</i>	2010	2009	2009. 1. 1
Present value of funded defined benefit obligation	₩ 2,293,468	₩ 2,088,933	₩ 1,861,559
Fair value of plan assets	(1,797,706)	(1,635,056)	(1,427,257)
Deficit of funded plans	495,762	453,877	434,302
Present value of unfunded defined benefit	355,164	284,017	396,034
Unrecognized actuarial gains or losses	(253,097)	13,373	-
	₩ 597,829	₩ 751,267	₩ 830,336

Expense details for defined benefit plans recognized in the statement of income for the years ended December 31, 2010 and 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010	2009
Current service cost	₩ 421,343	₩ 411,603
Interest cost	148,506	147,860
Expected return on plan assets	(76,983)	(73,399)
Actuarial gains and losses	(2,158)	-
The effect of any settlement or curtailment	13,754	-
	₩ 504,462	₩ 486,064

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The pension expenses related to defined-benefit plans recognized in the statement of income for the years ended December 31, 2010 and 2009, are allocated to the following accounts:

<i>(In millions of Korean Won)</i>	2010	2009
Cost of sales	₩ 191,690	₩ 256,155
Selling, general and administrative expenses	139,584	103,823
Research and development expenses	173,188	126,086
	₩ 504,462	₩ 486,064

Changes in the defined benefit obligation for the years ended December 31, 2010 and 2009, are as follows:

<i>(In millions of Korean Won)</i>	2010	2009
Balance at the beginning of the year	₩ 2,372,950	₩ 2,257,593
Foreign exchange	15,416	16,325
Current service cost	421,343	411,603
Interest cost	148,506	147,860
Actuarial gains and losses	251,936	(21,273)
Benefits paid	(555,084)	(473,422)
Others	(6,435)	34,264
Balance at the end of the year	₩ 2,648,632	₩ 2,372,950

Changes in the fair value of plan assets for the years ended December 31, 2010 and 2009, are as follows:

<i>(In millions of Korean Won)</i>	2010	2009
Balance at the beginning of the year	₩ 1,635,056	₩ 1,427,257
Foreign exchange	(4,707)	(1,031)
Expected return on plan assets	79,219	75,635
Actuarial gains and losses	(12,376)	(7,900)
Contributions by the employer	422,567	295,845
Benefits paid	(287,535)	(155,679)
Others	(34,518)	929
Balance at the end of the year	₩ 1,797,706	₩ 1,635,056

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The principal actuarial assumptions used were as follows:

<i>(In %)</i>	2010		2009		2009. 1. 1	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Discount rate	6.3~7.3	6.0~7.5	6.5~7.5	5.9~8.5	6.5~7.5	5.4~7.5
Expected return on plan assets	5.0~5.3	5.0~5.3	5.0~5.5	5.0~5.3	5.0~5.5	5.0~5.5
Future salary increases (including inflation)	5.3~9.4	5.1~6.0	5.2~7.8	5.5~6.0	5.5~7.5	5.9~6.0

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.

The actual returns on plan assets for the years ended December 31, 2010 and 2009, were as follows:

<i>(In millions of Korean Won)</i>	2010	2009
The actual return on plan assets	₩ 66,843	₩ 67,735

Plan assets as of December 31, 2010, 2009 and January 1, 2009, are comprised as follows

<i>(In millions of Korean Won)</i>	2010	2009	2009. 1. 1
Equity instruments	₩ 2,935	₩ 1,740	₩ -
Debt instruments	1,761,884	1,596,267	1,418,312
Other	32,887	37,049	8,945
	₩ 1,797,706	₩ 1,635,056	₩ 1,427,257

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16. Provisions

The changes in the main liability provisions during the 12 month period ended December 31, 2010, are as follows:

(In millions of Korean Won)

		Balance at				Balance at
	Ref.	January 1, 2010	Increase	Decrease	Other¹	December 31, 2010
Warranty	(A)	₩ 1,442,088	₩ 1,765,182	₩(1,560,227)	₩ (13,537)	₩ 1,633,506
Royalty expenses	(B)	1,560,955	1,261,464	(1,821,301)	(12,061)	989,057
Long-term incentives	(C)	244,443	389,079	(42,810)	-	590,712
Total		₩ 3,247,486	₩ 3,415,725	₩ (3,424,338)	₩ (25,598)	₩ 3,213,275

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 (which have terms from 1 to 4 years).

(B) The Company makes provisions for estimated royalty expenses related to technical assistance agreements that have not been settled. The timing of payment depends on the settlement of agreement.

(C) The Company has a long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive cost for the accrued period.

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17. Commitments and Contingencies

(A) Guarantees

<i>(In millions of Korean Won)</i>	2010		2009		2009.1.1	
Guarantees of debt for housing rental ¹	₩	171,674	₩	138,848	₩	250,132
Other domestic guarantees of debt		-		9,791		10,312

The guarantees of debt for housing rental relate to guarantees provided by the Company to landlords for housing for expatriate employees.

As of December 31, 2010, the Company's overseas subsidiaries enter into "Cash Pooling Arrangement" contracts and "Banking Facility" agreements with overseas financial institutions to provide mutual guarantees of indebtedness.

Area	Participating Subsidiaries	Financial Institutions
Europe	SEUK and 25 other subsidiaries	Citibank
Asia	SAPL and 9 other subsidiaries	Bank of America

(B) Lease

As of December 31, 2010, details of lease contracts held by the Company are as follows:

Finance lease

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 ₩109,838 million(2009: ₩102,971 million, 2008: ₩52,857 million). Depreciation expense for the finance lease assets amounted to ₩6,817million (2009: ₩5,135million) for the year ended December 31, 2010.

The minimum lease payments under finance lease agreements and their present value as of December 31, 2010 and 2009, are as follows:

<i>(In millions of Korean Won)</i>	2010		2009		2009.1.1	
	Minimum Lease payments	Present values	Minimum lease payments	Present values	Minimum lease payments	Present values
Within one year	₩ 19,679	₩ 9,591	₩ 19,421	₩ 5,639	₩ 10,659	₩ 1,345
From one year to five years	73,862	40,356	73,155	22,685	32,866	9,214
More than five years	118,567	57,154	167,140	85,472	70,403	47,434
Total	₩ 212,108	₩ 107,101	₩ 259,716	₩113,796	₩ 113,928	₩ 57,993
Present value adjustment	(105,007)		(145,920)		(55,935)	
Finance lease payables	107,101		113,796		57,993	

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(C) Litigation

- A. Civil class actions with respect to fixed pricing on the sales of TFT-LCD were filed against the Company and its subsidiaries in the United States. As of balance sheet date, the outcome of the investigation and civil actions can not be reasonably determined, the Company has not recorded any liability for these matters in the consolidated financial statements.
- B. Based on the agreement entered into 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 lawsuit against Mr. Kun Hee Lee, chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450,000 million (approximately \$1.95 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 of 2,277,787 of the shares donated by Mr. Lee and payment of the principal balance owed to the Creditors, ₩878,000 million (approximately \$ 0.80 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 ₩600,000 million (approximately \$ 0.53 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, ₩620,400 million (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. Samsung Group affiliates and the Creditors all have appealed to the Korean Supreme Court. The Company has concluded that no provision for loss related to this matter should be reflected in the Company's consolidated financial statements at December 31, 2010.
- C. As of December 31, 2010, the Company was named as a defendant in legal actions filed by 22 overseas companies including Philips, and as the plaintiff in legal actions against 4 overseas companies including Spansion Inc. for alleged patent infringements. As the outcome of these matters can not be reasonably determined, the Company has not recorded any liability for these matters in the consolidated financial
- D. As of December 31, 2010, the Company was also named as a defendant in legal actions filed by 34 domestic and overseas companies, and as the plaintiff in legal actions against 7 domestic and overseas companies relating to matters other than alleged patent infringements. The amount claimed against the Company in these cases totals ₩44,279 million, although in nine of the cases no amount has yet been claimed and the amount being claimed against other companies totals ₩2,603 million. As the outcome of these matters can not be reasonably determined, the Company has not recorded any liability for these matters in the consolidated financial
- E. In addition to the cases mentioned above, the Company's domestic and foreign subsidiaries have been involved in various claims and proceedings during the normal course of business. Samsung India Electronics (SIEL) and Samsung Electronics Iberia (SESA) located in Spain are undergoing tax

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investigations brought by the local tax authorities with claims amounting up to ₩110,892 million and ₩27,216 million, respectively. As of December 31, 2010, the amount of claims for which the Company's subsidiaries are the defendant is totals ₩62,574 million, including ₩5,710 million relating to Samsung Electronics America (SEA). The Company's management believes that, although the amount and timing of these matters can not be reasonably determined,, the conclusion of these matters will not have a material adverse effect on the financial position of the Company.

F. As of December 31, 2010, Living Plaza, a subsidiary of SEC has provided two notes amounting to ₩30,000 million, to financial institutions as collaterals for the fulfillment of certain contracts.

G. In accordance with its risk management policy, the Company uses derivative instruments, primarily forward exchange contracts, to hedge foreign currency exchange rate risks regarding foreign assets and liabilities.

H. As of December 31, 2010, SEA and other overseas subsidiary have agreements with financial institutions to sell certain eligible trade accounts receivable under which, on an ongoing basis, a maximum of US\$ 1.065 billion can be sold. SEC and Living Plaza, one of SEC's domestic subsidiaries, have trade notes receivable discounting facilities with financial institutions, including Shinhan Bank with a combined limit of up to ₩884,945 million. SEC has trade financing agreement with 26 banks including Woori Bank for up to US\$11.398 billion and an accounts receivable factoring agreement with Korea Exchange Bank for up to ₩150,000 million. In addition, the Company has loan facilities with accounts receivable pledged as collaterals with financial institutions, including Woori Bank, for up to ₩1,163,000 million.

Samsung Mobile Display, one of domestic subsidiary has trade financing agreement with Woori Bank for up to ₩340 million, trade note receivable loan facility with Korea Exchange Bank for up to ₩10,000 million, and export bill negotiation agreement with four banks including Woori Bank for up to US\$ 0.47 billion as of December 31, 2010.

Samsung Mobil Display and four other domestic subsidiaries has entered into a letter of credit facility agreement with 4 banks including Woori Bank for up to US\$ 16.3 million and ₩45,000 million as of December 31, 2010.

SEMES and two other domestic subsidiaries have credit purchase facility agreements of up to ₩148,900 million with financial institutions, including Hana Bank, and S-LCD and one other domestic subsidiaries have general term loan facilities of up to ₩200,000 million with Kookmin Bank and one other bank.

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18. Share capital and premium

The changes in the number of shares outstanding as of December 31, 2010, 2009 and January 1, 2009, are as follows:

(In millions of Korean Won and number of shares)

	Number of shares(*)	Share capital	Share premium	Total
At 1 January 2009	146,889,642	₩ 897,514	₩ 4,403,893	₩ 5,301,407
Shares issued (**)	1,235,479	-	-	-
At 31 December 2009	148,125,121	897,514	4,403,893	5,301,407
Shares issued (**)	1,571,690			
At 31 December 2010	149,696,811	₩ 897,514	₩ 4,403,893	₩ 5,301,407

(*) As of December 31, 2010 and 2009, and January 1, 2009, 19,853,734 shares of preferred stock were included in the number of shares.

(**) Treasury stocks were issued with respect to options exercised during 2009 and 2010 and the merger of Samsung Digital Imaging during 2010.

Common stock and preferred stock

Type of Shares	Number of Shares issued as at December 31, 2010	Further shares authorized to issue under Articles of incorporation as at December 31, 2010
Common stock ¹	129,843,077	250,303,189
Preferred stock non-voting, non-cumulative ²	19,853,734	-
Preferred stock non-voting, Cumulative ³	-	100,000,000

¹ Common stock with par value of ₩5,000 per share.

² 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.

³ Cumulative, participating preferred stock with par value of ₩5,000 per share entitled to a minimum cash dividend at 9% of par value.

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Convertible securities

SEC is authorized to issue to investors, other than current shareholders, convertible debentures and debentures with warrants with face values up to ₩4,000,000 million and ₩2,000,000 million, respectively. The convertible debentures amounting to ₩3,000,000 million and ₩1,000,000 million are assigned to common stock and preferred stock, respectively. While the debentures with warrants amounting to ₩1,500,000 million and ₩500,000 million are assigned to common stock and preferred stock, respectively. As of December 31, 2010, there are no convertible securities currently in issue.

Redemption of shares

SEC is authorized, subject to the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. As of December 31, 2010, 8,310,000 shares of common stock and 1,060,000 shares of non-voting preferred stock had been retired over three tranches, with the Board of Directors' approval. The par value of capital stock differs from paid-in capital as the retirement of capital stock was recorded as a deduction from retained earnings.

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.

- a. SEC has issued global depository receipts ("GDR") to overseas capital markets. The number of outstanding GDR as of December 31, 2010, 2009 and January 1, 2009, are as follows:

	2010		2009		2009. 1. 1	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Outstanding GDR						
- Share of Stock	3,253,577	9,049,098	3,519,155	8,921,328	3,402,937	8,661,570
- Share of GDR	6,507,154	18,486,976	7,038,310	17,842,656	6,805,874	17,323,140

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19. Retained earnings

a. Retained earnings as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010	2009	2009. 1. 1
Appropriated			
Legal reserve:			
Earned surplus reserve ¹	₩ 450,789	₩ 450,789	₩ 450,789
Discretionary reserve:			
Reserve for improvement of financial structure	204,815	204,815	204,815
Reserve for business rationalization	11,512,101	10,512,101	9,512,101
Reserve for overseas market development	510,750	510,750	510,750
Reserve for overseas investment losses	164,982	164,982	164,982
Reserve for research and human resource development	33,936,458	29,936,458	26,936,458
Reserve for export losses	167,749	167,749	167,749
Reserve for loss on disposal of treasury stock	3,100,000	3,100,000	3,100,000
Reserve for capital expenditure	13,096,986	9,632,937	8,816,905
Unappropriated	21,869,920	16,384,666	12,416,667
Total	₩ 85,014,550	₩ 71,065,247	₩ 62,281,216

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through a resolution of the Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the shareholders.

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20. Dividends

SEC declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2010 and 2009, and as year-end dividends for the years ended December 31, 2010 and 2009.

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

(A) Interim Dividends

*(In millions of Korean Won
and number of shares)*

		2010		2009	
Number of shares eligible for dividends	Common stock		129,558,812shares		127,160,064shares
	Preferred stock		19,853,734shares		19,853,734shares
Dividend rate			100%		10%
Dividend amount	Common stock	₩	647,794	₩	63,580
	Preferred stock		99,269		9,927
		₩	747,063	₩	73,507

(B) Year-end Dividends

*(In millions of Korean Won
and number of shares)*

		2010		2009	
Number of shares eligible for dividends	Common stock		129,843,077shares		128,271,387shares
	Preferred stock		19,853,734shares		19,853,734shares
Dividend rate	Common stock		100%		150%
	Preferred stock		101%		151%
Dividend amount	Common stock	₩	649,216	₩	962,035
	Preferred stock		100,261		149,896
		₩	749,477	₩	1,111,931

Dividend for the year 2010 will be paid in April, 2011 after approval from the general shareholders' meeting scheduled in March, 2011. The dividend for the year 2009 was paid on April 19, 2010. The statements of financial position as of December 31, 2010 and 2009 do not reflect these dividend payables as they had not yet been declared as at December 31, 2010 and 2009, respectively.

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(C) Dividend Payout Ratio

<i>(In millions of Korean Won)</i>	2010	2009
Dividend payout ratio	9.5%	12.4%

(D) Dividend Yield Ratio

	2010		2009	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Dividend yield ratio	1.1%	1.6%	1.0%	1.6%

¹ The average closing price for a week before 2 trading days prior to closing date of shareholders' list.

21. Other components of equity

Other components of equity as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010		2009		2009. 1. 1
Treasury stock(*)	₩	(7,761,927)	₩	(8,404,791)	₩ (8,910,135)
Stock option		128,320		213,083	385,957
Unrealized holding gains on available-for-sale financial assets		1,608,035		681,608	575,400
Share of associates and joint ventures accumulated other comprehensive gains		1,185,333		797,876	747,997
Foreign-currency translation differences		(957,579)		(745,777)	-
Others		1,071,420		656,400	593,089
	₩	(4,726,398)	₩	(6,801,601)	₩ (6,607,692)

(*)As of December 31, 2010, the Company holds 17,456,260 common shares and 2,979,693 preferred shares as treasury stocks.

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22. 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, 2010 is as follows:

	Date of the Grant							
	March 16, 2000	March 9, 2001	February 28, 2002	March 25, 2002	March 7, 2003	April 16, 2004	October 15, 2004	December 20, 2005
At January 1, 2009	521,715	925,815	425,757	56,890	165,442	524,871	-	10,000
Exercised								
during 2009	467,208	476,406	150,253	24,036	56,607	60,969	-	-
At December 31, 2009	54,507	449,409	275,504	32,854	108,835	463,902		10,000
Exercised During 2010	54,507	273,337	115,283	1,879	33,960	119,334	-	-
At December 31, 2010	-	176,072	160,221	30,975	74,875	344,568	-	-
Exercise price	₩272,700	₩197,100	₩329,200	₩342,800	₩288,800	₩580,300	₩460,500	₩606,700
Weighted average share price at the date of exercise during 2009	675,010	710,883	708,166	769,943	712,980	765,098	-	-
Weighted average share price at the date of exercise during 2010	₩779,377	₩853,456	₩845,473	₩840,201	₩852,484	₩863,578	-	-
Exercise period from the date of the grant ³	3-10years	3-10years	2-10years	2-10years	2-10years	2-10years	2-4years	2-10years

23. Expenses by Nature

Expenses by nature for the years ended December 31, 2010 and 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010		2009	
Wages and salaries	₩	11,380,257	₩	8,526,254
Pension expenses		563,408		533,411
Welfare expenses		1,618,992		1,184,154
Depreciation expenses		10,847,374		10,771,334
Amortization expenses		546,522		366,402

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24. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended December 31, 2010 and 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010		2009	
Wages and salaries	₩	3,373,365	₩	2,618,223
Pension expenses		155,894		113,936
Commission and service charges		6,769,346		6,130,443
Depreciation expenses		351,085		321,447
Amortization expenses		227,195		78,083
Advertising expenses		3,282,798		2,702,874
Sales promotion expenses		3,271,993		3,416,652
Transportation expenses		4,108,830		3,333,470
After service expenses		2,454,601		2,441,778
Public relation expenses		494,599		471,026
Others		1,753,416		1,734,154
	₩	26,243,122	₩	23,362,086

25. Other operating income and expense

Other operating income and expenses for the years ended December 31, 2010 and 2009, consist of the following:

1) Other operating income

<i>(In millions of Korean Won)</i>	2010		2009	
Dividend income	₩	32,829	₩	28,120
Commission income		21,652		80,580
Rental income		96,562		92,853
Gain on disposal of investments		412,715		45,015
Gain on disposal of property, plant and equipment		282,941		54,524
Gain on transfer of business		179,418		-
Other		729,324		536,442
	₩	1,755,441	₩	837,534

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2) Other operating expense

<i>(In millions of Korean Won)</i>	2010		2009	
Other bad debts expense	₩	15,254	₩	6,821
Loss from disposal of property, plant and equipment		276,080		120,133
Donations		218,863		110,783
Other		569,738		654,547
	₩	1,079,935	₩	892,284

26. Finance income and expenses

Finance income and expenses for the years ended December 31, 2010 and 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010		2009	
Interest income	₩	558,113	₩	361,006
Interest income from loans and receivables		556,624		360,962
Interest income from available-for-sale financial assets		1,489		44
Realized foreign exchange gains		6,012,626		7,699,429
Unrealized foreign exchange gains		496,543		1,322,525
Other finance income		397,846		344,297
Finance income		7,465,128		9,727,257
Interest expense:		581,091		535,287
Interest expense from financial liabilities measured at amortized cost		581,091		535,287
Realized foreign exchange losses		6,274,744		8,154,318
Unrealized foreign exchange losses		414,077		1,054,144
Other finance expenses		430,187		430,470
Finance expenses	₩	7,700,099	₩	10,174,219

The company recognizes the profits and losses regarding translation differences as financial income and expenses

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27. Income Tax

Income tax expense for the years ended December 31, 2010 and 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010		2009	
Current taxes :				
Current tax on profits for the year	₩	3,330,420	₩	1,947,943
Adjustments in respect of prior years		(163,739)		124,259
		3,166,681		2,072,202
Deferred taxes :				
Deferred income taxes - tax credit		(363,802)		30,603
Deferred income taxes - temporary difference		341,137		250,637
Deferred income taxes - accumulated operating loss		41,036		74,610
Items charged directly to equity		(2,921)		2,994
Income tax expense	₩	3,182,131	₩	2,431,046

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 consolidated entities as follows:

<i>(In millions of Korean Won)</i>	2010		2009	
Income before tax	₩	19,328,656	₩	12,191,596
Weighted average tax rate				
Tax calculated at domestic tax rates applicable to profits in the respective countries		4,712,450		2,900,059
Tax effects of:				
Permanent difference		(126,283)		(74,873)
Temporary differences for which no deferred income tax was recognized		(88,469)		(142,395)
Tax credit		(1,887,582)		(801,854)
Overseas subsidiaries and associates operations		527,553		518,936
Other		44,462		31,173
Actual income tax expense	₩	3,182,131	₩	2,431,046
Effective tax rate		16.5%		19.9%

The weighted average tax rate declined in 2010 compared to 2009 due to changes of the tax rates in certain countries, primarily due to a reduction in tax rates in Korea.

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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, 2010, are as follows:

	Temporary Differences			Deferred Income Tax Asset (Liabilities)		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
<i>(In millions of Korea Won)</i>						
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩(644,811)	₩626,665	₩ (18,146)	₩(156,044)	₩152,052	₩ (3,992)
Associates and joint ventures and other investments	(9,032,482)	(5,127,725)	(14,160,207)	(1,581,746)	(527,553)	(2,109,299)
Depreciation	(36,830)	167,226	130,396	(54,935)	45,610	(9,325)
Capitalized interest expense	(41,662)	1,795	(39,867)	(9,345)	535	(8,810)
Accrued income	(39,568)	(105,053)	(144,621)	(9,576)	(25,354)	(34,930)
Allowance (technical expense, others)	3,819,074	(76,731)	3,742,343	950,284	(23,571)	926,713
Foreign currency translation	77,823	(100,845)	(23,022)	17,512	(24,080)	(6,568)
Impairment losses on investments	34,395	11,025	45,420	7,568	2,426	9,994
Others	(2,415,409)	478,961	(1,936,448)	(336,616)	43,498	(293,118)
	₩(8,279,470)	₩(4,124,682)	₩(12,404,152)	₩(1,172,898)	₩(356,437)	₩(1,529,335)
Deferred tax assets arising from the carryforwards						
Undisposed accumulated deficit	₩ 285,568	₩ (244,746)	₩ 40,822	₩ 45,612	₩ (41,250)	₩ 4,362
Tax credit carryforwards	1,348,621	233,204	1,581,825	1,056,534	363,902	1,420,436
Deferred items recognized in other comprehensive income						
Valuation of available-for-sale financial assets and others	₩ (856,800)	₩(1,417,671)	₩(2,274,471)	₩(127,611)	₩(296,510)	₩(424,121)

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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, 2009, are as follows:

<i>(In millions of Korea Won)</i>	Temporary Differences			Deferred Income Tax Asset (Liabilities)		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩(1,282,294)	₩ 637,483	₩ (644,811)	₩ (296,129)	₩ 140,085	₩ (156,044)
Associates and joint ventures and other investments	(5,222,534)	(3,809,948)	(9,032,482)	(1,062,810)	(518,936)	(1,581,746)
Depreciation	(68,879)	32,049	(36,830)	(55,939)	1,004	(54,935)
Capitalized interest expense	(44,027)	2,365	(41,662)	(8,646)	(699)	(9,345)
Accrued income	(223,605)	184,037	(39,568)	(54,064)	44,488	(9,576)
Allowance (technical expense, others)	3,255,634	563,440	3,819,074	825,490	124,794	950,284
Foreign currency translation	353,637	(275,814)	77,823	85,224	(67,712)	17,512
Impairment losses on investments	43,515	(9,120)	34,395	9,574	(2,006)	7,568
Others	(3,003,119)	587,710	(2,415,409)	(489,112)	152,496	(336,616)
	₩(6,191,672)	₩(2,087,798)	₩(8,279,470)	₩(1,046,412)	₩(126,486)	₩(1,172,898)
Deferred tax assets arising from the carryforwards						
Undisposed accumulated deficit	₩ 541,659	₩ (256,091)	₩ 285,568	₩ 101,728	₩ (56,116)	₩ 45,612
Tax credit carryforwards	1,180,587	168,034	1,348,621	933,544	122,990	1,056,534
Deferred items recognized in other comprehensive income						
Valuation of available-for-sale financial assets and others	₩(1,500,634)	₩ 643,834	₩ (856,800)	₩(169,566)	₩ 41,955	₩(127,611)

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, 2010 and 2009, and January 1, 2009, are as follows:

<i>(In millions of Korean Won)</i>	2010	2009	2009.1.1
Undisposed accumulated deficit	₩ 37,803	₩ 99,497	₩ 142,658
Tax credit carryforwards	131,782	381,534	305,227
Others	-	53,657	50,182

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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:

<i>(In millions of Korean Won)</i>	2011	2012	2013	2014 and after
Undisposed accumulated deficit	₩ -	₩ -	₩ -	₩ 37,803
Tax credit carryforwards	11,391	65,612	7,662	47,117

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

<i>(In millions of Korean Won)</i>	2010	2009	2009.1.1
Gain and loss on valuation of available-for-sale financial assets	₩ (449,408)	₩ (192,914)	₩ (169,566)
Foreign currency translation adjustment,	25,287	65,303	-
	₩ (424,121)	₩ (127,611)	₩ (169,566)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

<i>(In millions of Korean Won)</i>	2010	2009	2009.1.1
Deferred tax asset and deferred tax liabilities:			
to be recovered after more than 12 months	₩ (3,315,386)	₩ (2,482,155)	₩ (2,233,685)
to be recovered within 12 months	2,786,728	2,283,792	2,052,979

28. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

Basic earnings per share for the years ended December 31, 2010 and 2009, are calculated as follows:

<i>(In millions of Korean Won)</i>	2010	2009
Net income as reported on the statements of income	₩ 15,799,035	₩ 9,571,598
Adjustments:		
Dividends for preferred stock ¹	(199,530)	(159,823)
Undeclared participating preferred stock dividend ¹	(1,896,887)	(1,124,027)
Net income available for common stock	13,702,618	8,287,748
Weighted-average number of common shares Outstanding (in thousands)	129,280	127,724
Basic earnings per share (in Korean Won)	₩ 105,992	₩ 64,888

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¹ Basic earnings per preferred share (in Korean Won)

<i>(In millions of Korean Won)</i>		2010		2009
Net income available for preferred stock	₩	2,096,417	₩	1,283,850
Weighted-average number of preferred shares Outstanding (in thousands)		19,854		19,854
Basic earnings per preferred share (in Korean Won)	₩	105,592	₩	64,665

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, 2010 and 2009, is calculated as follows:

<i>(In millions, except for share amounts)</i>		2010		2009
Net income available for common stock	₩	13,702,618	₩	8,287,748
Net income available for common stock and common equivalent shares		13,702,618		8,287,748
Weighted-average number of shares of common stock and common shares equivalent		129,671,320		128,321,122
Diluted earnings per share (in Korean Won)	₩	105,672	₩	64,586

Diluted earnings per preferred share is equal to basic earnings per preferred share because stock options are not applicable to preferred shares.

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29. Cash generated from operations

a. Cash flows from operating activities as of December 31, 2010 and 2009, consist of the following:

<i>(In millions of Korean Won)</i>	2010	2009
Adjustments for:		
Tax expense	₩ 3,182,131	₩ 2,431,046
Finance income	(1,452,502)	(2,027,828)
Finance costs	1,425,355	2,019,901
Severance and retirement benefits	563,408	533,411
Depreciation expenses	10,847,374	10,771,334
Amortization expenses	546,522	366,402
Bad debt expenses	115,078	103,325
Gain on valuation of equity method	(2,267,091)	(1,713,299)
Gain on disposal of property, plant and equipment	(282,941)	(54,524)
Loss on disposal of property, plant and equipment	276,080	120,133
Obsolescence and scrappage of inventories	1,284,956	458,826
Net additions to provisions	5,426,431	3,025,791
Other income/expense	(150,047)	928,948
Adjustments, total	₩ 19,514,754	₩ 16,963,466
Changes in assets and liabilities:		
Increase in trade receivables	₩ (1,798,135)	₩ (5,543,197)
Increase in other receivables	(137,460)	(621,214)
Decrease/(Increase) in advances	242,472	(209,626)
Increase in prepaid expenses	(1,841,462)	(1,597,524)
Decrease/(Increase) in other current asset	102,521	(246,799)
Increase in inventories	(4,812,756)	(1,064,595)
Decrease in other non-current asset	19,683	158,409
Increase in trade payables	1,134,781	3,473,585
Increase in other payables	1,280,376	1,208,380
(Decrease)/Increase in advance received	(386,029)	401,156
Increase in withholdings	192,849	262,918
Increase in accrued expenses	1,181,443	393,248
Increase/(Decrease) in other current liabilities	91,143	(16,888)
Utilization of provisions	(5,627,981)	(2,515,379)
Payment of severance benefits	(555,084)	(473,422)
Decrease in severance benefit deposit	(135,684)	(118,930)
Decrease in other non-current liabilities	(45,143)	(89,318)
Changes in net working capital, total	₩ (11,094,466)	₩ (6,599,196)

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b. Significant transactions not affecting cash flows for the years ended, 2010 and 2009, are as follows:

<i>(In millions of Korean Won)</i>	2010	2009
Increase in gain on valuation of available-for-sale securities	₩ 1,193,297	₩ 143,637
Reclassification of construction-in-progress and machinery-in-transit to other property, plant and equipment accounts	14,351,744	8,850,888
Increase in share of associates and joint ventures accumulated other comprehensive income	387,457	49,879
Net assets acquired in business combination	1,043,554	-

c. The company reported on a net basis cash receipts and payments arising from transactions occurring frequently and financial instruments, loans, borrowings which maturity in less than 3 months.

30. 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 United States of America, England, Singapore, China, Japan, and Brazil 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.

(1) Market risk

(a) 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.

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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 as of December 31, 2009 and 2010 is as follows:

(Unit: '000)	2010				2009			
	USD	EUR	JPY	Other	USD	EUR	JPY	Other
Financial Asset	2,489,727	210,014	5,286	210,501	2,824,738	243,906	14,712	228,157
Financial Liabilities	2,323,562	205,674	120,991	72,043	2,587,024	196,341	36,759	49,287

The effect of foreign currency risk to net income is a sum of net foreign currency fluctuations of Korean Won against other foreign currency fluctuations. 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)

	2010		2009	
	Increase	Decrease	Increase	Decrease
Financial assets	₩ 145,776	₩ (145,776)	₩ 165,576	₩ (165,576)
Financial liabilities	(136,113)	136,113	(143,471)	143,471
Net effect	9,663	(9,663)	22,105	(22,105)

(b) Price risk

The Company's investment portfolio consists of direct and indirect investments in listed and non-listed securities. The market values for the Company's equity investments for the year-ended December 31, 2010 and 2009 are ₩ 2,990,441 million and ₩ 1,458,642 million respectively. Refer to Note 7.

If there is change in price of equity investment by 1%, the amount of other comprehensive income changes for the year-ended December 31, 2010 and 2009 are ₩ 26,641 million and ₩ 12,297 million, respectively.

(c) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk mainly 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.

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

<i>(In millions of Korean Won)</i>	2010		2009	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Assets	₩ 48,532,894	₩ -	₩ 43,590,557	₩ -
Liabilities	30,742,720	4,969,320	26,587,896	4,142,908

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

- When financial instruments are evaluated changes to profit and net equity as a result of changes in market interest rates which impact interest income (expense) to financial instruments are evaluated using floating interest rates

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

<i>(In millions of Korean Won)</i>	2010		2009	
	Increase	Decrease	Increase	Decrease
Financial assets	₩ -	₩ -	₩ -	₩ -
Financial liabilities	(49,693)	49,693	(41,429)	41,429

(2) Credit risk

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

There were no significant loans or other receivables which are overdue or subject to impairment, included in accounts receivables or other financial instruments. The Company has evaluated there is no indication of default by any of its counterparties.

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 procedure for contracts with restrictions.

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The top five customers account for approximately occupies 14.3% and 14.2% and 2,734,014 million and 2,527,089 million for the year ended 2010 and 2009, respectively, while the top three credit exposures by country amounted to 15.6%, 12.0% and 11.0% (December 31, 2009: 13.4%, 13.4% and 11.1%), respectively.

(3) 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 agreement for efficient management of funds. Cash Pooling program allows sharing of funds among subsidiaries to minimize liquidity risk and reduce financial expense.

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

Year ended December 31, 2010

<i>(In millions of KRW)</i>	Less than 3 months	4-6 months	7-12 months	1-2 years	More than 2 years
Financial liabilities	₩30,303,459	₩ 245,863	₩ 2,409,404	₩ 623,227	₩ 2,403,727

Year ended December 31, 2009

<i>(In millions of KRW)</i>	Less than 3 months	4-6 months	7-12 months	1-2 years	More than 2 years
Financial liabilities	₩23,714,278	₩ 231,348	₩ 3,226,914	₩ 1,279,017	₩ 2,553,339

(4) Capital risk management

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

During 2010, the Company's strategy was to maintain a reliable credit rating. The Company has maintained an A credit rating for long term debt from S&P and A1 from Moody's, respectively throughout the period. The gearing ratios at 31 December 2010 and 2009 were as follows:

<i>(In millions of Korean Won)</i>	2010.	2009
Total liabilities	₩44,939,653	₩39,134,587
Total equity	89,349,091	73,045,202
Gearing ratio	50.3%	53.6%

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31. 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 profit 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 Digital media, Telecommunication, Semiconductor, LCD and others.

The segment information provided to the Management committee for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

1) Year ended 31 December 2010

(In millions of Korean Won)

	SET			2010 Summary of Business by Segment Device				Elimination	Consolidated
	Total	Digital Media	Tele-Communication	Total	Semiconductor	LCD	Others		
Total segment Revenue	₩214,945,026	₩132,443,114	₩81,502,962	₩134,384,718	₩72,806,264	₩62,162,133	₩12,768,940	₩ (207,468,356)	₩154,630,328
Inter-segment Revenue	(115,898,073)	(75,185,552)	(40,303,412)	(67,546,082)	(35,167,480)	(32,242,249)	(24,024,201)	207,468,356	-
Revenue from external customers	99,046,953	57,257,562	41,199,550	66,838,636	37,638,784	29,919,884	(11,255,261)	-	154,630,328
Operating profit ¹	4,822,401	486,182	4,302,554	12,089,126	10,110,698	1,991,990	385,009	-	17,296,536
Total assets	₩89,076,990	₩43,515,660	₩34,365,368	₩88,118,185	₩55,583,214	₩31,547,027	₩12,360,932	₩ (55,267,363)	₩134,288,744

¹ Operating profit for each segment is inclusive of all consolidation eliminations.

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2) Year ended 31 December 2009

(In millions of Korean Won)

	SET		2009 Summary of Business by Segment Device					Elimination	Consolidated
	Total	Digital Media	Tele-Communication	Total	Semiconductor	LCD	Others		
Total segment Revenue	₩207,745,409	₩114,328,769	₩72,748,628	₩110,092,134	₩54,813,121	₩55,279,013	₩2,672,165	₩ (184,186,038)	₩136,323,670
Inter-segment Revenue	(116,486,918)	(63,066,694)	(35,157,318)	(57,447,689)	(28,005,498)	(29,442,191)	(10,251,431)	184,186,038	-
Revenue from external customers	91,258,491	51,262,075	37,591,310	52,644,445	26,807,623	25,836,822	(7,579,266)	-	136,323,670
Operating profit ¹	7,162,479	3,059,935	4,091,052	3,602,445	2,058,733	1,707,433	160,335	-	10,925,259
Total assets	₩78,804,810	₩42,605,421	₩31,882,983	₩76,543,625	₩45,458,634	₩30,959,630	₩7,845,175	₩ (51,013,821)	₩112,179,789

¹ Operating profit for each segment is inclusive of all consolidation eliminations.

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The regional segment information provided to the Management committee for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

1) Year ended 31 December 2010

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment -Revenue	₩137,732,753	₩63,898,852	₩64,245,381	₩33,988,191	₩62,233,507	₩(207,468,356)	₩154,630,328
Inter-segment - Revenue	(111,880,989)	(20,378,256)	(28,115,494)	(9,134,491)	(37,959,126)	207,468,356	-
Revenue from external customers	25,851,764	43,520,596	36,129,887	24,853,700	24,274,381	-	154,630,328
Non-current assets ¹	₩47,622,520	₩4,926,910	₩971,032	₩1,062,261	₩1,625,001	₩ (463,691)	₩55,744,033

¹ The total of non-current assets other than financial instruments, deferred tax assets, and employment benefit.

2) Year ended 31 December 2009

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment -Revenue	₩110,741,944	₩58,062,772	₩60,805,451	₩32,983,431	₩57,916,110	₩(184,186,038)	₩136,323,670
Inter-segment - Revenue	(88,797,775)	(24,290,630)	(25,608,233)	(11,337,254)	(34,152,146)	184,186,038	-
Revenue from external customers	21,944,169	33,772,142	35,197,218	21,646,177	23,763,964	-	136,323,670
Non-current assets ¹	₩ 39,153,137	₩ 3,002,249	₩ 752,893	₩ 684,465	₩ 1,607,773	₩ (384,214)	₩ 44,816,303

¹ The total of non-current assets other than financial instruments, deferred tax assets, and employment benefit

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32. Related-party transactions

1) Associates

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

Transactions with associates for the years ended December 31, 2010, 2009, and the related receivables and payables as of December 31, 2010, 2009 are as follows:

<i>(In millions of Korean Won)</i>	2010	2009
Inter-company transactions		
Sales	₩ 1,503,642	₩ 1,043,837
Purchases	7,262,621	7,293,642
Receivables and Payables		
Receivables	183,812	152,527
Payables	816,473	1,014,765

2) Joint ventures

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

Transactions with joint venture partners for the years ended December 31, 2010, 2009, and the related receivables and payables as of December 31, 2010, 2009 are as follows:

<i>(In millions of Korean Won)</i>	2010	2009
Inter-company transactions		
Sales	₩ 12,690	₩ 47,739
Purchases	3,212,732	2,805,947
Receivables and Payables		
Receivables	131	950
Payables	126,906	97,322

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3) Other related parties

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

Transactions with other related parties for the years ended December 31, 2010, 2009, and the related receivables and payables as of December 31, 2010, 2009 are as follows:

<i>(In millions of Korean Won)</i>	2010	2009
Inter-company transactions		
Sales	₩ 598,795	₩ 42,592
Purchases	478,122	310,297

<i>(In millions of Korean Won)</i>	2010	2009
Receivables and Payables		
Receivables	233,649	216,899
Payables	109,875	67,060

4) Key management compensation

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

<i>(In millions of Korean Won)</i>	2010	2009
Salaries and other short-term benefits	₩ 18,222	₩ 12,322
Termination benefits	2,633	965
Other long-term benefits	7,634	2,807

33. Business Combination

The Company acquired Samsung Digital Imaging Co., Ltd. with a closing date of April 1, 2010 to improve shareholders' value through enhancement of business efficiency and maximization of synergy effect with other existent businesses. The acquisition of Samsung Digital Imaging Co., Ltd. was approved by the Board of Directors of the Company on December 15, 2009. None of the goodwill recognized is expected to be deductible for income tax purposes.

(1) Overview of the acquired company

Name of the acquired company	Samsung Digital Imaging Co., Ltd.
Headquarters location	Suwon-si, Gyeonggi-do Korea
Representative director	Sang-Jin Park
Classification of the acquired company	Listed company in the Korea stock exchange

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- Former relationship with the Company An associated company
- (2) Terms of the business combination

The shareholders of Samsung Digital Imaging Co., Ltd. received 0.0577663 shares of the Company's common stock for each share of Samsung Digital Imaging Co., Ltd. common stock owned on the closing date. The Company transferred its treasury stocks to the shareholders of Samsung Digital Imaging, instead of issuing new stocks to them.

- (3) Purchase price allocation

The following table summarizes the consideration paid for Samsung Digital Imaging Co., Ltd. and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Classification	Amount (in millions of KRW)	
I. Considerations transferred		
Fair value of consideration transferred (*1)	₩	812,154
Fair value of previously held equity interest in the acquiree (*2)		278,949
Total	₩	1,091,103
II. Identifiable assets and liabilities		
Cash and cash equivalents		63,470
Trade and other receivables (*3)		290,407
Inventories		88,133
Property, plant, and equipment		40,678
Intangible assets		307,454
Other financial assets		75,202
Trade and other payables		(213,454)
Short-term borrowings		(83,660)
Long-term trade and other payables		(62,125)
Retirement benefit obligation		(24,574)
Deferred income tax liabilities		(14,711)
Total	₩	466,820
III. Goodwill(*4)	₩	624,283

(*1) The Company transferred its treasury stocks to the shareholders of Samsung Digital Imaging Co., Ltd and re-measured the transferred treasury stock at its acquisition-date (April 1, 2010) fair value. The Company recognized KRW 398,090 million of gain on disposal and has paid KRW 15,921 million for the odd-lot prices.

(*2) The Company held 25.5% of equity interest in Samsung Digital Imaging Co.,Ltd. and remeasured its previously held equity interest at its acquisition-date (April 1, 2010) fair value. Accordingly, the Company recorded resulting gain of KRW 216,747 million.

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(*3) Fair value of acquired trade and other receivables (KRW 290,407 million) include trade receivables amounting to KRW 274,369 million. Total nominal amount of the receivables is KRW 290,407 million, and none of them are expected to be uncollected.

(*4) The goodwill is attributable to increased efficiency of digital camera business management and the synergy effect expected from combining Samsung Digital Imaging Co., Ltd. and the related existing businesses.

If the acquisition had occurred on January 1, 2010, the consolidated revenue and net profit for the year ended December 31, 2010 would have increased by KRW 421,513million and KRW 14,753million, respectively. The amounts of revenue and net profit of the acquiree since the acquisition date (April 1, 2010) included in the consolidated statement of income for the year ended December 31, 2010 are KRW 2,264,243million and KRW 63,228million, respectively.

34. Events after the Reporting Period

1) Merger of Samsung Gwangju Electronics

The Company acquired Samsung Gwangju Electronics with a closing date of January 1, 2011 to improve shareholder value through enhancement of business efficiency and manufacturing competitiveness in the digital media (appliance) business. The approval of the Board of Directors of the Company replaces shareholders' meeting approval of the acquisition, as the acquisition of Samsung Gwangju Electronics is a small and simple merger as defined in the commercial law.

(1) Overview of the acquired company

Name of the acquired company	Samsung Gwangju Electronics
Headquarters location	Gwangju, Gwangsan-gu
Representative director	Chang-wan Hong
Classification of the acquired company	Unlisted company
Former relationship with the Company	Subsidiary

(2) Terms of the business combination

The shareholders of Samsung Gwangju Electronics. received 0.0252536 shares of the Company's common stock for each share of Samsung Gwangju Electronics common stock owned on the closing date. The Company transferred its treasury stocks to the shareholders of Samsung Gwangju Electronics, instead of issuing new stocks.

2) Acquisition of Medison and Prosonic

The Company entered into contracts to acquire 43.5% of Medison's shares and 100% of Prosonic's shares, of KRW 331,384 million, on February 16, 2011 with approval of the Board of Directors on December 14, 2010.