

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 June 30, 2011, 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	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, #14 and #20, Ray, GES, Prosonic, Samsung Medison, Medison X-Ray, Medison Healthcare, CSL
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 Medison America(SMUS), Samsung Medison Brasil(SMBR)

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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), Samsung LCD Netherlands R&D Center(SNRC), Samsung LCD Netherlands R&D Center UK(SNRC(UK)), Samsung Opto-Electronics GmbH (SOG), SonoAce Deutschland(SMDE), Samsung Medison Italia(SMIT), Samsung Medison France(SMFR), Samsung Medison Europe(SMNL) </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 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), Samsung LCD Netherlands R&D Center HK(SNRC(HK)), Medison (Shanghai) (SMS2), Samsung Medison Shanghai Medical Instrument (SMS1), Medison Medical Equipment(Shanghai) (MMS) </p>

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Rest of Asia	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), Samsung Medison Japan (SMJP), Samsung Medison India (SMIN), Medison Medical Systems (India) (MI)
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2. Basis of Presentation

This condensed consolidated interim financial information has been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2010, which have been prepared in accordance with K-IFRSs.

The accounting policies adopted are consistent with those of the previous financial year, except as described below. Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

New standards, amendments and interpretations issued and effective for the financial year beginning January 1, 2011

(a) New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2011

Revised K-IFRS 1024 (revised), 'Related party disclosures'. It supersedes K-IFRS 1024, 'Related party disclosures'.

K-IFRS 1024 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The Company has applied 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.

Amendment to K-IFRS 1034, 'Interim financial reporting'

K-IFRS 1034(revised) is mandatory for periods beginning on or after January 1, 2011. The Company has applied the revised standard from January 1, 2011. This standard adds disclosure requirements around circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets.

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(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Company.

'Classification of rights issues' (amendment to K-IFRS 1032).

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 K-IFRS 1008 'Accounting policies, changes in accounting estimates and errors'. The Company has applied 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.

K-IFRS 1103 (revised), 'Business combinations'.

The option to measure non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets is amended to be available only in certain cases. Otherwise, non-controlling interest should be measured at fair value. In addition, the guidance applies to share-based payment transactions that are chosen not to be replaced as a consequence of the business combination and to share-based payment transactions that the acquirer chooses to exchange for share-based transactions of the acquiree. 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 K-IFRIC 2114).

The amendments correct an unintended consequence of K-IFRIC 2114, 'K-IFRS 1019 – 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 on some voluntary prepayments for minimum funding contributions. This was not intended when K-IFRIC 2114 was issued, and the amendments corrected this. The amendments are effective for annual periods beginning January 1, 2011. The Company has applied 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.

K-IFRIC 2119, '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 has applied the interpretation from January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

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Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

K-IFRS 1012, 'Deferred Tax: Recovery of Underlying Assets'

The amendment addresses the measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The amendments to standard are mandatory for the first time for the financial year beginning January 1, 2012.

K-IFRS 1107, 'Disclosures—Transfers of Financial Assets' (Amendments to IFRS 7)

The amendments will help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets. Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011. In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before July 1, 2011. Earlier application is permitted.

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2.1 Convenience translation into United States Dollar Amounts

The Company operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. dollars at the rate of ₩1,078 to US \$1, the exchange rate in effect on June 30, 2011. 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.

3. Financial instruments by category

Financial instruments by category as of June 30, 2011 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		Total	Fair value
Assets								
Cash and cash equivalents	₩	-	₩	9,251,994	₩	-	₩ 9,251,994	₩ 9,251,994
Short-term financial instruments		-		9,161,162		-	9,161,162	9,161,162
Available-for-sale financial assets		-		-		3,693,435	3,693,435	3,693,435
Trade and other receivables		-		21,740,862		-	21,740,862	21,740,862
Other financial assets (*)		42,907		1,847,032		-	1,889,939	1,889,939
Total	₩	42,907	₩	42,001,050	₩	3,693,435	₩45,737,392	₩ 45,737,392

<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	₩	-	₩	16,068,363	₩	16,068,363
Borrowings		-		10,331,615		10,331,615
Debentures		-		638,021		638,021
Other financial liabilities (**)		21,625		5,583,926		5,605,551
Total	₩	21,625	₩	32,621,925	₩	32,643,550

(*) 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 current and non-current accrued expenses, and other current and non-current liabilities, excluding items which are non-financial.

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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	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

<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	₩ -	₩ 17,122,461	₩ 17,122,461	₩ 17,122,461
Borrowings	-	10,082,577	10,082,577	10,082,577
Debentures	-	692,797	692,797	692,797
Other financial liabilities (**)	24,638	7,789,567	7,814,205	7,814,205
Total	₩ 24,638	₩ 35,687,402	₩ 35,712,040	₩ 35,712,040

(*) 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 current and non-current accrued expenses, and other current and non-current liabilities, excluding items which are non-financial.

The following table presents the assets and liabilities that are measured at fair value at June 30, 2010.

<i>(In millions of Korean Won)</i>	Level 1	Level 2	Level 3	Total balance
Derivatives	₩ -	₩ 42,907	₩ -	₩ 42,907
Available-for-sale financial assets	3,292,787	70,494	330,154	3,693,435
Total assets	3,292,787	113,401	330,154	3,736,342
Derivatives	-	21,625	-	21,625
Total liabilities	₩ -	₩ 21,625	₩ -	₩ 21,625

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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	
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	
Derivatives	-		24,638		-		24,638	
Total liabilities	₩	-	₩	24,638	₩	-	₩	24,638

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

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

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

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

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

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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4. Inventories

Inventories, net of valuation losses, as of June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	2011	2010
Finished goods	₩ 4,406,500	₩ 4,511,391
Work in Process	2,853,812	2,619,713
Raw materials and supplies	4,754,080	4,159,842
Materials-in-transit	2,046,002	2,073,578
Total	₩ 14,060,394	₩ 13,364,524

As of June 30, 2011, losses from valuation of inventories of ₩491,149 million (December 31, 2010: ₩524,850 million) were deducted to inventories.

5. Assets and liabilities classified as held-for-sale

The Company decided to dispose of photovoltaic cell business to Samsung SDI (one of the associates of the Company) with a closing date of July 1, 2011 based on the approval of the Board of Directors of the Company on May 27, 2011. Therefore the assets and liabilities related to photovoltaic cell business have been presented as classified as held-for-sale. The assets and liabilities were remeasured to the lower of carrying amount and fair value less costs to sell at the date of held-for-sale classification.

The major classes of assets and liabilities of disposal group are as follows:

<i>(In millions of Korean Won)</i>	June 30, 2011
Assets classified as held for sale:	
Trade and other receivables	₩ 6,309
Inventories	34,761
Property, plant and equipment	122,849
Intangible assets	2,433
Total	₩ 166,352
Liabilities classified as held for sale:	
Current liabilities	14,736
Non-current liabilities	3,388
Total	₩ 18,124

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6. Long-Term Available-for-sale financial assets

Long-term available-for-sale financial assets as of June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	Detail	June 30, 2011		December 31, 2010
		Acquisition Cost	Recorded Book Value	Recorded Book Value
Listed equities ¹	1)	₩ 610,009	₩ 2,634,542	₩ 2,664,082
Non-listed equities ^{1,2}	2)	252,363	330,154	326,359
Government, public bonds and others		70,494	70,494	49,765
		₩ 932,866	₩ 3,035,190	₩ 3,040,206

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.

1) Listed equities

Listed equities June 30, 2011 and December 31, 2010, consist of the following:

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

	Number of Shares Owned	Percentage of Ownership (%)	June 30, 2011		December 31, 2010
			Acquisition Cost	Recorded Book Value	Recorded Book Value
Samsung Life Insurance	-	-	₩ -	₩ -	₩134,878
Samsung Heavy Industries	40,675,641	17.6	258,299	1,936,161	1,675,836
Samsung Fine Chemicals	2,164,970	8.4	45,678	148,300	179,476
Hotel Shilla	2,004,717	5.0	13,957	54,228	55,631
Cheil Worldwide	2,998,725	2.6	2,920	47,530	41,532
iMarket Korea	3,800,000	10.6	1,900	68,020	103,360
A-Tech Solution	1,592,000	15.9	26,348	23,562	33,432
SFA	1,822,000	10.0	38,262	96,748	89,278
SNU Pricision	1,075,446	5.3	14,204	13,389	18,874
Rambus	9,576,250	8.3	185,363	151,559	223,363
Others			23,078	95,045	108,422
			₩ 610,009	₩2,634,542	₩2,664,082

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

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7. Associates and Joint Ventures

Changes in associates and joint ventures for the six-month ended June 30, 2011 and 2010, consist of the following:

<i>(In millions of Korean Won)</i>	2011	2010
At January 1	₩ 8,335,290	₩ 7,334,705
Acquisition of Associates and Joint Ventures	326,384	-
Disposal of Associates and Joint Ventures	(278,675)	(20,193)
Share of profit ¹	786,267	1,014,573
Others ²	(282,854)	114,347
At June 30	₩ 8,886,412	₩ 8,443,432

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.

8. Property, Plant and Equipment

Changes in property, plant and equipment for the six-month ended June 30, 2011 and 2010, consist of the following:

<i>(In millions of Korean won)</i>	2011	2010
Net book value at January 1	₩ 52,964,594	₩ 43,560,295
Acquisition	11,174,006	9,235,606
Acquisition from business combination	121,285	23,401
Disposal / Impairment	(163,685)	(879,918)
Depreciation	(6,127,464)	(5,324,189)
Others	(588,088)	451,265
Net book value at June 30	₩ 57,380,648	₩ 47,066,460

9. Intangible Assets

Changes in intangible assets for the six-month ended June 30, 2011 and 2010, consist of the following:

<i>(In millions of Korean won)</i>	2011	2010
Net book value at January 1	₩ 2,779,439	₩ 1,256,008
Internal generation	179,440	159,869
Acquisition	164,386	718,679
Acquisition from business combination	434,905	931,737
Disposal / Impairment	(3,174)	(6,851)
Amortization	(300,339)	(254,636)
Others	72,707	(69,470)
Net book value at June 30	₩ 3,327,364	₩ 2,735,336

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10. Borrowings

Borrowings as of June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	Financial Institutions	Annual Interest Rates (%) as of June 30, 2011	2011	2010
Short-term Borrowings				
Collateralized borrowings	Woori Bank etc	1.4 ~ 5.9	₩ 4,296,074	₩ 5,090,433
Bank borrowings	Woori Bank etc	0.3 ~ 13.5	3,004,412	3,339,288
Total			₩ 7,300,486	₩ 8,429,721
Current Portion of long-term Borrowings				
Bank borrowings	Woori Bank etc	2.8 ~ 9.6	₩ 376,796	₩ 1,008,884
Financial lease liabilities	APCI etc	2.4 ~ 15.3	23,971	9,591
Total			₩ 400,767	₩ 1,018,475
Long-term Borrowings				
Bank borrowings	Woori Bank etc	1.0 ~ 5.4	₩ 2,532,757	₩ 536,871
Financial lease liabilities	APCI etc	1.2 ~ 15.3	97,606	97,510
Total			₩ 2,630,363	₩ 634,381

(*1) Collateralized borrowings are secured by trade receivables. Bank borrowings are secured by lands and buildings (Note 8).

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

11. Debentures

Debentures as of June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	2011	2010
Korea Won denominated debenture(A)	₩ 550,000	₩ 600,000
Foreign currency denominated debenture(B)	88,020	92,797
Total	₩ 638,020	₩ 692,797
Current portion of debentures	₩ 55,178	₩ 105,459
Non-current portion of debentures	₩ 582,842	₩ 587,338

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(A) Korean Won denominated debentures as of June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of June 30, 2011	2011	2010
Samsung Mobile Display	2006.12.01	2011.12.01	5.11	₩ 50,000	₩ 100,000
Samsung Mobile Display	2010.6.17	2013.6.17	4.71	500,000	500,000
Total				₩ 550,000	₩ 600,000
Current portion				₩ 50,000	₩ 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 June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of June 30, 2011	2011	2010
US dollar denominated straight bonds	1997.10.2	2027.10.1	7.7	₩ 91,639 (USD 85M)	₩ 96,807 (USD 85M)
Less: Discounts				(3,619)	(4,010)
Total				₩ 88,020	₩ 92,797
Current portion				₩ 5,178	₩ 5,459

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.

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12. Provisions

The changes in the main liability provisions during the six-month period ended June 30, 2011, are as follows:

(In millions of Korean Won)

	Ref.	Balance at January 1, 2011	Increase	Decrease	Others ¹	Balance at June 30, 2011
Warranty	(A)	₩ 1,633,506	₩ 840,682	₩ (939,522)	₩ 5,811	₩ 1,540,477
Royalty expenses	(B)	989,057	853,975	(273,119)	(8,346)	1,561,567
Long-term incentives	(C)	590,712	126,251	(303,785)	-	413,178

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 ranging from one to four 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.

13. Commitments and Contingencies

(A) Guarantees

<i>(In millions of Korean Won)</i>	Balance at June 30, 2011	Balance at December 31, 2011
Guarantees of debt for housing rental	₩ 176,180	₩ 171,674

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

(B) 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 cannot be reasonably determined, and therefore, 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.

Samsung Electronics Co., Ltd. and Subsidiaries

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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 into 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 June 30, 2011.

C. As of June 30, 2011, the Company was named as a defendant in legal actions filed by 29 overseas companies including AUO, and as the plaintiff in legal actions against 6 overseas companies including Apple Inc. for alleged patent infringements. 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. As the outcome of these matters cannot be reasonably determined, the Company has not recorded any liability for these matters in the consolidated financial statements at June 30, 2011.

(C) Other Commitment

The Company announced the signing of a definitive agreement that it's selling its hard disk drive operations to Seagate Technology plc on April 19, 2011. The combined value of these transactions and agreements is a approximately \$1.375 billion, which will be paid by Seagate to the Company in the form of 50% cash and 50% stock(9.6% ownership of Seagate). The agreement is subject to customary closing conditions, including review by U.S and international regulators. The transactions are expected to close by the end of year 2011.

14. Share capital and premium

Under its Articles of Incorporation, SEC is authorized to issue 500 million shares of capital stock with a par value of ₩5,000 per share, of which 100 million shares are cumulative, participating preferred stock that are non-voting and entitled to a minimum cash dividend at 9% of par value.

As of June 30, 2011, exclusive of retired stocks, 147,299,337 shares of common stock and 22,833,427 shares of preferred stock have been issued. The preferred shares which are non-cumulative and non-voting, 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.

SEC has issued global depositary receipts (“GDR”) to overseas capital markets. The number of outstanding GDR as of June 30, 2011 and December 31, 2010, are as follows:

	2011		2010	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Outstanding GDR				
- Share of Stock	3,291,642	7,811,804	3,253,577	9,243,488
- Share of GDR	6,583,284	15,623,608	6,507,154	18,486,976

Samsung Electronics Co., Ltd. and Subsidiaries

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15. Retained earnings

Retained earnings as of June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean won)</i>	2011		2010	
Legal reserve	₩	450,789	₩	450,789
Discretionary reserve:		78,262,530		62,693,841
Unappropriated		11,716,616		21,869,920
	₩	90,429,935	₩	85,014,550

On July 28, 2011, the Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six month period ended June 30, 2011.

Details of interim dividends for the six month period ended June 30, 2011 and 2010 are as follows:

<i>(In millions of Korean won)</i>		2011		2010	
Number of shares eligible for dividends	Common stock	₩	130,148,288	₩	129,558,812
	Preferred stock		19,853,734		19,853,734
Dividend rate			10%		100%
Dividend amount	Common stock		65,074		647,794
	Preferred stock		9,927		99,269
	Total	₩	75,001	₩	747,063

16. Other components of equity

Other components of equity as of June 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	2011		2010	
Treasury stock(*)	₩	(7,637,087)	₩	(7,761,927)
Stock option		96,407		128,320
Unrealized holding gains on available-for-sale financial assets		1,662,407		1,608,035
Share of associates and joint ventures accumulated other comprehensive income		1,206,560		1,185,333
Foreign-currency translation differences		(1,398,078)		(957,579)
Others		967,362		1,071,420
	₩	(5,102,429)	₩	(4,726,398)

(*) As of June 30, 2011, the Company holds 17,151,049 common shares and 2,979,693 preferred shares as treasury stocks.

Samsung Electronics Co., Ltd. and Subsidiaries

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17. Expenses by Nature

Expenses by nature for the three and six months ended June 30, 2011 and 2010, consists of the following:

<i>(In millions of Korean won)</i>	3 Months		6 Months	
	2011	2010	2011	2010
Wages and salaries	₩ 2,972,807	₩ 2,809,123	₩ 5,961,910	₩ 5,298,429
Severance and retirement benefits	153,365	133,803	306,291	262,062
Welfare expenses	529,188	435,475	973,314	812,778
Depreciation expenses	3,148,822	2,571,072	6,127,464	5,324,189
Amortization expenses	155,233	135,627	300,339	254,636

18. Selling, general and administrative expenses

Selling, general and administrative expenses for the three and six months ended June 30, 2011 and 2010, consists of the following:

<i>(In millions of Korean won)</i>	3 Months		6 Months	
	2011	2010	2011	2010
Wages and salaries	₩ 848,938	₩ 785,646	₩ 1,704,028	₩ 1,533,102
Severance and retirement benefits	37,504	31,735	74,809	62,547
Commission and service charges	1,472,264	1,674,946	2,984,909	3,196,837
Depreciation expenses	90,930	85,514	180,623	173,012
Amortization expenses	68,705	59,514	131,698	103,920
Advertising expenses	677,402	681,667	1,071,975	1,181,870
Sales promotion expenses	1,035,776	874,342	1,842,368	1,534,529
Transportation expenses	958,911	1,075,757	1,837,037	1,966,619
Warranty expenses	521,387	594,045	1,102,389	1,112,174
Public relation expenses	119,584	125,748	201,131	222,404
Others	542,596	366,785	1,034,084	809,986
	₩ 6,373,997	₩ 6,355,699	₩12,165,051	₩11,897,000

19. Other operating income and expense

Other operating income and expenses for the three and six months ended June 30, 2011 and 2010, consists of the following:

1) Other operating income

<i>(In millions of Korean won)</i>	3 Months		Accumulate	
	2011	2010	2011	2010
Dividend income	₩ 4,903	₩ 3,559	₩ 31,583	₩ 32,152
Commission income	6,688	5,166	11,822	6,984
Rental income	20,451	32,314	43,887	50,715
Gain on disposal of investments	31,756	227,626	47,300	361,056
Gain on disposal of property, plant and equipment	8,300	52,138	68,790	204,143
Gain on transfer of business	-	-	-	179,418
Other	184,820	149,625	363,291	224,973
	₩ 256,918	₩ 470,428	₩ 566,673	₩ 1,059,441

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Other operating expense

(In millions of Korean won)

	3 Months		Accumulate	
	2011	2010	2011	2010
Other bad debts expense	₩ 807	₩ 2,943	₩ 3,616	₩ 7,079
Loss from disposal of property, plant and equipment	24,778	86,550	38,377	126,837
Donations	68,480	60,469	100,376	104,712
Other	184,585	11,129	292,945	141,159
	₩ 278,650	₩ 161,091	₩ 435,314	₩ 379,787

20. Finance income and expenses

Finance income and expenses for the three and six months ended June 30, 2011 and 2010, consists of the following:

(In millions of Korean won)

	3 Months		Accumulate	
	2011	2010	2011	2010
Interest income:	₩ 165,216	₩ 124,490	₩ 315,072	₩ 264,334
Interest income from loans and receivables	164,065	124,253	312,825	264,096
Interest income from available-for- sale financial assets	1,151	237	2,247	238
Realized foreign exchange gains	1,104,330	2,202,568	1,661,957	2,926,066
Unrealized foreign exchange gains	148,461	55,676	500,175	474,702
Other finance income	71,385	122,471	164,608	184,120
Finance income	₩ 1,489,392	₩ 2,505,205	₩ 2,641,812	3,849,222
Interest expense:	148,131	122,745	286,388	252,291
Interest expense from financial liabilities measured at amortized cost	148,131	122,745	286,388	252,291
Realized foreign exchange losses	1,138,695	2,148,183	1,782,751	2,916,430
Unrealized foreign exchange losses	90,304	411,729	285,535	679,958
Other finance expenses	110,216	75,620	221,477	148,018
Finance expenses	₩ 1,487,346	₩ 2,758,277	₩ 2,576,151	₩ 3,996,697

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

21. Income Tax

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended December 31, 2011 is 16.7% (the estimated tax rate for the period ended June 30, 2010: 19.6%). The primary reason for the decrease in estimated average annual tax rate for FY 2011 is the proportionate increase in tax credits relative to taxable income compared to FY 2010.

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22. 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 June 30, 2011 and 2010, are calculated as follows:

<i>(In millions of Korean Won)</i>	3 Months		6 Months	
	2011	2010	2011	2010
Net income as reported on the statements of income	₩ 3,456,956	₩ 4,172,692	₩ 6,171,601	₩ 8,189,135
Adjustments:				
Dividends for preferred stock ¹	(30,029)	(119,371)	(60,058)	(149,399)
Undeclared participating preferred stock dividend ¹	(431,386)	(435,306)	(764,523)	(939,193)
Net income available for common stock	2,995,541	3,618,015	5,347,020	7,100,543
Weighted-average number of common shares Outstanding (in thousands)	130,141	129,517	130,087	128,930
Basic earnings per share (in Korean won)	₩ 23,018	₩ 27,935	₩ 41,104	₩ 55,073

¹ Basic earnings per preferred share (in Korean Won)

<i>(In millions of Korean Won)</i>	3 Months		6 Months	
	2011	2010	2011	2010
Net income available for preferred stock	₩ 461,415	₩ 554,677	₩ 824,581	₩ 1,088,592
Weighted-average number of preferred shares Outstanding (in thousands)	19,854	19,854	19,854	19,854
Basic earnings per preferred share (in Korean Won)	₩ 23,240	₩ 27,938	₩ 41,532	₩ 54,830

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, 2011 and 2010, is calculated as follows:

<i>(In millions, except for share amounts)</i>	3 Months		6 Months	
	2011	2010	2011	2010
Net income available for common stock	₩ 2,995,541	₩ 3,618,015	₩ 5,347,020	₩ 7,100,543
Net income available for common stock and common equivalent shares	2,995,541	3,618,015	5,347,020	7,100,543
Weighted-average number of shares of common stock and common shares equivalent	130,400	130,070	130,353	129,483
Diluted earnings per share (in Korean Won)	₩ 22,972	₩ 27,816	₩ 41,020	₩ 54,838

Samsung Electronics Co., Ltd. and Subsidiaries

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23. Cash generated from operations

a. Cash flows from operating activities as of June 30, 2011 and 2010, consist of the following:

<i>(In millions of Korean Won)</i>	2011	2010
Adjustments for:		
Tax expense	₩ 1,261,242	₩ 2,016,237
Finance income	(979,855)	(784,239)
Finance costs	793,428	966,950
Severance and retirement benefits	306,291	262,062
Depreciation expenses	6,127,464	5,324,189
Amortization expenses	300,339	254,636
Bad debt expenses	30,593	79,209
Share of profit or loss of associates and joint ventures	(786,267)	(1,014,573)
Gain on disposal of property, plant and equipment	(68,790)	(204,143)
Loss on disposal of property, plant and equipment	38,377	126,837
Obsolescence and scrapping of inventories	420,073	511,486
Other income/expense	(81,179)	(376,844)
Adjustments, total	₩ 7,361,716	₩ 7,161,807
Changes in assets and liabilities:		
Increase in trade receivables	₩ (1,183,086)	₩ (1,695,035)
Decrease/(increase) in other receivables	319,701	(293,747)
(Increase)/decrease in advances	(21,661)	270,194
Decrease/(increase) in prepaid expenses	142,961	(1,090,205)
Increase in inventories	(1,258,621)	(4,353,161)
Increase in trade payables	236,922	1,097,913
(Decrease)/increase in other payables	(1,026,452)	2,334,940
Decrease in advance received	(8,991)	(401,724)
Increase/(decrease) in withholdings	554,865	(37,768)
Decrease in accrued expenses	(1,921,472)	(891,134)
Increase in provisions	1,669,509	156,864
Payment of severance benefits	(89,460)	(498,563)
Other	(272,384)	(10,249)
Changes in operating assets and liabilities, total	₩ (2,858,169)	₩ (5,411,675)

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24. 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 Company'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 on 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 six-month and three-month ended June 30, 2011 and 2010, consist of the following:

1) Six-month ended June 30, 2011

2011 Summary of Business by Segment

<i>(In millions of Korean Won)</i>	SET			Device			Total	Elimination	Consolidated
	Total	Digital Media	Tele- Communication	Total	Semiconductor	LCD			
Total segment revenue	106,118,196	61,520,146	44,202,395	62,293,916	35,092,241	27,486,248	169,270,265	(92,846,394)	76,423,871
Inter segment revenue	(55,503,716)	(33,920,265)	(21,382,280)	(30,723,547)	(16,757,880)	(13,881,730)	(92,846,394)	92,846,394	-
Revenue from external customers	50,614,480	27,599,881	22,820,115	31,570,369	18,334,361	13,604,518	76,423,871	-	76,423,871
Operating profit ¹	3,728,600	610,867	3,104,586	2,994,820	3,435,929	(442,627)	6,700,416	-	6,700,416
Total assets	84,154,398	43,067,721	33,647,110	92,883,949	60,092,691	32,794,465	197,278,491	(59,308,792)	137,969,699

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Three-month ended June 30, 2011

2011 Summary of Business by Segment

<i>(In millions of Korean Won)</i>	SET			Device			Total	Elimination	Consolidated
	Total	Digital Media	Tele-Communication	Total	Semiconductor	LCD			
Total segment revenue	54,473,082	30,789,604	23,480,094	31,869,328	17,577,794	14,432,592	86,868,791	(47,429,937)	39,438,854
Inter segment revenue	(28,115,460)	(16,714,652)	(11,296,435)	(15,799,214)	(8,419,207)	(7,341,357)	(47,429,937)	47,429,937	-
Revenue from external customers	26,357,622	14,074,952	12,183,659	16,070,114	9,158,587	7,091,235	39,438,854	-	39,438,854
Operating profit ¹	2,186,037	507,366	1,671,146	1,579,331	1,791,262	(213,373)	3,751,880	-	3,751,880
Total assets	84,154,398	43,067,721	33,647,110	92,883,949	60,092,691	32,794,465	197,278,491	(59,308,792)	137,969,699

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

3) Six-month ended June 30, 2010

2010 Summary of Business by Segment

<i>(In millions of Korean Won)</i>	SET			Device			Total	Elimination	Consolidated
	Total	Digital Media	Tele-Communication	Total	Semiconductor	LCD			
Total segment revenue	97,583,921	62,504,925	34,575,562	64,675,649	34,300,251	30,671,351	173,711,308	(101,181,320)	72,529,988
Inter segment revenue	(52,137,778)	(34,869,121)	(17,095,253)	(32,676,916)	(16,565,888)	(16,057,537)	(101,181,320)	101,181,320	-
Revenue from external customers	45,446,143	27,635,804	17,480,309	31,998,733	17,734,363	14,613,814	72,529,988	-	72,529,988
Operating profit ¹	2,591,764	885,509	1,724,650	6,266,743	4,898,694	1,369,501	9,419,824	-	9,419,824
Total assets	93,165,737	43,049,787	32,739,545	83,654,962	54,165,667	29,458,795	179,108,299	(53,431,639)	125,676,660

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

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4) Three-month ended June 30, 2010

<i>(In millions of Korean Won)</i>	SET			2010 Summary of Business by Segment Device			Total	Elimination	Consolidated
	Total	Digital Media	Tele- Communication	Total	Semiconductor	LCD			
Total segment revenue	50,546,300	33,762,246	16,511,625	34,450,876	18,452,410	16,172,515	90,564,579	(52,672,661)	37,891,918
Inter segment revenue	(27,036,588)	(18,958,592)	(7,990,774)	(17,366,782)	(8,922,975)	(8,409,042)	(52,672,661)	52,672,661	-
Revenue from external customers	23,509,712	14,803,654	8,520,851	17,084,094	9,529,435	7,763,473	37,891,918	-	37,891,918
Operating profit ¹	985,093	358,400	628,587	3,823,573	2,903,476	878,405	5,014,212	-	5,014,212
Total assets	93,165,737	43,049,787	32,739,545	83,654,962	54,165,667	29,458,795	179,108,299	(53,431,639)	125,676,660

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

The regional segment information provided to the Management Committee for the reportable segments for the six-month ended June 30, 2011 and 2010, consist of the following:

1) Six-month ended June 30, 2011

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	66,198,696	31,120,312	27,289,161	18,305,783	26,356,313	(92,846,394)	76,423,871
Inter segment revenue	(52,450,458)	(9,026,672)	(10,885,685)	(5,103,895)	(15,379,684)	92,846,394	-
Revenue from external customers	13,748,238	22,093,640	16,403,476	13,201,888	10,976,629	-	76,423,871
Non-current assets ¹	50,026,556	6,831,542	1,105,674	1,144,057	1,709,915	(109,178)	60,708,566

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

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2) Three-month ended June 30, 2011

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	34,234,750	16,620,076	12,975,774	9,665,015	13,373,176	(47,429,937)	39,438,854
Inter segment revenue	(27,279,076)	(4,799,533)	(4,977,586)	(2,712,328)	(7,661,414)	47,429,937	-
Revenue from external customers	6,955,674	11,820,543	7,998,188	6,952,687	5,711,762	-	39,438,854
Non-current assets ¹	50,026,556	6,831,542	1,105,674	1,144,057	1,709,915	(109,178)	60,708,566

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

3) Six-month ended June 30, 2010

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	63,653,741	28,961,280	29,523,787	16,697,002	34,875,498	(101,181,320)	72,529,988
Inter segment revenue	(51,168,772)	(9,842,716)	(13,614,637)	(4,698,895)	(21,856,300)	101,181,320	-
Revenue from external customers	12,484,969	19,118,564	15,909,150	11,998,107	13,019,198	-	72,529,988
Non-current assets ¹	43,231,202	3,597,220	853,925	912,788	1,658,347	(451,686)	49,801,796

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

4) Three-month ended June 30, 2010

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	33,423,045	16,224,341	14,576,003	8,922,006	17,419,184	(52,672,661)	37,891,918
Inter segment revenue	(26,972,243)	(5,551,052)	(6,708,989)	(2,457,148)	(10,983,229)	52,672,661	-
Revenue from external customers	6,450,802	10,673,289	7,867,014	6,464,858	6,435,955	-	37,891,918
Non-current assets ¹	43,231,202	3,597,220	853,925	912,788	1,658,347	(451,686)	49,801,796

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

Samsung Electronics Co., Ltd. and Subsidiaries

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25. 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 six-month ended June 30, 2011 and 2010, and the related receivables and payables as of June 30, 2011 and December 31, 2010, are as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Inter-company transactions		
Sales	₩ 554,086	₩ 688,014
Purchases	2,422,735	2,322,075
Receivables and Payables		
Receivables	170,317	183,812
Payables	709,656	816,473

2) Joint ventures

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

Transactions with joint venture partners for the six-month ended June 30, 2011 and 2010, and the related receivables and payables as of June 30, 2011 and December 31, 2010, are as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Inter-company transactions		
Sales	₩ 4,467	₩ 6,942
Purchases	1,568,442	1,494,039
Receivables and Payables		
Receivables	208	131
Payables	160,582	126,906

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 six-month ended June 30, 2011 and 2010, and the related receivables and payables as of June 30, 2011 and December 31, 2010, are as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Inter-company transactions		
Sales	₩ 35,997	₩ 8,472
Purchases	273,508	197,009
Receivables and Payables		
Receivables	233,235	233,649
Payables	115,900	109,875

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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 for the periods ended June 30, 2011 and 2010 is shown below:

<i>(In millions of Korean Won)</i>	2011	2010
Salaries and other short-term benefits	₩ 12,670	₩ 3,741
Termination benefits	348	1,316
Other long-term benefits	2,548	2,714

26. 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 headquarters 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.

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.

(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 as of June 30, 2011 and December 31,

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2010 are ₩2,964,696 million and ₩2,990,441 million respectively. (Note 6)

If there is change in price of equity investment by 1%, the amount of other comprehensive income changes for the six-month ended June 30, 2011 and for the year ended December 31, 2010 are ₩26,345 million and ₩26,641 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.

(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.

The top five customers account for approximately occupies 17.0% (₩3,386,418 million) and 14.3% (₩2,734,014 million) as of June 30, 2011 and December 31, 2010, respectively, while the top three credit exposures by country amounted to 17.3%, 16.5% and 13.3% (December 31, 2010: 15.6%, 12.0% and 11.0%), 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.

(4) Capital structure 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.

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In 2011, 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 June 30, 2011 and December 31, 2010 were as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Total liabilities	₩ 43,361,485	₩ 44,939,653
Total equity	94,608,214	89,349,091
Gearing ratio	45.8%	50.3%

27. Business Combination

(1) Merger of Samsung Gwangju Electronics

The Company acquired Samsung Gwangju Electronics with a closing date of January 1, 2011. 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 Prosonic

The Company acquired 100% shares of Prosonic Co.,Ltd. with a closing date of February 16, 2011.

1) Overview of the acquired company

Name of the acquired company	Prosonic
Headquarters location	Gyeongsangbukdo, Gyeongju-si
Representative director	Sang-won Bang
Classification of the acquired company	Unlisted company
After acquisition relationship with the Company	Subsidiary

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2) Purchase price allocation

Classification	Amount (in millions of KRW)
I. Considerations transferred	₩ 43,438
II. Identifiable assets and liabilities	
Cash and cash equivalents	4,197
Trade and other receivables	2,345
Inventories	2,036
Property, plant, and equipment	9,183
Intangible assets	26,664
Other assets	1,977
Trade and other payables	(1,713)
Retirement benefit obligation	(919)
Other liabilities	(2,793)
Total	₩ 40,977
III. Goodwill	₩ 2,461

(3) Acquisition of Samsung Medison

The Company acquired 43.5% shares of Samsung Medison Co.,Ltd. with a closing date of February 16, 2011 and additionally acquired 22.3% shares of Samsung Medison Co.,Ltd. with closing date of April 29, 2011.

1) Overview of the acquired company

Name of the acquired company	Samsung Medison
Headquarters location	Gangwondo, Hongchengun
Representative director	Sang-won Bang
Classification of the acquired company	Unlisted company
After acquisition relationship with the Company	Subsidiary

2) Purchase price allocation

Classification	Amount (in millions of KRW)
I. Considerations transferred	₩ 436,965
II. Identifiable assets and liabilities	
Cash and cash equivalents	42,287
Trade and other receivables	66,471
Inventories	57,880
Property, plant, and equipment	112,102
Intangible assets	331,433
Other assets	42,708
Trade and other payables	(39,161)

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Borrowings and loans		(88,236)
Retirement benefit obligation		(3,306)
Provisions		(8,506)
Deferred income tax liabilities		(71,157)
Other liabilities		(22,450)
Total	₩	420,065
III. Non-controlling interests	₩	(57,447)
IV. Goodwill	₩	74,347

Had Samsung Medison been consolidated from January 1, 2011, the consolidated for the six-month period would show revenue of ₩57,023 million and loss of ₩12,219 million, additionally.

The revenue included in the financial statement of income statement since the date of acquisition contributed by Samsung Medison was ₩83,304 million and profit of ₩1,491 million over the period.

28. Events after the Reporting Period

The Company disposed of photovoltaic cell business to Samsung SDI (one of the associates of the Company) on July 1, 2011.