

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of U.S. dollars (Note 2.27))*

	Notes	December 2011 KRW	December 2010 KRW	December 2011 USD	December 2010 USD
<b>Assets</b>					
Current Assets					
Cash and cash equivalents	4, 6	14,691,761	9,791,419	12,738,889	8,489,915
Short-term financial instruments	5, 6	11,529,905	11,529,392	9,997,316	9,996,872
Available-for-sale financial assets	6, 7	655,969	1,159,152	568,776	1,005,074
Trade and other receivables	6, 8	24,153,028	21,308,834	20,942,537	18,476,402
Advances		1,436,288	1,302,428	1,245,372	1,129,305
Prepaid expenses		2,329,463	2,200,739	2,019,824	1,908,210
Inventories	9	15,716,715	13,364,524	13,627,603	11,588,072
Other current assets		988,934	746,101	857,483	646,928
<b>Total current assets</b>		<b>71,502,063</b>	<b>61,402,589</b>	<b>61,997,800</b>	<b>53,240,778</b>
Non-current assets					
Available-for-sale financial assets	6, 7	3,223,598	3,040,206	2,795,108	2,636,093
Associates and joint ventures	10	9,204,169	8,335,290	7,980,724	7,227,339
Property, plant and equipment	11	62,043,951	52,964,594	53,796,888	45,924,386
Intangible assets	12	3,355,236	2,779,439	2,909,248	2,409,988
Deposits	6	791,863	655,662	686,606	568,509
Long-term prepaid expenses		3,454,205	3,544,572	2,995,062	3,073,417
Deferred income tax assets	27	1,614,077	1,124,009	1,399,529	974,602
Other non-current assets		442,092	442,383	383,329	383,580
<b>Total assets</b>		<b>155,631,254</b>	<b>134,288,744</b>	<b>134,944,294</b>	<b>116,438,692</b>

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of U.S. dollars (Note 2.27))*

	Notes	December 2011 KRW	December 2010 KRW	December 2011 USD	December 2010 USD
<b>Liabilities and Equity</b>					
Current liabilities					
Trade and other payables	6	18,509,490	16,049,800	16,049,155	13,916,414
Short-term borrowings	6, 13	9,653,722	8,429,721	8,370,521	7,309,218
Advance received		1,450,733	883,585	1,257,897	766,136
Withholdings		1,715,070	1,052,555	1,487,098	912,646
Accrued expenses		7,823,728	7,102,427	6,783,775	6,158,352
Income tax payables		1,262,798	2,051,452	1,094,943	1,778,767
Current portion of long-term borrowings and debentures	6, 13, 14	30,292	1,123,934	26,265	974,537
Provisions	16	3,514,536	2,917,919	3,047,374	2,530,061
Other current liabilities		358,645	333,328	310,973	289,021
<b>Total current liabilities</b>		<b>44,319,014</b>	<b>39,944,721</b>	<b>38,428,001</b>	<b>34,635,152</b>
Non-current liabilities					
Debentures	6, 14	1,280,124	587,338	1,109,966	509,267
Long-term borrowings	6, 13	3,682,472	634,381	3,192,987	550,057
Long-term other payables	6	1,024,804	1,072,661	888,584	930,080
Retirement benefit obligation	15	418,486	597,829	362,860	518,364
Deferred income tax liabilities	27	2,333,442	1,652,667	2,023,274	1,432,990
Provisions	16	363,223	295,356	314,942	256,096
Other non-current liabilities		364,366	154,700	315,934	134,137
<b>Total liabilities</b>		<b>53,785,931</b>	<b>44,939,653</b>	<b>46,636,548</b>	<b>38,966,143</b>
Equity attributable to owners of the parent					
Preferred stock	18	119,467	119,467	103,587	103,587
Common stock	18	778,047	778,047	674,627	674,627
Share premium	18	4,403,893	4,403,893	3,818,515	3,818,515
Retained earnings	19	97,542,525	85,014,550	84,576,888	73,714,168
Other reserve	21	(5,244,167)	(4,726,398)	(4,547,097)	(4,098,152)
<b>Non-controlling interests</b>		<b>4,245,558</b>	<b>3,759,532</b>	<b>3,681,226</b>	<b>3,259,804</b>
<b>Total equity</b>		<b>101,845,323</b>	<b>89,349,091</b>	<b>88,307,746</b>	<b>77,472,549</b>
<b>Total liabilities and equity</b>		<b>155,631,254</b>	<b>134,288,744</b>	<b>134,944,294</b>	<b>116,438,692</b>

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 2.27))*

	Notes	2011 KRW	2010 KRW	2011 USD	2010 USD
<b>Revenue</b>		165,001,771	154,630,328	143,069,254	134,076,414
<b>Cost of sales</b>	23	112,145,120	102,666,824	97,238,463	89,020,051
<b>Gross profit</b>		52,856,651	51,963,504	45,830,791	45,056,363
Research and development expenses	23	9,979,841	9,099,352	8,653,291	7,889,840
Selling, general and administrative expenses	23, 24	27,421,910	26,243,122	23,776,910	22,754,810
Other operating income	25	2,421,909	1,755,441	2,099,981	1,522,104
Other operating expenses	25	1,627,092	1,079,935	1,410,814	936,387
<b>Operating profit</b>		16,249,717	17,296,536	14,089,757	14,997,430
Share of profit or loss of associates and joint ventures		1,399,194	2,267,091	1,213,209	1,965,743
Finance income	26	7,403,525	7,465,128	6,419,427	6,472,841
Finance expense	26	7,893,421	7,700,099	6,844,204	6,676,579
<b>Profit before income tax</b>		17,159,015	19,328,656	14,878,189	16,759,435
Income tax expense	27	3,424,948	3,182,131	2,969,694	2,759,153
<b>Profit for the year</b>		13,734,067	16,146,525	11,908,495	14,000,282
Profit attributable to owners of the parent		13,359,192	15,799,035	11,583,449	13,698,981
Profit attributable to non-controlling interests		374,875	347,490	325,046	301,301
Earnings per share for profit attributable to the owners of the parent (in Korean won and US dollars) :	28				
Basic		89,073	105,992	77.23	91.90
Diluted		88,990	105,672	77.16	91.63

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

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(In millions of Korean won, in thousands of U.S. dollars (Note 2.27))*

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	KRW	KRW	USD	USD
Profit for the year	13,734,067	16,146,525	11,908,495	14,000,282
Available-for-sale financial assets, net of tax	(572,028)	932,384	(495,992)	808,449
Share of other comprehensive income of associates and joint ventures, net of tax	(113,898)	387,457	(98,758)	335,955
Foreign currency translation, net of tax	183,655	(178,357)	159,243	(154,649)
<b>Total consolidated comprehensive income</b>	<b>13,231,796</b>	<b>17,288,009</b>	<b>11,472,988</b>	<b>14,990,037</b>
Consolidated comprehensive income attributable to :				
Owners of the parent	12,801,542	16,901,117	11,099,924	14,654,571
Non-controlling interests	430,254	386,892	373,064	335,466

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 2.27))*

	Notes	For the years ended December 31,			
		2011 KRW	2010 KRW	2011 USD	2010 USD
<b>Cash flows from operating activities</b>					
Profit for the year		13,734,067	16,146,525	11,908,495	14,000,282
Adjustments	29	16,475,605	14,088,323	14,285,620	12,215,662
Changes in operating assets and liabilities	29	(4,057,345)	(5,668,035)	(3,518,031)	(4,914,623)
Cash flows from operating activities		26,152,327	24,566,813	22,676,084	21,301,321
Interest received		755,859	457,508	655,388	396,695
Interest paid		(641,462)	(582,292)	(556,197)	(504,892)
Dividend received		628,585	1,520,037	545,032	1,317,989
Income tax paid		(3,977,408)	(2,135,287)	(3,448,719)	(1,851,458)
Net cash generated from Operating activities		22,917,901	23,826,779	19,871,588	20,659,655
<b>Cash flows from investing activities</b>					
Net decrease(increase) in short-term financial instruments		75,666	(2,991,820)	65,608	(2,594,139)
Net decrease in short-term available-for-sale financial assets		518,479	981,599	449,561	851,122
Proceeds from disposal of long-term available-for-sale financial assets		415,096	9,207	359,920	7,983
Acquisition of long-term available-for-sale financial assets		(419,678)	(414,978)	(363,893)	(359,818)
Proceeds from disposal of associates and joint ventures		306,804	277,907	266,023	240,967
Acquisition of associates and joint ventures		(403,538)	(243)	(349,899)	(211)
Disposal of property and equipment		379,878	1,228,007	329,384	1,064,777
Purchases of property and equipment		(21,965,678)	(21,619,244)	(19,045,936)	(18,745,551)
Disposal of intangible assets		9,703	16,620	8,413	14,411
Purchases of intangible assets		(663,678)	(1,259,895)	(575,460)	(1,092,426)
Proceeds from deposits		461,454	366,304	400,116	317,614
Payment for deposits		(594,067)	(420,986)	(515,102)	(365,027)
Cash inflows(outflows) from business combination		(522,740)	47,549	(453,256)	41,229
Cash inflows from disposal of business		925,454	179,437	802,440	155,586
Others		364,281	(384,341)	315,860	(333,253)
Net cash used in investing activities		(21,112,564)	(23,984,877)	(18,306,221)	(20,796,736)

**Samsung Electronics Co., Ltd. and its subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean won, in thousands of U.S. dollars (Note 2.27))*

<b>Notes</b>	For the years ended December 31,			
	<b>2011</b> KRW	<b>2010</b> KRW	<b>2011</b> USD	<b>2010</b> USD
<b>Cash flows from financing activities</b>				
Net proceeds from short-term borrowings	977,315	868,156	847,407	752,758
Disposal of treasury stock	160,827	184,291	139,449	159,795
Proceeds from debentures and long-term borrowings	3,925,406	1,137,646	3,403,630	986,427
Repayment of debentures and long-term borrowings	(1,145,167)	(304,074)	(992,948)	(263,656)
Payment of dividends	(874,608)	(1,917,637)	(758,353)	(1,662,739)
Others	65,956	(120,677)	57,189	(104,636)
Net cash provided by (used in) financing activities	3,109,729	(152,295)	2,696,374	(132,051)
Effect of exchange rate changes on cash and cash equivalents	(14,724)	(48,118)	(12,767)	(41,722)
Net increase (decrease) in cash and cash equivalents	4,900,342	(358,511)	4,248,974	(310,854)
<b>Cash and cash equivalents</b>				
Beginning of the year	9,791,419	10,149,930	8,489,915	8,800,769
End of the year	14,691,761	9,791,419	12,738,889	8,489,915

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

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In millions of Korean won)*

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 year	-	-	-	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)
<b>Total comprehensive income</b>	-	-	-	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)
Paid-in-capital increase	-	-	-	-	-	-	(49,294)	(49,294)
Effect of business combination	-	-	-	-	-	-	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
<b>Total transactions with owners</b>	-	-	-	(1,849,732)	973,120	(876,612)	(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 2.27))*

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	103,587	674,627	3,818,515	61,619,047	(5,897,513)	60,318,263	3,017,558	63,335,821
Profit for the year	-	-	-	13,698,981	-	13,698,981	301,301	14,000,282
Available-for-sale financial assets, net of tax	-	-	-	-	803,284	803,284	5,165	808,449
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	335,955	335,955	-	335,955
Foreign currency translation, net of tax	-	-	-	-	(183,649)	(183,649)	29,000	(154,649)
<b>Total comprehensive income</b>	-	-	-	13,698,981	955,590	14,654,571	335,466	14,990,037
Dividends	-	-	-	(1,611,891)	-	(1,611,891)	(62,316)	(1,674,207)
Paid-in-capital increase	-	-	-	-	-	-	(42,743)	(42,743)
Effect of business combination	-	-	-	-	-	-	15,301	15,301
Disposal of treasury stock	-	-	-	-	919,960	919,960	-	919,960
Stock option activities	-	-	-	-	(73,495)	(73,495)	-	(73,495)
Others	-	-	-	8,031	(2,694)	5,337	(3,462)	1,875
<b>Total transactions with owners</b>	-	-	-	(1,603,860)	843,771	(760,089)	(93,220)	(853,309)
Balance at December 31, 2010	103,587	674,627	3,818,515	73,714,168	(4,098,152)	74,212,745	3,259,804	77,472,549



**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In millions of Korean won)*

2011 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, 2011	119,467	778,047	4,403,893	85,014,550	(4,726,398)	85,589,559	3,759,532	89,349,091
Profit for the year	-	-	-	13,359,192	-	13,359,192	374,875	13,734,067
Available-for-sale financial assets, net of tax	-	-	-	-	(567,186)	(567,186)	(4,842)	(572,028)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	(113,898)	(113,898)	-	(113,898)
Foreign currency translation, net of tax	-	-	-	-	123,434	123,434	60,221	183,655
<b>Total comprehensive income</b>	-	-	-	13,359,192	(557,650)	12,801,542	430,254	13,231,796
Dividends	-	-	-	(824,478)	-	(824,478)	(156,388)	(980,866)
Paid-in-capital increase	-	-	-	-	(109,882)	(109,882)	79,196	(30,686)
Effect of business combination	-	-	-	-	-	-	131,564	131,564
Disposal of treasury stock	-	-	-	-	288,773	288,773	-	288,773
Stock option activities	-	-	-	-	(73,008)	(73,008)	-	(73,008)
Others	-	-	-	(6,739)	(66,002)	(72,741)	1,400	(71,341)
<b>Total transactions with owners</b>	-	-	-	(831,217)	39,881	(791,336)	55,772	(735,564)
Balance at December 31, 2011	119,467	778,047	4,403,893	97,542,525	(5,244,167)	97,599,765	4,245,558	101,845,323

**Samsung Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In thousands of U.S. dollars (Note 2.27))*

2011 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, 2011	103,587	674,627	3,818,515	73,714,168	(4,098,152)	74,212,745	3,259,804	77,472,549
Profit for the year	-	-	-	11,583,449	-	11,583,449	325,046	11,908,495
Available-for-sale financial assets, net of tax	-	-	-	-	(491,794)	(491,794)	(4,198)	(495,992)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	(98,758)	(98,758)	-	(98,758)
Foreign currency translation, net of tax	-	-	-	-	107,027	107,027	52,216	159,243
<b>Total comprehensive income</b>	-	-	-	11,583,449	(483,525)	11,099,924	373,064	11,472,988
Dividends	-	-	-	(714,886)	-	(714,886)	(135,600)	(850,486)
Paid-in-capital increase	-	-	-	-	(95,276)	(95,276)	68,669	(26,607)
Effect of business combination	-	-	-	-	-	-	114,076	114,076
Disposal of treasury stock	-	-	-	-	250,388	250,388	-	250,388
Stock option activities	-	-	-	-	(63,304)	(63,304)	-	(63,304)
Others	-	-	-	(5,843)	(57,228)	(63,071)	1,213	(61,858)
<b>Total Transactions with owners</b>	-	-	-	(720,729)	34,580	(686,149)	48,358	(637,791)
Balance at December 31, 2011	103,587	674,627	3,818,515	84,576,888	(4,547,097)	84,626,520	3,681,226	88,307,746

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

These consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“Korean IFRS”) 1027, *Consolidated and Separate Financial Statements*. Samsung Electronics Co., Ltd. (“SEC”), as the controlling company, consolidates its 156 subsidiaries (collectively referred to as “the Company”) including S-LCD and Samsung Electronics America as described in Note 1.

A) SEC was incorporated in 1969 under the laws of the Republic of Korea. SEC listed its shares on the Korean Stock Exchange in 1975. The Company manufactures, distributes and sells finished products and device solutions. Finished products include digital TVs, air conditioning systems, refrigerators, home electronics, mobile phones, telecommunication systems, computers and printers. Device solutions include memory semiconductors, system LSI, display panels for LCD screens and TVs. SEC is domiciled in the Republic of Korea and the address of its registered office is Suwon, the Republic of Korea.

#### B) Consolidated Subsidiaries

SEC’s consolidated subsidiaries as of December 31, 2011 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	World Cyber Games	Cyber game match hosting	94.5
	Prosonic	Manufacture of medical health equipments	100.0
	Samsung Mobile Display	Manufacture and sale of TFT-LCD/AMOLED	64.4
	High Pioneer Private Investment Trust #1	Technology business venture capital investments	100.0
	SU Materials	Manufacture of electronic devices	50.0
	STECO	Manufacture of semiconductor components	51.0
	SEMES	Manufacture of semiconductor/FPD	85.6
	SECRON	Semiconductor equipments	78.1
	Samsung Electronics Service	Repair service for electronic devices	99.3
	S-LCD	Manufacture and sale of TFT-LCD	50.0
	Living Plaza	Sale of consumer electronics	100.0
	SEHF Korea	Optical fiber cable, camera module	100.0
Domestic	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Electronics Football Club	Sponsoring of sports team and games	100.0
	GES	Semiconductor equipments	100.0
	Samsung Medison	Medical equipments	65.8
	Medison Healthcare	Medical equipments	100.0
	Ray	Dental CT	68.1
	Samsung Venture Capital Union #6	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #7	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #14	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #20	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #21	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #22	Technology business venture capital investments	99.0
	Samsung Electronics America(SEA)	Sale of electronic devices	100.0
	NexusDX(Nexus)	Medical equipments	100.0
	Samsung Receivables(SRC)	Credit managements	100.0
America	Samsung Semiconductor(SSi)	Sale of electronic devices	100.0
	Samsung Electronics Canada(SECA)	Sale of electronic devices	100.0
	Samsung Information Systems America(SISA)	R&D	100.0
	Grandis(GRANDIS)	Semiconductor R&D	100.0

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Samsung Mexicana(SAMEX)	Manufacture of electronic devices	100.0
	Samsung International(SII)	Manufacture of CTV	100.0
	Samsung Telecommunications America(STA)	Sale of Cell phone and WiMAX	100.0
	Samsung Austin Semiconductor(SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico(SEM)	Manufacture and sales of electronic devices	100.0
	SEMES America(SEMESA)	Semiconductor equipments	100.0
	Samsung Electronics Latinoamerica Miami(SEMI)	Sale of IT, communication equipment	100.0
	Samsung Medison America(SMUS)	Medical equipments	100.0
	Samsung Electronics Latinoamerica(SELA)	Sale of IT, communication equipment	100.0
	Samsung Electronics Venezuela(SEVEN)	Marketing and services	100.0
	Samsung Electronica Colombia(SAMCOL)	Sale of electronic devices	100.0
	Samsung Electronica da Amazonia(SEDA)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics Argentina(SEASA)	Marketing and services	100.0
	Samsung Electronics Chile(SECH)	Sale of electronic devices	100.0
	Samsung Electornics Peru(SEPR)	Sale of electronic devices	100.0
	Samsung Medison Brasil(SMBR)	Medical equipments	100.0
	HX Diagnostics(HX)	Medical equipments	100.0
	HX Reagents(HX Reagent)	Medical equipments	100.0
	Deltapoint Cardiac Diagnostics(Deltapoint)	Medical equipments	100.0
	Samsung Electronics (UK)(SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding(SEHG)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH(SSEG)	Sale of semiconductor and LCD	100.0
	Samsung Electronics GmbH(SEG)	Sale of electronic devices	100.0
	Samsung Electronics Iberia(SES)	Sale of electronic devices	100.0
	Samsung Electronics France(SEF)	Sale and Marketing of electronic devices	100.0
	Samsung Electronics Hungarian(SEH)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics Czech and Slovak(SECZ)	Sale of electronic devices	100.0
	Samsung Electronics Italia(SEI)	Sale of electronic devices	100.0
	Samsung Electronics Europe Logistics(SELS)	Logistics	100.0
	Samsung Electronics Benelux(SEBN)	Sale of electronic devices	100.0
	Samsung Electronics LCD Slovakia(SELSK)	Tall processing of TFT-LCD	100.0
	Samsung Electronics Romania(SEROM)	Sale of electronic devices	100.0
	Samsung Electronics Overseas(SEO)	Sale of electronic devices	100.0
	Samsung Electronics Polska(SEPOL)	Sale of electronic devices	100.0
	Samsung Electronics Portuguesa(SEP)	Sale of electronic devices	100.0
Europe	Samsung Electronics Nordic(SENA)	Sale of electronic devices	100.0
	Samsung Semiconductor Europe(SSEL)	Sale of semiconductor and LCD	100.0
	Samsung Electronics Austria(SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia(SESK)	Manufacture of CTV/monitor	100.0
	Samsung Electronics European Holding(SEEH)	Holding Company	100.0
	Nanogen Recognomics (Nanogen)	Medical equipments	60.0
	Samsung Electronics Poland Manufacturing(SEPM)	Manufacture of home appliances	100.0
	Samsung Electronics Greece(SEGR)	Sale of electronic devices	100.0
	Samsung LCD Netherlands R&D Center(SNRC)	R&D	100.0
	Samsung LCD Netherlands R&D Center UK(SNRC(UK))	R&D	100.0
	SonoAce Deutschland(SMDE)	Medical equipments	100.0
	Samsung Medison Italia(SMIT)	Medical equipments	100.0
	Samsung Medison France(SMFR)	Medical equipments	100.0
	Samsung Medison Europe(SMNL)	Medical equipments	100.0
	Samsung Electronics Rus(SER)	Marketing	100.0

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Samsung Electronics Rus Company(SERC)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine(SEU)	Marketing	100.0
	Samsung Electronics Baltics(SEB)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine Company(SEUC)	Sale of electronic devices	100.0
	Samsung Moscow Research Centre(SMRC)	R&D	100.0
	Samsung Electronics Kazakhstan(SEK)	Marketing	100.0
	Samsung Electronics KZ and Central Asia(SEKZ)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga(SERK)	Manufacture of CTV	100.0
	Samsung Russia Service Center(SRSC)	Services	100.0
	Samsung Opto-Electronics GmbH(SOG)	Sale of electronic devices	100.0
	Samsung Electronics Limited(SEL)	Others	100.0
	Samsung Telecoms (UK)(STUK)	Sale of electronic devices	100.0
	Samsung Electronics West Africa(SEWA)	Marketing	100.0
	Samsung Electronics East Africa(SEEA)	Marketing	100.0
	Samsung Gulf Electronics(SGE)	Sale of electronic devices	100.0
Middle East and Africa	Samsung Electronics South Africa(SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey(SETK)	Sale and Marketing of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center(SIRC)	R&D	100.0
	Samsung Electronics Levant(SELV)	Sale of electronic devices	100.0
	Samsung Electronics Morocco(SEMRC)	Sale of electronic devices	100.0
		Dongguan Samsung Mobile Display(DSMD)	Manufacture of TFT-LCD
	Tianjin Samsung Mobile Display(TSMD)	Manufacture of TFT-LCD	95.0
	Samsung Electronics Hong Kong(SEHK)	Sale of electronic devices	100.0
	Suzhou Samsung Electronics(SSEC)	Manufacture of home appliances	88.3
	Samsung Suzhou Electronics Export(SSEC-E)	Manufacture of home appliances	100.0
	Samsung (China) Investment(SCIC)	Sale of electronic devices	100.0
	Samsung Guangzhou Mobile R&D Center(SGMC)	R&D	100.0
	Samsung Tianjin Mobile R&D(STMC)	R&D	100.0
	Samsung Electronics Suzhou Semiconductor(SESS)	Tall processing of semiconductor	100.0
	Samsung Electronics (Shandong) Digital Printing(SSDP)	Manufacture of printer	100.0
	Samsung Electronics Huizhou(SEHZ)	Manufacture of electronic devices	99.8
	Tianjin Samsung Electronics(TSEC)	Manufacture of electronic devices	91.3
China	Samsung Electronics Taiwan(SET)	Sale of electronic devices	100.0
	Beijing Samsung Telecom R&D Center(BST)	R&D	100.0
	Tianjin Samsung Telecom Technology(TSTC)	Manufacture of handsets	90.0
	Shanghai Samsung Semiconductor(SSS)	Sale of semiconductor and LCD	100.0
	Samsung Electronics Suzhou Computer(SESC)	Manufacture and sales of Note PC	100.0
	Samsung Electronics Suzhou LCD(ESL)	Tall processing of TFT-LCD	100.0
	Samsung Suzhou LCD(SSL)	Tall processing of TFT-LCD	60.0
	Shenzhen Samsung Kejian Mobile Telecommunication Technology(SSKMT)	Manufacture of handsets	60.0
	Samsung Electronics Shanghai Telecommunication(SSTC)	Sale of mobile communication and network equipment	100.0
	Samsung LCD Netherlands R&D Center HK(SNRC(HK))	R&D	100.0
	Samsung Semiconductor (China) R&D(SSCR)	R&D	100.0
	Samsung Electronics China R&D Center(SCRC)	R&D	100.0
	Samsung Electronics Hainan Fiberoptics(SEHF)	Manufacture of optical fiber, cable	100.0
	Samsung Electronics (Beijing) Service(SBSC)	Services	100.0

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Medison (Shanghai)(SMS2)	Medical equipments	100.0
	Samsung Medison Shanghai Medical Instrument(SMS1)	Medical equipments	97.7
	Medison Medical Equipment(Shanghai)(MMS)	Medical equipments	100.0
	Tianjin Samsung Opto-Electronics(TSOE)	Manufacture of camera and camcorder	90.0
	Samsung Japan(SJC)	Sale of electronic devices	51.0
	Samsung Yokohama Research Institute(SYRI)	R&D	100.0
	Samsung Telecommunications Japan(STJ)	Sale and services of communication equipments	100.0
	TNP Small/Medium Size & Venture Enterprises Growth Promotion Investment Limited Partnership(TSUNAMI)	Technology business investment	99.0
	Samsung Medison Japan(SMJP)	Medical equipments	100.0
	Samsung Electronics Display (M)(SDMA)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics (M)(SEMA)	Manufacture of home appliances	100.0
	Samsung Vina Electronics(SAVINA)	Manufacture of CTV	80.0
	Samsung Asia Private(SAPL)	Sale of electronic devices	70.0
	Samsung India Electronics(SIEL)	Manufacture and sale of electronic devices	100.0
	Samsung India Software Operations(SISO)	R&D	100.0
Rest of Asia	Samsung Electronics Australia(SEAU)	Sale of electronic devices	100.0
	Samsung Electronics Indonesia(SEIN)	Manufacture and sale of electronic devices	100.0
	Samsung Telecommunications Indonesia(STIN)	Sale and services of communication equipments	99.0
	Thai Samsung Electronics(TSE)	Manufacture and sale of electronic devices	91.8
	Samsung Electronics Philippines(SEPCO)	Sale of electronic devices	100.0
	Samsung Electronics Philippines Manufacturing(SEPHIL)	Manufacture of ODD	100.0
	Batino Realty Corporation(BRC) <sup>2</sup>	Management of real estate	39.8
	Samsung Malaysia Electronics(SME)	Sale of electronic devices	100.0
	Samsung Electronics Asia Holding(SEAH)	Holding Company	100.0
	Samsung Bangladesh R&D(SBRC)	R&D	100.0
	Samsung Electronics Vietnam(SEV)	Manufacture of handsets	100.0
	Samsung Telecommunications Malaysia(STM)	Communication system service	100.0
	Samsung Medison India(SMIN)	Medical equipments	100.0
	Medison Medical Systems(India)(MI)	Medical equipments	100.0

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

<sup>2</sup>While the company owns less than 50% of the voting rights of BRC, BRC is a special purpose entity and its operations are run based on the specific business needs of the Company and the Company obtains the majority of the benefits from BRC's operation.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

C) A summary of financial data of major consolidated subsidiaries in December 31, 2011 and 2010 is as follows:

(1) 2011

<i>(In millions of Korean Won)</i>	2011			
	Assets	Liabilities	Sales	Net Income
Samsung Mobile Display	₩ 9,590,909	₩ 4,898,011	₩ 6,586,460	₩ 874,368
Samsung Electronics America(SEA)	9,816,571	4,913,504	10,873,623	(1,825)
Samsung Austin Semiconductor(SAS)	6,952,894	3,731,834	2,521,060	19,796
Samsung Semiconductor(SSI)	5,974,863	2,490,812	16,762,084	47,593
S-LCD	4,940,886	1,411,031	9,278,421	(179,759)
Samsung Electronics European Holding(SEEH)	3,796,937	3,592,183	-	5,227
Samsung (China) Investment(SCIC)	3,323,358	2,652,717	9,117,657	124,892
Samsung Electronics Huizhou(SEHZ)	2,984,592	1,816,087	8,380,968	398,015
Samsung Japan(SJC)	2,856,471	2,197,847	7,840,230	36,929
Samsung Electronica da Amazonia(SEDA)	2,434,259	1,482,344	5,448,043	(43,406)
Samsung Electronics Slovakia(SESK)	2,361,719	1,174,527	4,893,947	255,032
Samsung Telecommunications America(STA)	2,235,101	1,818,412	10,059,797	46,184
Samsung Electronics Vietnam(SEV)	2,217,392	1,043,133	6,810,279	905,239
Shanghai Samsung Semiconductor(SSS)	2,024,403	1,901,188	10,919,636	48,248
Samsung Electronics Taiwan(SET)	1,794,858	1,582,616	5,394,509	18,497
Tianjin Samsung Telecom Technology(TSTC)	1,664,989	907,083	7,022,353	327,649
Samsung Electronics Rus Company(SERC)	1,509,256	1,189,211	5,725,681	33,313
Samsung Electronics Suzhou Computer(SESC)	1,411,349	1,018,670	6,092,471	156,469
Samsung Electronics Europe Logistics(SELS)	1,368,673	1,285,617	10,759,828	12,118
Samsung Semiconductor Europe GmbH(SSEG)	1,338,671	1,325,034	5,198,900	483
Samsung Electronics Hungarian(SEH)	1,318,553	592,167	4,322,195	191,329
Thai Samsung Electronics(TSE)	1,169,778	443,187	3,543,691	189,320
Samsung Electronics Hong Kong(SEHK)	1,155,606	998,115	1,522,892	23,104
Samsung Electronics Rus Kaluga(SERK)	1,125,145	470,867	2,177,423	291,158
Samsung Electronics Mexico(SEM)	1,094,270	925,327	2,444,660	5,125
Others	29,492,485	16,760,352	82,699,516	1,221,518
<b>Total</b>	<b>₩ 105,953,988</b>	<b>₩ 62,621,876</b>	<b>₩ 246,396,324</b>	<b>₩ 5,006,616</b>

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) 2010

<i>(In millions of Korean Won)</i>	2010			
	Assets	Liabilities	Sales	Net Income
Samsung Mobile Display	₩ 4,337,385	₩ 2,511,217	₩ 4,470,006	₩ 295,996
Samsung Electronics America(SEA)	6,814,904	2,862,939	10,891,215	81,158
Samsung Austin Semiconductor(SAS)	4,654,471	2,290,151	1,499,496	63,459
Samsung Semiconductor(SS1)	5,141,864	2,545,633	15,875,404	15,655
S-LCD	5,829,142	1,519,529	11,366,342	204,567
Samsung Electronics European Holding(SEEH)	589,734	422,083	-	41
Samsung (China) Investment(SCIC)	2,186,632	1,681,918	7,325,301	111,573
Samsung Electronics Huizhou(SEHZ)	1,597,968	894,196	5,915,157	208,952
Samsung Japan(SJC)	2,513,190	1,929,633	7,876,593	22,137
Samsung Electronica da Amazonia(SEDA)	2,209,641	1,319,503	4,369,118	183,607
Samsung Electronics Slovakia(SESK)	1,428,847	475,710	4,980,915	183,219
Samsung Telecommunications America(STA)	1,612,442	1,247,647	10,391,078	29,688
Samsung Electronics Vietnam(SEV)	649,439	423,302	1,850,259	121,804
Shanghai Samsung Semiconductor(SSS)	1,528,253	1,460,824	9,170,642	38,112
Samsung Electronics Taiwan(SET)	1,873,211	1,679,893	13,077,827	36,257
Tianjin Samsung Telecom Technology(TSTC)	1,171,847	571,113	5,089,837	169,499
Samsung Electronics Rus Company(SERC)	1,534,029	1,236,980	5,019,705	82,954
Samsung Electronics Suzhou Computer(DESC)	1,344,189	1,129,295	4,985,651	84,268
Samsung Electronics Europe Logistics(SELS)	1,045,826	969,346	11,466,856	9,704
Samsung Semiconductor Europe GmbH(SSEG)	1,666,748	1,652,933	8,613,752	856
Samsung Electronics Hungarian(SEH)	1,509,971	880,430	5,491,429	31,051
Thai Samsung Electronics(TSE)	923,598	348,285	2,994,791	174,463
Samsung Electronics Hong Kong(SEHK)	947,935	816,216	5,127,815	11,589
Samsung Electronics Rus Kaluga(SERK)	868,331	480,355	1,725,776	201,066
Samsung Electronics Mexico(SEM)	998,084	818,810	1,874,715	(10,830)
Others	27,331,833	15,633,035	88,687,981	1,099,343
<b>Total</b>	<b>₩ 82,309,514</b>	<b>₩ 47,800,976</b>	<b>₩ 250,137,661</b>	<b>₩ 3,450,188</b>



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### D) Changes in scope of consolidation

(1) Subsidiaries newly included in consolidation for the year ended December 31, 2011 are as follows:

Location	Name of Subsidiaries	Remark
Domestic	Prosonic	Newly acquired
	Samsung Venture Capital Union #20	Newly acquired
	Samsung Medison	Newly acquired
	Medison Healthcare	Newly acquired
	CSL	Newly acquired
	Medison Xray	Newly acquired
	SU Materials	Newly acquired
	High Pioneer Private Investment Trust #1	Newly incorporated
	Samsung Venture Capital Union #21	Newly acquired
Samsung Venture Capital Union #22	Newly acquired	
America	Samsung Medison America(SMUS)	Newly acquired
	Samsung Medison Brasil(SMBR)	Newly acquired
	Grandis(GRANDIS)	Newly acquired
	NexusDX(Nexus)	Newly acquired
	HX Diagnostics(HX)	Newly acquired
	HX Reagents(HX Reagent)	Newly acquired
Europe	Deltapoint Cardiac Diagnostics(Deltapoint)	Newly acquired
	SonoAce Deutschland(SMDE)	Newly acquired
	Samsung Medison Italia(SMIT)	Newly acquired
	Samsung Medison France(SMFR)	Newly acquired
	Samsung Medison Europe(SMNL)	Newly acquired
	Samsung Moscow Research Centre(SMRC)	Newly incorporated
Middle East and Africa	Nanogen Recognomics(Nanogen)	Newly acquired
	Samsung Electronics East Africa(SEEA)	Newly incorporated
China	Samsung Medison Shanghai Medical Instrument(SMS1)	Newly acquired
	Medison (Shanghai)(SMS2)	Newly acquired
	Medison Medical Equipment(Shanghai)(MMS)	Newly acquired
	Samsung Suzhou LCD(SSL)	Newly incorporated
Rest of Asia	Samsung Medison Japan(SMJP)	Newly acquired
	Samsung Medison India(SMIN)	Newly acquired
	Medison Medical Systems(India)(MI)	Newly acquired
	TNP Small/Medium Size & Venture Enterprises Growth Promotion Investment Limited partnership(TSUNAMI)	Newly acquired

(2) Details of subsidiaries deconsolidated for the year ended December 31, 2011, are as follows:

Location	Name of Subsidiaries	Remark
Domestic	Samsung Gwangju electronics	Merged
	CSL	Disposed
	Medison Xray	Disposed
China	Samsung Electronics Shenzhen(SESZ)	Liquidated

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2. Summary of Significant Accounting Policies

##### 2.1 Basis of Presentation

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

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

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011 and not early adopted are set out below:

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

The amendment addresses the measurement of deferred tax liabilities and deferred tax assets to 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 the standard are mandatory for the first time for the financial year beginning January 1, 2012. The Company expects the impact of this amendment on the consolidated financial statements to be immaterial.

##### *K-IFRS 1107, 'Disclosures—Transfers of Financial Assets'*

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 securitization of financial assets. The amendments to the standard are mandatory for the first time for the financial year beginning January 1, 2012. The Company expects the impact of this amendment on the consolidated financial statements to be immaterial.

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

The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess K-IFRS 1113's full impact and intends to adopt K-IFRS 1113 no later than the accounting period beginning January 1, 2013.

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

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2.2 Consolidation

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

##### A) Subsidiaries

The consolidated financial statements include the accounts of SEC and its controlled subsidiaries. Control over a subsidiary is presumed to exist when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are exercisable or convertible at the end of the reporting period are considered in determining whether the Company controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Company and de-consolidated from the date which control ceases to exist.

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

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

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

All inter-company transactions and balances are eliminated as part of the consolidation process. Inter-company transactions, balances, income and expenses on inter-company transactions are eliminated. Unrealized losses are eliminated upon assessing the impairment of the transferred assets.

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### B) 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).

#### C) 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.

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

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 Company.

### 2.3 Foreign currency translation

#### A) Functional and presentation currency

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

#### B) Transactions and balances

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

#### C) Translation of financial statements of 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.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are reclassified in the statement of income during the period when the gain or loss is recognized in profit or loss.

#### **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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2.6 Financial assets

##### A) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

##### (2) Loans and receivables

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

##### (3) Available-for-sale financial assets

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

##### (4) 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.

##### B) 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

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 amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in equity are transferred to the statement of income. 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.

#### C) Offsetting financial instruments

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

#### D) Impairment of financial assets

##### (1) 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

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#### (2) 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.

#### E) Derecognition of financial assets

Financial assets are derecognised 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. (if substantially not all risks and rewards of ownership have not been transferred, the Company should assess its control to ensure whether the derecognition criteria have not been met due to its continuing involvement with the investments)

Since the Company retains substantially all risks and rewards associated with the receivables in factoring arrangements with recourse. Financial liabilities that arise when a transfer of such receivables does not qualify for derecognition. Such liabilities are classified as mortgage payables in the consolidated balance sheet.

#### 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.

#### 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.

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.



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2.9 Disposal groups classified as held for sale

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

#### 2.10 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.

#### 2.11 Intangible assets

##### A) Goodwill

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Goodwill is not amortized as the carrying amount of accumulated goodwill amortization presented shall be adjusted against the original cost of goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if there is any indication that it may be impaired. Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit with the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. An impairment loss is immediately recognized and is not subsequently reversed.

#### B) Capitalized development costs

The Company capitalizes certain development costs when 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.

#### C) Other intangible assets

Certain membership dues 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 assets are not amortized.

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

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

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

#### 2.12 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2.13 Financial liabilities

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

Financial liabilities are acquired or incurred principally for the purpose of selling or repurchasing in the near term. Financial liabilities at fair value through profit or loss of the Company consist of financial instruments which contain non-derivative financial assets or embedded derivatives.

##### B) Financial liabilities measured at amortized cost

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

#### 2.14 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.

#### 2.15 Employee benefits

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 liabilities 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

#### **2.16 Financial guarantee contract**

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

#### **2.17 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.

#### **2.18 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2.19 Derivative instruments

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

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

#### 2.20 Dividend distribution

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

#### 2.21 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.

#### 2.22 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.

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

##### A) Sales of goods

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

##### B) Sales of services

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### C) Other sources of revenue

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

#### 2.23 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.

#### 2.24 Income tax expense and deferred taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income.

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 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2.25 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.

#### 2.26 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 is responsible for making strategic decisions on resource allocation and performance assessment of the operating segments.

#### 2.27 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 ₩1,153.30 to US \$1, the exchange rate in effect on December 31, 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.

2.28 These consolidated financial statements were approved by the Board of Directors on January 27, 2012.

### 3. 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.

#### A) Revenue recognition

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### B) Provision for warranty

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.

#### C) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

#### D) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the 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 the terms of the related pension obligation.

#### E) Estimated impairment of goodwill

The Company tests at the end of each reporting period whether goodwill has suffered any impairment in accordance with the accounting policy described in Note 2.11. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

#### F) Legal contingencies

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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4. Cash and Cash Equivalents**

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

Cash and cash equivalents as of December 31, 2011 and 2010, consist of the following:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Cash on hand	₩	16,042	₩	5,897
Bank deposits, etc.		14,675,719		9,785,522
<b>Total</b>	₩	<b>14,691,761</b>	₩	<b>9,791,419</b>

**5. Financial assets subject to withdrawal restrictions**

Financial instruments subject to withdrawal restrictions as of December 31, 2011 and 2010, consist of the following:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Short-term financial instruments	₩	39,770	₩	46,371
Other non-current assets				
- long-term financial instruments		16		26

**6. Financial instruments by category**

A) Financial instruments by category as of December 31, 2011 and 2010, consist of the following:

**(1) Assets**

<b>2011</b> <i>(In millions of Korean Won)</i>	<b>Assets at fair value through the profit and loss</b>		<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>		<b>Total</b>
Cash and cash equivalents	₩	-	₩ 14,691,761	₩	-	₩ 14,691,761
Short-term financial instruments		-	11,529,905		-	11,529,905
Long and short-term available-for-sale financial assets		-	-	3,879,567		3,879,567
Trade and other receivables		-	24,153,028		-	24,153,028
Deposits		-	791,863		-	791,863
Other financial assets		130,057	1,289,447		-	1,419,504
<b>Total</b>	₩	<b>130,057</b>	₩ <b>52,456,004</b>	₩	<b>3,879,567</b>	₩ <b>56,465,628</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<b>2010</b> <i>(In millions of Korean Won)</i>	<b>Assets at fair value through the profit and loss</b>		<b>Loans and receivables</b>		<b>Available-for- sale financial assets</b>		<b>Total</b>
Cash and cash equivalents	₩	-	₩	9,791,419	₩	-	₩ 9,791,419
Short-term financial instruments		-		11,529,392		-	11,529,392
Long and short-term available-for-sale financial assets		-		-		4,199,358	4,199,358
Trade and other receivables		-		21,308,834		-	21,308,834
Deposits		-		655,662		-	655,662
Other financial assets		34,458		1,013,771		-	1,048,229
<b>Total</b>	₩	34,458	₩	44,299,078	₩	4,199,358	₩ 48,532,894

**(2) Liabilities**

<b>2011</b> <i>(In millions of Korean Won)</i>	<b>Liabilities at fair value through profit and loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other financial liabilities</b>		<b>Total</b>
Trade and other payables	₩	-	₩	18,509,490	₩	-	₩ 18,509,490
Long term other payables		-		1,024,804		-	1,024,804
Long and short-term borrowings		-		8,482,567		4,878,383	13,360,950
Debentures		-		1,285,661		-	1,285,661
Other financial liabilities		40,932		7,788,449		-	7,829,381
<b>Total</b>	₩	40,932	₩	37,090,971	₩	4,878,383	₩ 42,010,286

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<b>2010</b> <i>(In millions of Korean Won)</i>	<b>Liabilities at fair value through profit and loss</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Total</b>
Trade and other payables	₩ -	₩ 16,049,800	₩ -	₩ 16,049,800
Long term other payables	-	1,072,661	-	1,072,661
Long and short-term borrowings	-	4,992,144	5,090,433	10,082,577
Debentures	-	692,797	-	692,797
Other financial liabilities	24,638	7,789,567	-	7,814,205
<b>Total</b>	₩ 24,638	₩ 30,596,969	₩ 5,090,433	₩ 35,712,040

B) The following table presents the assets and liabilities that are measured at fair value at 31 December 2011.

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

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>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>
Short-term derivatives	₩ -	₩ 34,458	₩ -	₩ 34,458
Long and short-term Available-for-sale financial assets	3,823,234	49,765	326,359	4,199,358
<b>Total assets</b>	₩ 3,823,234	₩ 84,223	₩ 326,359	₩ 4,233,816
Short-term derivatives	-	24,638	-	24,638
<b>Total liabilities</b>	₩ -	₩ 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)

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

C) The changes of the financial instruments on level 3, December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Balance at January 1	₩	326,359	₩	228,973
Purchase		397,865		136,216
Disposal		(97,390)		(23,714)
Comprehensive income /expense		69,004		86,683
Others <sup>1</sup>		(72,100)		(101,799)
Balance at December 31	₩	623,738	₩	326,359

<sup>1</sup> Others consist of the effects from changes in currency exchange rate, acquisitions from business combination and etc.

D) Income and loss of financial instruments by category for the years ended December 31, 2011 and 2010, are as follows:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(In millions of Korean Won)*

**2011**

<b>Financial Assets</b>	<b>Assets at fair value through the profit and loss</b>		<b>Loans and receivables</b>		<b>Available-for-sale financial assets</b>		<b>Total</b>	
Loss on valuation (Other comprehensive loss)	₩	-	₩	-	₩	(559,831)	₩	(559,831)
Loss on valuation/disposal		113,401		-		102,351		215,752
Gain on disposal (Reclassification)		-		-		134,202		134,202
Interest income		-		702,198		3,455		705,653
Gain on foreign currency translation		-		27,768		-		27,768
Loss on foreign currency transaction		-		(483,980)		(2,924)		(486,904)
Dividend income		-		-		34,423		34,423
Impairment/Reversal		-		-		(39)		(39)

*(In millions of Korean Won)*

**2011**

<b>Financial Liabilities</b>	<b>Liabilities at fair value through the profit and loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other Financial Liabilities</b>		<b>Total</b>	
Loss on valuation/disposal (Profit or loss)	₩	(1,865)	₩	-	₩	-	₩	(1,865)
Interest expense		-		555,581		85,073		640,654
Gain(Loss) on foreign currency translation		-		(69,049)		26,559		(42,490)
Loss on foreign currency transaction		-		(163,191)		-		(163,191)

**Samsung Electronics Co., Ltd. and Subsidiaries**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(In millions of Korean Won)*

**2010**

<b>Financial Assets</b>	<b>Assets at fair value through the profit and loss</b>		<b>Loans and receivables</b>		<b>Available-for-sale financial assets</b>		<b>Total</b>	
Gain on valuation (Other comprehensive income or loss)	₩	-	₩	-	₩	1,193,297	₩	1,193,297
Gain(Loss) on valuation/disposal (Profit or loss)		(32,341)		-		27,319		(5,022)
Gain on disposal (Reclassification)		-		-		4,420		4,420
Interest income		-		556,624		1,489		558,113
Loss on foreign currency translation		-		(103,896)		-		(103,896)
Loss on foreign currency transaction		-		(239,877)		-		(239,877)
Dividend income		-		-		32,829		32,829
Impairment/Reversal		-		-		(10,719)		(10,719)

*(In millions of Korean Won)*

**2010**

<b>Financial Liabilities</b>	<b>Liabilities at fair value through the profit and loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other Financial Liabilities</b>		<b>Total</b>	
Interest expense	₩	-	₩	579,588	₩	-	₩	579,588
Gain(Loss) on foreign currency translation		-		193,259		(6,897)		186,362
Loss on foreign currency transaction		-		(22,289)		-		(22,289)

**Samsung Electronics Co., Ltd. and Subsidiaries**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7. Available-for-sale financial assets**

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

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Balance as of January 1	₩ 4,199,358	₩ 3,593,558
Translation and exchange difference	1,007	447
Additions	2,390,143	3,815,003
-Additions from business combinations	1,018	-
Disposals	(2,004,296)	(4,378,927)
Fair value gains (losses)	(559,831)	1,193,297
Impairment losses	(39)	(10,719)
Others	(65,775)	(13,301)
Balance as of December 31	₩ 3,879,567	₩ 4,199,358
A) Current portion	655,969	1,159,152
B) Non-current portion	3,223,598	3,040,206

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

Short-term available-for-sale financial assets as of December 31, 2011 and 2010, consist of national bonds and beneficiary certificates whose maturities are within 1 year.

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
National bonds	₩ -	₩ 8
Beneficiary certificates <sup>1</sup>	655,969	1,159,144
	₩ 655,969	₩ 1,159,152

<sup>1</sup> Beneficiary certificates as of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Bonds	₩ 647,379	₩ 995,400
Time deposits	715	100,572
Certificates of deposit	-	39,708
Call loan	-	9,606
Others	7,875	13,858
	₩ 655,969	₩ 1,159,144

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010, changes in valuation gain (loss) on short-term available-for-sale financial assets are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Balance at January 1	₩ 9,144	₩ 4,420
Fair value gains	5,969	9,144
Net gains transfer from equity	(9,144)	(4,420)
Balance at December 31	5,969	9,144
Deferred income tax and minority interest	(1,444)	(2,213)
	₩ 4,525	₩ 6,931

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

Long-term available-for-sale financial assets as of December 31, 2011 and 2010 are as follows:

	<b>Detail</b>	<b>2011</b>	<b>2010</b>
Equity securities-Listed	(1)	₩ 2,526,187	₩ 2,664,082
Equity securities-Unlisted	(2)	623,739	326,359
Debt securities		73,672	49,765
		₩ 3,223,598	₩ 3,040,206

#### (1) Equity securities-Listed

Listed equity securities as of December 31, 2011 and 2010, are as follows:

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

	<b>2011</b>		<b>2010</b>	
	<b>Number of Shares Owned</b>	<b>Percentage of Ownership(%)</b>	<b>Acquisition Cost</b>	<b>Recorded Book Value</b>
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩ 1,134,850
Samsung Fine Chemicals	2,164,970	8.4	45,678	132,063
Samsung Life Insurance	-	-	-	134,878
Hotel Shilla	2,004,717	5.0	13,957	77,182
Cheil Worldwide	2,998,725	2.6	2,920	56,826
iMarket Korea	647,320	1.8	324	10,487
A-Tech Solution	1,592,000	15.9	26,348	17,830
SFA	1,822,000	10.2	38,262	111,142
SNU Precision	1,075,446	5.3	14,204	11,400
KT Skylife <sup>1</sup>	240,000	0.5	3,000	6,576
Rambus	4,788,125	4.4	92,682	41,692
Seagate Technology	45,239,490	9.7	788,454	855,665
Others	-	-	17,464	70,474
			₩ 1,301,592	₩ 2,526,187
				₩ 2,664,082

<sup>1</sup> KT Skylife was listed at the Korea Exchange stock market of republic of Korea during the current year.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(2) Equity securities-Unlisted

Unlisted equity securities as of December 31, 2011 and 2010, are as follows:

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

	2011			2010	
	Number of Shares Owned	Percentage of Ownership(%)	Acquisition Cost	Recorded Book Value	Recorded Book Value
Kihyup Technology	1,000,000	17.2	₩ 5,000	₩ 5,000	₩ 5,000
Pusan Newport	1,135,307	1.0	5,677	5,677	5,677
Samsung Venture	980,000	16.3	4,900	5,835	5,223
Samsung Petrochemical	514,172	13.0	8,040	91,489	58,940
Samsung General Chemicals	1,914,251	3.9	19,143	71,365	65,322
icube Investment	40	16.2	4,000	4,000	4,000
Yong Pyong Resort	400,000	1.1	1,869	1,869	1,869
KT Skylife	-	-	-	-	3,000
SK Telink	14,609	1.1	4,357	4,357	4,357
CSOT	-	15.0	278,130	278,130	-
Nanosys	13,100,436	12.5	17,861	17,861	17,861
Others	-	-	144,557	138,156	155,110
			₩ 493,534	₩ 623,739	₩ 326,359

Impairment losses on unlisted equity securities resulting from the decline in realizable value below the acquisition cost amounted to ₩39 million (2010: ₩10,719 million) for the year ended December 31, 2011.

As of December 31, 2011, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt.

For the years ended December 31, 2011 and 2010, changes in valuation gain (loss) on long-term available-for-sale financial assets are as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Balance at January 1	₩ 2,058,189	₩ 874,036
Fair value gains(losses)	(565,800)	1,184,153
Net gains(losses) transfer from equity	(125,058)	-
Balance at December 31	1,367,331	2,058,189
Deferred income tax and minority interest	(331,008)	(457,085)
Total	₩ 1,036,323	₩ 1,601,104

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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.

A) Trade and other receivables of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</b>
Receivables from external customers	₩ 22,026,734	₩ 2,215,002	₩ 19,277,300	₩ 2,171,115
Receivables from related parties	107,007	96,994	61,587	8,638
Less: Allowances for impairment	(214,597)	(37,833)	(185,758)	(19,585)
Trade receivables, net	₩ 21,919,144	₩ 2,274,163	₩ 19,153,129	₩ 2,160,168
Less: Non-current portion	(37,017)	(3,262)	(15)	(4,448)
Current portion	₩ 21,882,127	₩ 2,270,901	₩ 19,153,114	₩ 2,155,720

The Company transferred receivable balances to financial institutions in exchange for cash. The outstanding balance of transferred receivable balances amounting to ₩4,878,383 million and ₩5,090,433 million has been accounted for as borrowings as of December 31, 2011 and 2010 (Note 13).

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

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</b>
Balance on January 1	₩ (185,758)	₩ (19,585)	₩ (129,078)	₩ (26,510)
Provision for receivables impairment	(78,202)	(11,478)	(100,912)	(10,561)
Receivables written off during the year as uncollectible	7,345	224	10,909	10,668
Unused amounts reversed	56,539	11,561	32,062	7,776
Others	(14,521)	(18,555)	1,261	(958)
Balance on December 31	₩ (214,597)	₩ (37,833)	₩ (185,758)	₩ (19,585)

C) An aging analysis of trade and other receivables as of December 31, 2011 and 2010, is as follows:

<i>(In millions of Korean Won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Receivables not past due	₩ 22,467,108	₩ 19,807,731
Receivables past due, not impaired <sup>1</sup> :		
Less than 31 days overdue	1,351,566	1,158,929
Bad debts <sup>2</sup> :		
31 days to 90 days overdue	339,107	298,503
90 days overdue or more	287,956	253,477

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

₩ 24,445,737                      ₩ 21,518,640

<sup>1</sup> The company does not consider receivables that are overdue for less than or equal to 31 days as impaired.

<sup>2</sup> The balance of allowance for doubtful debts as of December 31, 2011 amounts to ₩252,430 million (2010: ₩205,343 million).

D) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As of December 31, 2011, 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 as of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>			<b>2010</b>		
	<b>Gross Amount</b>	<b>Valuation Allowance</b>	<b>Book Value</b>	<b>Gross Amount</b>	<b>Valuation Allowance</b>	<b>Book Value</b>
Finished goods	₩ 6,105,312	₩ (199,432)	₩5,905,880	₩4,643,155	₩ (131,764)	₩ 4,511,391
Work in Process	3,454,823	(383,461)	3,071,362	2,903,944	(284,231)	2,619,713
Raw materials and supplies	4,673,143	(186,523)	4,486,620	4,268,697	(108,855)	4,159,842
Materials-in-transit	2,252,853	-	2,252,853	2,073,578	-	2,073,578
	₩16,486,131	₩ (769,416)	₩ 15,716,715	₩13,889,374	₩ (524,850)	₩ 13,364,524

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩110,802,871 million (2010: ₩101,151,971 million) in which inventory valuation loss of ₩575,332 million (2010: ₩527,123 million) is included.

**10. Associates and Joint Ventures**

A) Changes in investments in associates and joint ventures for the years ended December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Balance at January 1	₩ 8,335,290	₩ 7,334,705
Acquisition of Associates and Joint Ventures	403,538	243
Disposal of Associates and Joint Ventures	(298,375)	(216,733)
Share of profit	1,399,194	2,267,091
Others <sup>1</sup>	(635,478)	(1,050,016)
Balance at December 31	₩ 9,204,169	₩ 8,335,290

<sup>1</sup> Others consist of dividends and effect of change in foreign exchange rates. For the year ended December 31, 2010, it also includes effect from business combinations of Samsung SDS and Samsung Networks amounted to ₩125,152 million which represents the difference between the fair value of received shares and the book value of disposed shares.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

B) Major associates and Joint Ventures as of December 31, 2011, consist of the following:

(1) Associates

<b>Investee</b>	<b>Industry</b>	<b>Percentage of Ownership (%)<sup>1</sup></b>	<b>Region</b>
Samsung Card	Finance, Credit card	35.3	Korea
Samsung Electro-Mechanics	Electricity, Electronics	23.7	Korea
Samsung SDI	Manufacturing	20.4	Korea
Samsung SDS	Service	21.7	Korea
Samsung Techwin	Manufacturing	25.5	Korea
Samsung LED	Manufacturing, wholesale, Service	50.0	Korea

<sup>1</sup>The ownership represents the company's ownership of the voting rights in the entity.

(2) Joint ventures

<b>Investee</b>	<b>Industry</b>	<b>Percentage of Ownership (%)<sup>1</sup></b>	<b>Region</b>
Samsung Corning Precision Materials	TFT- LCD components Manufacturing and retail	42.5	Korea
Siltronic Samsung Wafer	Semi conductor Manufacturing and retail	50.0	Asia

<sup>1</sup>The ownership represents the company's ownership of the voting rights in the entity.

C) Details of investments in associates and joint ventures as of December 31, 2011 and 2010 are as follows:

(1) Associates

<i>(In millions of Korean Won)</i>		<b>2011</b>			
<b>Investee</b>	<b>Acquisition cost</b>		<b>Net asset value</b>		<b>Book value</b>
Samsung Card	₩	1,538,540	₩	2,167,986	₩ 2,184,855
Samsung Electro-Mechanics		359,237		883,680	799,792
Samsung SDI		423,722		1,242,699	1,185,509
Samsung SDS		17,967		643,578	632,593
Samsung Techwin		174,531		417,708	370,379
Samsung LED		180,916		311,545	340,145
Others		269,787		354,602	371,909
<b>Total</b>	₩	<b>2,964,700</b>	₩	<b>6,021,798</b>	₩ <b>5,885,182</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(In millions of Korean Won)*

<b>Investee</b>	<b>2010</b>			
	<b>Acquisition cost</b>	<b>Net asset value</b>	<b>Book value</b>	
Samsung Card	₩ 1,538,540	₩ 2,132,986	₩ 2,201,154	
Samsung Electro-Mechanics	359,237	867,047	793,932	
Samsung SDI	423,722	1,226,234	1,172,130	
Samsung SDS	17,967	572,135	569,678	
Samsung Techwin	174,531	323,503	269,360	
Samsung LED	180,916	275,682	306,005	
Others	88,974	191,838	192,243	
<b>Total</b>	<b>₩ 2,783,887</b>	<b>₩ 5,589,425</b>	<b>₩ 5,504,502</b>	

(2) Joint ventures

*(In millions of Korean Won)*

<b>Investee</b>	<b>2011</b>			
	<b>Acquisition cost</b>	<b>Net asset value</b>	<b>Book value</b>	
Samsung Corning Precision Materials	₩ 297,165	₩ 3,191,077	₩ 3,089,298	
Siltronic Samsung Wafer	266,949	66,843	154,272	
Others	152,512	79,027	75,417	
<b>Total</b>	<b>₩ 716,626</b>	<b>₩ 3,336,947</b>	<b>₩ 3,318,987</b>	

*(In millions of Korean Won)*

<b>Investee</b>	<b>2010</b>			
	<b>Acquisition cost</b>	<b>Net asset value</b>	<b>Book value</b>	
Samsung Corning Precision Materials	₩ 297,165	₩ 2,431,248	₩ 2,599,010	
Siltronic Samsung Wafer	266,949	105,069	192,500	
Others	152,512	43,026	39,278	
<b>Total</b>	<b>₩ 716,626</b>	<b>₩ 2,579,343</b>	<b>₩ 2,830,788</b>	

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

D) Gain/loss on valuation of equity

(1) 2011

		Gain/loss on valuation	Other comprehensive gains	Others <sup>1</sup>	Balance on December 31
Samsung Card	₩ 2,201,154	₩ 132,331	₩ (80,800)	₩ (67,830)	₩ 2,184,855
Samsung Electro-Mechanics	793,932	78,179	(50,307)	(22,012)	799,792
Samsung SDI	1,172,130	63,242	(11,274)	(38,589)	1,185,509
Samsung SDS	569,678	74,382	(2,939)	(8,528)	632,593
Samsung Techwin	269,360	65,684	42,245	(6,910)	370,379
Samsung LED	306,005	30,669	3,471	-	340,145
Samsung Corning Precision Materials	2,599,010	975,221	(7,588)	(477,345)	3,089,298
Siltronic Samsung Wafer	192,500	(37,680)	(2,220)	1,672	154,272
Others	231,521	17,166	(4,486)	203,125	447,326
<b>Total</b>	<b>₩ 8,335,290</b>	<b>₩ 1,399,194</b>	<b>₩ (113,898)</b>	<b>₩ (416,417)</b>	<b>₩ 9,204,169</b>

<sup>1</sup> Others include acquisitions, disposals, dividends and changes in currency exchange rates.

(2) 2010

		Gain/loss on valuation	Other comprehensive gains	Others <sup>1</sup>	Balance on December 31
Samsung Card	₩ 1,715,055	₩ 421,792	₩ 112,336	₩ (48,029)	₩ 2,201,154
Samsung Electro-Mechanics	589,981	125,877	90,768	(12,694)	793,932
Samsung SDI	960,245	71,035	140,536	314	1,172,130
Samsung SDS	276,996	79,350	4,842	208,490	569,678
Samsung Techwin	265,979	68,549	(14,526)	(50,642)	269,360
Samsung LED	202,814	102,933	258	-	306,005
Samsung Corning Precision Materials	2,598,434	1,386,603	16,161	(1,402,188)	2,599,010
Siltronic Samsung Wafer	141,057	(36,497)	78,605	9,335	192,500
Others	584,144	40,857	(41,523)	(351,957)	231,521
<b>Total</b>	<b>₩ 7,334,705</b>	<b>₩ 2,260,499</b>	<b>₩ 387,457</b>	<b>₩ (1,647,371)</b>	<b>₩ 8,335,290</b>

<sup>1</sup> Others include acquisitions, disposals, dividends and changes in currency exchange rates.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

E) Financial information of associates and joint ventures as of and for the year ended December 31, 2011 and 2010, are as follows:

(1) Associates

*(In millions of Korean Won)*

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

*(In millions of Korean Won)*

Investee	2010			
	Assets	Liabilities	Sales	Net Income
Samsung Card	₩ 12,514,046	₩ 6,469,882	₩ 3,277,297	₩ 1,156,217
Samsung Electro-Mechanics	6,835,958	3,033,118	6,968,880	666,716
Samsung SDI	7,933,567	1,702,706	5,124,275	385,112
Samsung SDS	3,653,483	1,013,265	4,329,994	327,635
Samsung Techwin	2,897,943	1,627,311	3,197,875	234,198
Samsung LED	1,339,967	788,602	1,317,753	204,399

(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:

<i>(In millions of Korean Won)</i>	2011			
	Samsung Corning Precision Materials	Siltronic Samsung Wafer	Others	Total
Current Assets	₩ 1,759,181	₩ 100,952	₩ 176,899	₩ 2,037,032
Non-Current Assets	1,742,956	343,751	40,346	2,127,053
Total Assets	3,502,137	444,703	217,245	4,164,085
Current Liabilities	251,287	76,932	138,217	466,436
Non-Current Liabilities	59,773	300,929	-	360,702
Net Assets	3,191,077	66,842	79,028	3,336,947
Sales	2,066,427	157,084	749,809	2,973,320
Expense	1,086,094	194,764	740,522	2,021,380
Net income	980,333	(37,680)	9,287	951,940

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<i>(In millions of Korean Won)</i>	2010			
	<b>Samsung Corning Precision Materials</b>	<b>Siltronic Samsung Wafer</b>	<b>Others</b>	<b>Total</b>
Current Assets	₩ 1,498,347	₩ 76,031	₩ 199,360	₩ 1,773,738
Non-Current				
Assets	1,295,109	380,371	10,887	1,686,367
Total Assets	2,793,456	456,402	210,247	3,460,105
Current Liabilities	352,724	62,016	167,221	581,961
Non-Current				
Liabilities	9,484	289,317	-	298,801
Net Assets	2,431,248	105,069	43,026	2,579,343
Total Sales	2,486,564	149,340	931,262	3,567,166
Total Expense	1,085,202	185,837	907,307	2,178,346
Net income	1,401,362	(36,497)	23,955	1,388,820

F) Fair value of marketable shares held by associates as of December 31, 2011, is as follows:

<i>(In millions of Korean Won)</i>	<b>Number of shares held</b>	<b>Market value</b>
Samsung SDI	9,282,753	₩ 1,239,248
Samsung Electro-Mechanics	17,693,084	1,374,753
Samsung Card	43,393,170	1,687,994
Samsung Techwin	13,526,935	719,633



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**11. Property, Plant and Equipment**

A) Changes in property, plant and equipment for the years ended December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>					
	<b>Land</b>	<b>Buildings and Structures</b>	<b>Machinery and Equipment</b>	<b>Construction-In-Progress/ Machinery-In-Transit</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2011	₩ 6,631,392	₩10,312,316	₩ 26,474,573	₩ 8,243,827	₩ 1,302,486	₩ 52,964,594
Acquisition cost	6,631,392	15,055,715	81,456,534	8,243,827	4,147,859	115,535,327
Accumulated depreciation and impairment	-	(4,743,399)	(54,981,961)	-	(2,845,373)	(62,570,733)
Acquisitions	553,058	3,443,087	18,596,927	(966,244)	1,046,373	22,673,201
Acquisitions from business combinations	53,771	55,605	5,522	451	8,620	123,969
Depreciation	-	(980,863)	(11,244,032)	-	(709,379)	(12,934,274)
Disposals	(22,394)	(49,794)	(376,727)	-	(83,507)	(532,422)
Impairment	-	(4,923)	(81,641)	-	(55)	(86,619)
Others	(1,093)	3,332	78,598	(295,561)	50,226	(164,498)
Balance at December 31, 2011	₩ 7,214,734	₩12,778,760	₩ 33,453,220	₩ 6,982,473	₩1,614,764	₩ 62,043,951
Acquisition cost	7,214,734	18,472,852	96,618,176	6,982,473	4,683,845	133,972,080
Accumulated depreciation and impairment	-	(5,694,092)	(63,164,956)	-	(3,069,081)	(71,928,129)
<i>(In millions of Korean Won)</i>	<b>2010</b>					
	<b>Land</b>	<b>Buildings and Structures</b>	<b>Machinery and Equipment</b>	<b>Construction-In-Progress/ Machinery-In-Transit</b>	<b>Others</b>	<b>Total</b>
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	8,364	1,480,726	14,570,348	4,816,240	743,566	21,619,244
Acquisitions from business combinations	-	1,060	18,699	-	3,642	23,401
Depreciation	-	(779,389)	(9,679,264)	-	(388,721)	(10,847,374)
Disposals	(401,690)	(143,275)	(628,572)	1,890	(49,293)	(1,220,940)
Impairment	-	(25,268)	(29,514)	-	(8,343)	(63,125)
Others	6,987	(75,447)	(65,525)	9,498	17,580	(106,907)
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**

B) Details of property, plant and equipment's depreciations by line item as of December 31, 2011 and 2010, are as follows:

	2011	2010
Cost of sales	₩ 11,945,495	₩ 9,895,079
Selling, general and administrative expenses	368,123	351,085
Research and development expenses	620,656	601,210
	₩ 12,934,274	₩ 10,847,374

**12. Intangible Assets**

A) Changes in intangible assets for the years ended December 31, 2011 and 2010, are as follows:

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

<sup>1</sup> The amount includes intangible assets and goodwill arising from the business combination with Samsung Medison, Prosonic, Grandis and others

<i>(In millions of Korean Won)</i>	2010					
	Intellectual property rights	Development expense	Membership	Goodwill	Others	Total
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
Acquisition from Business Combinations <sup>1</sup>	119,805	-	-	624,284	242,688	986,777
Amortization	(76,182)	(191,344)	-	-	(278,996)	(546,522)
Disposal	(21,150)	-	(852)	(177)	5,371	(16,808)
Impairment	-	-	-	(153,940)	(6,045)	(159,985)
Others	(18,176)	-	(55)	17,783	522	74
Balance at December 31, 2010	₩ 601,882	₩ 334,617	₩ 191,431	₩ 571,412	₩ 1,080,097	₩ 2,779,439

<sup>1</sup> The amount includes intangible assets and goodwill arising from the business combination with Samsung Digital Imaging.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

B) Goodwill

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

	<b>2011</b>		<b>2010</b>	
Samsung Digital Imaging	₩	287,199	₩	470,344
Samsung Mobile Display		80,299		80,299
Samsung Medison		74,347		-
Grandis		39,883		-
Others		41,681		20,769
<b>Total</b>	₩	<b>523,409</b>	₩	<b>571,412</b>

Goodwill impairment reviews are undertaken annually. Impairment test suggests that, except for Samsung Digital Imaging, the carrying value of cash generating units does not exceed the recoverable amount. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which Samsung Digital Imaging operates. In addition, a constant growth rate assumption is used for perpetual cash flow calculation. The key assumptions used for value-in-use calculations in 2011 and 2010, are as follows:

	<b>Samsung Digital Imaging</b>	
	<b>2011</b>	<b>2010</b>
Growth rate <sup>1</sup>	2.1	2.5
Pre-tax discount rate <sup>2</sup>	13.6	15.2

<sup>1</sup> Growth rate is consistent with the projected growth rate over five years in the industry reports.

<sup>2</sup> Pre-tax discount rate applied to the cash flow projections

The carrying value of Samsung Digital Imaging exceeded the value in use by ₩183,145 million in 2011 and ₩153,940 million in 2010 and the amount exceeded carrying value is recognized as the other gains/losses- net in the consolidated income statements.

C) Details of amortization of intangible assets as of December 31, 2011 and 2010, consist of the following:

*(In millions of Korean Won)*

<b>Account</b>	<b>2011</b>		<b>2010</b>	
Production costs	₩	266,101	₩	236,275
Selling general and administrative expenses		300,497		227,195
Research and development expenses		91,192		83,052
<b>Total</b>	₩	<b>657,790</b>	₩	<b>546,522</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Borrowings**

A) Borrowings as of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>Financial Institutions</b>	<b>Annual Interest Rates (%) as of December 31, 2011</b>		<b>2011</b>	<b>2010</b>
<b>Short-term Borrowings</b>					
Collateralized borrowings <sup>1</sup>	Woori Bank etc	0.9 ~ 7.1	₩	4,878,383	₩ 5,090,433
Without collateralized borrowings	CITI etc	0.4 ~ 10.8		4,775,339	3,339,288
<b>Total</b>			₩	<b>9,653,722</b>	<b>₩ 8,429,721</b>
<b>Current Portion of long-term Borrowings</b>					
Bank borrowings	DBJ etc	2.8 ~ 4.5	₩	10,820	₩ 1,008,884
Financial lease liabilities <sup>2</sup>	APCI etc	2.2 ~ 15.6		13,936	9,591
<b>Total</b>			₩	<b>24,756</b>	<b>₩ 1,018,475</b>
<b>Long-term Borrowings</b>					
Bank borrowings	SMBC etc	1.1 ~ 5.8	₩	3,559,554	₩ 536,871
Financial lease liabilities <sup>2</sup>	APCI etc	2.2 ~ 15.6		122,918	97,510
<b>Total</b>			₩	<b>3,682,472</b>	<b>₩ 634,381</b>

<sup>1</sup> Collateralized borrowings are secured by trade receivables (note 8).

<sup>2</sup> Leased property, plant and equipment were pledged as collateral (note 17).

B) Maturities of long-term borrowings, outstanding as of December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	<b>Long-term borrowings in local currency</b>		<b>Long-term borrowings in foreign currency</b>		<b>Total</b>
<b>For the Years Ending December 31</b>					
2012	₩	6,899	₩	17,857	₩ 24,756
2013		73,326		434,612	507,938
2014		944,064		1,527,319	2,471,383
2015		-		6,955	6,955
Thereafter		1,650		694,546	696,196
<b>Total</b>	₩	<b>1,025,939</b>	₩	<b>2,681,289</b>	<b>₩ 3,707,228</b>

**Samsung Electronics Co., Ltd. and Subsidiaries**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14. Debentures**

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

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Korean Won denominated debenture(A)	₩	1,197,079	₩	500,000
Foreign currency denominated debenture(B)		83,045		87,338
<b>Total</b>	<b>₩</b>	<b>1,280,124</b>	<b>₩</b>	<b>587,338</b>

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

<i>(In millions of Korean Won)</i>	<b>Issue Date</b>	<b>Due Date</b>	<b>Annual Interest Rates (%) as of December 31, 2011</b>	<b>2011</b>	<b>2010</b>
Unsecured debentures	2006.12.1	2011.12.1	-	₩ -	₩ 100,000
Unsecured debentures	2010.6.17	2013.6.17	4.70	500,000	500,000
Unsecured debentures	2011.11.17	2014.11.17	4.08	500,000	-
Unsecured debentures	2011.11.17	2016.11.17	4.23	200,000	-
<b>Total</b>				<b>₩1,200,000</b>	<b>₩ 600,000</b>
Less: Current portion				-	(100,000)
Discounts				(2,921)	-
<b>Total</b>				<b>1,197,079</b>	<b>500,000</b>

Samsung Mobile Display, one of the SEC's domestic subsidiaries issued Korean Won denominated debentures as above table.

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

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B) Debentures denominated in foreign currencies as of December 31, 2011 and 2010, consist of the following:

<i>(In millions of Korean Won)</i>	<b>Issue Date</b>	<b>Due Date</b>	<b>Annual Interest Rates (%) as of December 31, 2011</b>	<b>2011</b>	<b>2010</b>
US dollar denominated straight bonds	1997.10.2	2027.10.1	7.70	₩ 92,264 (US\$ 80M)	₩ 96,807 (US\$ 85M)
				92,264	96,807
Less: Current portion Discounts				(5,536) (3,683)	(5,459) (4,010)
<b>Total</b>				₩ 83,045	₩ 87,338

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.

C) Maturities of debentures outstanding as of December 31, 2011 are as follows:

<i>(In millions of Korean Won)</i>	<b>Debentures</b>	
<b>For the Years Ending December 31</b>		
2012	₩	5,767
2013		505,767
2014		505,767
2015		5,767
Thereafter		269,196
<b>Total</b>	₩	1,292,264

**15. Retirement benefit obligation**

A) Defined benefit liability recognized on the statements of finance position as of December 31, 2011 and 2010, is as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Present value of funded defined benefit obligation	₩	3,271,629	₩	2,293,468
Present value of unfunded defined benefit		258,711		355,164
Subtotal		3,530,340		2,648,632
Unrecognized actuarial gains or losses		(688,702)		(253,097)
Fair value of plan assets		(2,423,152)		(1,797,706)
	₩	418,486	₩	597,829

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

B) The amounts recognized on the income statements for the years ended December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Current service cost	₩ 508,958	₩ 421,343
Interest cost	160,605	148,506
Expected return on plan assets	(93,672)	(76,983)
Actuarial gains and losses	8,202	(2,158)
The effect of any settlement or curtailment	9,607	13,754
	₩ 593,700	₩ 504,462

C) The pension expenses related to defined-benefit plans recognized in the statement of income for the years ended December 31, 2011 and 2010, are allocated to the following accounts:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Cost of sales	₩ 247,908	₩ 191,690
Selling, general and administrative expenses	129,436	139,584
Research and development expenses	216,356	173,188
	₩ 593,700	₩ 504,462

D) Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Balance at the beginning of the year	₩ 2,648,632	₩ 2,372,950
Foreign exchange	18,591	15,416
Current service cost	508,958	421,343
Interest cost	160,605	148,506
Actuarial gains and losses	468,775	251,936
Benefits paid	(256,261)	(555,084)
Others	(18,960)	(6,435)
<b>Balance at the end of the year</b>	₩ 3,530,340	₩ 2,648,632

E) The movement in the fair value of plan assets for the years ended December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Balance at the beginning of the year	₩ 1,797,706	₩ 1,635,056
Foreign exchange	(92)	(4,707)
Expected return on plan assets	93,672	79,219
Actuarial gains and losses	(13,121)	(12,376)
Contributions by the employer	555,815	422,567
Benefits paid	(72,179)	(287,535)
Others	61,351	(34,518)
<b>Balance at the end of the year</b>	₩ 2,423,152	₩ 1,797,706

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Expected contributions to retirement benefit plans for the year ending December 31, 2012, are ₩519,709 million.

F) The principal actuarial assumptions as of December 31, 2011 and 2010, and January 1, 2010, were as follows:

<i>(In %)</i>	<b>2011</b>		<b>2010</b>	
	<b>Domestic</b>	<b>Foreign</b>	<b>Domestic</b>	<b>Foreign</b>
Discount rate	5.3 ~ 5.8	4.9 ~ 7.5	6.3 ~ 7.3	6.0 ~ 7.5
Expected return on plan assets	4.0 ~ 4.5	4.9 ~ 5.0	5.0 ~ 5.3	5.0 ~ 5.3
Future salary increases (including inflation)	5.0 ~ 9.9	2.6 ~ 5.6	5.3 ~ 9.4	5.1 ~ 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.

G) The actual returns on plan assets for the years ended December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
The actual return on plan assets	₩	80,551	₩	66,843

H) Plan assets as of December 31, 2011 and 2010, are comprised as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Equity instruments	₩	68,375	₩	2,935
Debt instruments		2,325,392		1,761,884
Other		29,385		32,887
	₩	2,423,152	₩	1,797,706

I) Adjustments for the differences between initial assumptions and actual figures as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>		<b>2010.1.1</b>
Present value of defined benefit liability	₩	3,530,340	₩	2,648,632	₩ 2,372,950
Fair value of plan assets		(2,423,152)		(1,797,706)	(1,635,056)
Deficit(Surplus) of the funded plans		1,107,188		850,926	737,894
Defined benefit liability adjustments		207,106		80,889	74,387
Defined benefit asset adjustments		(13,121)		(12,376)	(7,900)



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 16. Provisions

The changes in the main liability provisions during the 12 month period ended December 31, 2011, are as follows:

<i>(In millions of Korean Won)</i>	<b>Warranty(A)</b>	<b>Royalty expenses(B)</b>	<b>Long-term incentives(C)</b>	<b>Others(D)</b>	<b>Total</b>
January 1, 2011	₩ 1,633,506	₩ 989,057	₩ 590,712	₩ -	₩ 3,213,275
Increase	1,690,156	1,144,448	175,716	96,245	3,106,565
Decrease	(1,609,786)	(535,484)	(255,527)	-	(2,400,797)
Other <sup>1</sup>	(33,342)	(7,942)	-	-	(41,284)
December 31, 2011	₩ 1,680,534	₩ 1,590,079	₩ 510,901	₩ 96,245	₩ 3,877,759

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

- A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs (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.
- D) The Company makes provisions for estimated litigation expenses related to lawsuits and legal disputes. The timing of payment depends on the progress of the lawsuits and legal disputes.

#### 17. Commitments and Contingencies

##### A) Guarantees

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Guarantees of debt for housing rental <sup>1</sup>	₩ 153,989	₩ 171,674

<sup>1</sup> The guarantees of debt for housing rental relate to guarantees provided by the Company to landlords for housing for expatriate employees.

##### B) Lease

As of December 31, 2011, details of lease contracts held by the Company are as follows:

###### Finance leases

The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under finance lease agreements are included in property, plant and equipment with a net book value of ₩141,875million(2010: ₩109,838million). Depreciation expense for the finance lease assets amounted to ₩16,430million (2010: ₩6,817million) for the year ended December 31, 2011.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The minimum lease payments under finance lease agreements and their present value as of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	2011		2010	
	Minimum Lease payments	Present values	Minimum Lease payments	Present values
Within one year	₩ 25,968	₩ 13,936	₩ 19,679	₩ 9,591
From one year to five years	81,970	49,486	73,862	40,356
More than five years	131,263	73,432	118,567	57,154
Total	₩ 239,201	₩ 136,854	₩ 212,108	₩ 107,101
Present value adjustment	(102,347)		(105,007)	
Finance lease payables	136,854		107,101	

#### C) Litigation

- (1) 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.
- (2) Based on the agreement entered on August 24, 1999 with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, Samsung Motor Inc.'s creditors ("the Creditors") filed a civil action against Mr. Kun Hee Lee, former chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450 billion (approximately \$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 2,277,787 shares and paying the principal balance owed to the Creditors, ₩878 billion (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 billion (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, ₩620.4 billion (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. On February 7, 2011, the Samsung Group affiliates and the Creditors appealed the Seoul High Court' ruling to the Korean Supreme Court and the appeal is currently in progress. The amount of loss related to this matter cannot be reasonably determined. Accordingly, the Company has concluded that no provision for loss should be reflected in the Company's consolidated financial statements at December 31, 2011.

- (3) As of December 31, 2011, in addition to the cases mentioned above, the Company's domestic and foreign subsidiaries have been involved in various claims and proceedings with Apple and other companies during the normal course of business, the amount and timing of these matters cannot be reasonably determined. The Company's management believes that, although the amount and timing of these matters cannot be reasonably determined, the conclusion of these matters will not have a material adverse effect on the financial position of the Company.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(4) As of December 31, 2011, the company has trade financing agreement, trade notes receivable discounting facilities, loan facilities with accounts receivable pledged as collaterals with Woori Bank and 5 other financial institutions with a combined limit of up to ₩7,414,400 million. In addition, the company has trade financing agreement with Korea Development Bank and 18 other financial institutions for up to USD 4,410 million. SEC and Living Plaza, one of SEC's domestic subsidiaries, have trade notes receivable discounting facilities with financial institutions, including Standard Chartered, for up to ₩90,000 million, and the Company and SEC's Subsidiaries have loan facilities with accounts receivable pledged as collaterals with financial institutions, including Industrial Bank, for up to ₩415,100 million and USD 22 million.

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\$ 1.348 billion can be sold.

Samsung Mobile Display, one of domestic subsidiary has trade financing agreement with Woori Bank for up to ₩9,000 million, trade note receivable loan facility with Korea Exchange Bank for up to ₩10,000 million, and export bill negotiation agreement with Woori Bank and 7 other financial institutions for up to US\$ 720 million as of December 31, 2011.

Samsung Mobile Display and one other domestic subsidiary have entered into a letter of credit facility agreement with Woori Bank and 2 other financial institutions for up to US\$ 13.2 million and ₩45,000 million as of December 31, 2011.

SEMES and three other domestic subsidiaries have credit purchase facility agreements of up to ₩140,000 million with financial institutions, including Shinhan Bank, and S-LCD and two other domestic subsidiaries have general term loan facilities of up to ₩325 million with Kookmin Bank and 2 other financial institutions.

#### 18. Share capital and premium

The Company's number of authorized shares is 500,000,000 shares. The company has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as of December 31, 2011, excluding retired shares. Due to retirement of shares, the total par value of the shares issued is 850,664 million (common stock 736,497 million, preferred stock 114,167 million), which does not agree with paid-in capital of 897,514 million.

The changes in the number of shares outstanding as of December 31, 2011 and 2010, are as follows:

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

	Number of shares of		Share capital	Share premium	Total
	Preferred stock <sup>1</sup>	Common stock <sup>2</sup>			
<b>Balance at December 31, 2010</b>	19,853,734	129,843,077	₩ 897,514	₩ 4,403,893	₩ 5,301,407
Shares issued		485,650			
Disposal of treasury stock <sup>3</sup>		57,996			
<b>Balance at December 31, 2011</b>	19,853,734	130,386,723	₩ 897,514	₩ 4,403,893	₩ 5,301,407

<sup>1</sup>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.

<sup>2</sup>Common stock with par value of ₩5,000 per share.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<sup>3</sup>Treasury stocks were issued with respect to options exercised during 2011 and the merger of Samsung Gwangju Electronics during 2011.

#### 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.

SEC has issued global depository receipts ("GDR") to overseas capital markets. The number of outstanding GDR as of December 31, 2011 and 2010, are as follows:

	2011		2010	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Outstanding GDR				
- Share of Stock	3,092,581	7,316,976	3,253,577	9,049,098
- Share of GDR	6,185,162	14,633,952	6,507,154	18,486,976

#### 19. Retained earnings

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

<i>(In millions of Korean Won)</i>	2011		2010	
Appropriated	₩	78,713,318	₩	63,144,630
Unappropriated		18,829,207		21,869,920
Total	₩	97,542,525	₩	85,014,550

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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, 2011 and 2010 and as year-end dividends for the years ended December 31, 2011 and 2010.

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

**A) Interim Dividends**

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

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

**B) Year-end Dividends**

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

		<b>2011</b>	<b>2010</b>
Number of shares eligible for dividends	Common stock	130,386,723 shares	129,843,077 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate	Common stock	100%	100%
Dividend amount	Preferred stock	101%	101%
Number of shares eligible for dividends	Common stock	₩ 651,934	₩ 649,216
	Preferred stock	100,261	100,261
<b>Total</b>		₩ 752,195	₩ 749,477

**C) Dividend Payout Ratio**

	<b>2011</b>	<b>2010</b>
Dividend payout ratio	6.19%	9.47%

**D) Dividend Yield Ratio**

	<b>2011</b>		<b>2010</b>	
	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Common Stock</b>	<b>Preferred Stock</b>
Dividend yield ratio <sup>1</sup>	0.52%	0.85%	1.07%	1.57%

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**21. Other components of equity**

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

<i>(In millions of Korean Won)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Treasury stock <sup>1</sup>	₩ (7,539,561)	₩ (7,761,927)
Stock option	55,313	128,320
Unrealized holding gains on available-for-sale financial assets	1,040,849	1,608,035
Share of associates and joint ventures accumulated other comprehensive gains	1,071,435	1,185,333
Foreign-currency translation differences	(834,145)	(957,579)
Others	961,942	1,071,420
<b>Total</b>	<b>₩ (5,244,167)</b>	<b>₩ (4,726,398)</b>

<sup>1</sup> As of December 31, 2011, the company holds 16,912,614 common shares and 2,979,693 preferred shares as treasury stocks.

<i>(In millions of Korean Won and number of shares)</i>	<b>2011</b>		<b>2010</b>	
	<b>Preferred Stock</b>	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Common Stock</b>
Number of shares	2,979,693 shares	16,912,614 shares	2,979,693 shares	17,456,260 shares
Acquisition cost	₩ 621,843	₩ 6,917,718	₩ 621,843	₩ 7,140,084

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 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, 2011 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	December 20, 2005
At January 1, 2010	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	-
Exercised During 2011	-	176,072	112,626	28,046	25,624	143,282	-
At December 31, 2011	-	-	47,595	2,929	49,251	201,286	10,000
Exercise price	₩ 272,700	₩ 197,100	₩ 329,200	₩ 342,800	₩ 288,800	₩ 580,300	₩ 606,700
Weighted average share price at the date of exercise during 2010	779,377	853,456	845,473	840,201	852,484	863,578	-
Weighted average share price at the date of exercise during 2011	-	₩ 943,994	₩ 949,456	₩ 931,977	₩ 935,942	₩ 998,175	-
Exercise period from the date of the grant	3-10years	3-10years	2-10years	2-10years	2-10years	2-10years	2-10years

#### 23. Expenses by Nature

Expenses by nature for the years ended December 31, 2011 and 2010, consist of the following:

<i>(In millions of Korean Won)</i>	2011	2010
Raw materials and goods	75,329,188	70,345,743
Wages and salaries	11,906,674	11,380,257
Pension expenses	616,999	563,408
Depreciation expenses	12,934,274	10,847,374
Amortization expenses	657,790	546,522
Welfare expenses	1,998,559	1,618,992
Commission and service charges	5,936,770	6,769,346
Other expenses	40,166,617	35,937,656
	₩ 149,546,871	₩ 138,009,298

<sup>1</sup> Expenses above equals to the sum of cost of sales, research and development expenses and selling, general and administrative expenses in the Statements of Income.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**24. Selling and administrative expenses**

Selling and administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Wages and salaries	₩	3,551,588	₩	3,373,365
Pension expenses		148,812		155,894
Commission and service charges		5,936,770		6,769,346
Depreciation expenses		368,123		351,085
Amortization expenses		300,497		227,195
Advertising expenses		2,982,270		3,282,798
Sales promotion expenses		4,649,293		3,271,993
Transportation expenses		3,789,476		4,108,830
Warranty		2,805,696		2,454,601
Public relation expenses		523,149		494,599
Others		2,366,236		1,753,416
	₩	27,421,910	₩	26,243,122

**25. Other operating income and expense**

Other operating income for the years ended December 31, 2011 and 2010, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Dividend income	₩	34,423	₩	32,829
Commission income		26,313		21,652
Rental income		92,155		96,562
Gain on disposal of investments		223,535		412,715
Gain on disposal of property, plant and equipment		113,690		282,941
Gain on transfer of business <sup>1</sup>		1,062,793		179,418
Other		869,000		729,324
	₩	2,421,909	₩	1,755,441

<sup>1</sup> Gain on transfer of business of 2011 consists of gain on transfer of the Solar battery business and the HDD business.

Other operating expense for the years ended December 31, 2011 and 2010, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Other bad debts expense	₩	14,402	₩	15,254
Loss from disposal of property, plant and equipment		109,338		276,080
Donations		272,275		218,863
Impairment losses on intangible assets		186,759		160,173
Impairment losses on property, plant and equipment		97,517		62,919
Loss from disposal of investments		5,937		132
Other		940,864		346,514
	₩	1,627,092	₩	1,079,935



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**26. Financial income and costs**

Financial income and costs for the years ended December 31, 2011 and 2010 are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
<b>Finance income</b>		
Interest income	₩ 705,653	₩ 558,113
Interest income from loans and receivables	702,198	556,624
Interest income from available-for-sale financial assets	3,455	1,489
Realized foreign exchange gains	5,582,146	6,012,626
Unrealized foreign exchange gains	538,602	496,543
Gains on valuation of derivatives	80,103	74,357
Gains on derivatives transaction	497,021	323,489
	₩ 7,403,525	₩ 7,465,128

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
<b>Finance expense</b>		
Interest expense:	₩ 644,133	₩ 581,091
Interest expense from financial liabilities measured at amortized cost	644,133	581,091
Realized foreign exchange losses	6,232,241	6,274,744
Unrealized foreign exchange losses	553,324	414,077
Losses on valuation of derivatives	59,697	49,728
Losses on derivatives transaction	404,026	380,459
	₩ 7,893,421	₩ 7,700,099

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

**27. Income tax**

A) Income tax expense for the years ended December 31, 2011 and 2010, consists of the following:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
<b>Current taxes :</b>		
Current tax on profits for the year	₩ 3,051,406	₩ 3,330,420
Adjustments in respect of prior years	95,670	(163,739)
	3,147,076	3,166,681
<b>Deferred taxes :</b>		
Deferred income taxes - tax credit	(75,311)	(363,802)
Deferred income taxes - temporary difference	373,788	341,137
Deferred income taxes - accumulated operating loss	(22,599)	41,036
Items charged directly to equity	1,994	(2,921)
Income tax expense	₩ 3,424,948	₩ 3,182,131

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Income before tax	₩	17,159,015	₩	19,328,656
Tax calculated at domestic tax rates applicable to profits in the respective countries		4,346,235		4,712,450
Tax effects of:				
Permanent difference		(393,004)		(126,283)
Temporary differences for which no deferred income tax was recognized		7,309		(88,469)
Tax credit		(1,633,452)		(1,887,582)
Overseas subsidiaries and associates operations		906,505		527,553
Impact of changes in tax rates		140,181		-
Other		51,174		44,462
Actual income tax expense	₩	3,424,948	₩	3,182,131
Effective tax rate		19.96%		16.46%

The weighted average tax rate increased in 2011 compared to 2010 due to changes of the tax rates primarily due to an increase of tax rates in Korea. According to the revised tax law as of December 31, 2011, tax rate for the taxable income over ₩20,000 million has changed from 22% to 24.2%.

C) Details of deferred income tax assets and liabilities:

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

<i>(In millions of Korean Won)</i>	<b>Temporary Differences</b>			<b>Deferred Income Tax Asset (Liabilities)</b>		
	<b>Beginning Balance</b>	<b>Increase (Decrease)</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>	<b>Increase (Decrease)</b>	<b>Ending Balance</b>
<b>Deferred tax arising from temporary differences</b>						
Special reserves appropriated for tax purposes	₩ (18,146)	₩ -	₩ (18,146)	₩ (3,992)	₩ (399)	₩ (4,391)
Revaluation of land	(3,984,173)	(33,143)	(4,017,316)	(876,518)	(95,673)	(972,191)
Associates and joint ventures and other investments	(14,160,207)	709,670	(13,450,537)	(2,109,299)	(922,969)	(3,032,268)
Depreciations and etc.	130,396	(103,421)	26,975	(9,325)	(42,993)	(52,318)
Capitalized interest expense	(39,867)	(655)	(40,522)	(8,810)	(996)	(9,806)
Accrued income	(144,621)	51,668	(92,953)	(34,930)	13,593	(21,337)
Allowance (technical expense, others)	3,742,343	3,402,088	7,144,431	926,713	879,801	1,806,514
Foreign currency translation	(23,022)	173,930	150,908	(6,568)	42,050	35,482
Impairment losses on investments	45,420	7,481	52,901	9,994	943	10,937
Others	2,047,725	(1,155,538)	892,187	583,400	(268,043)	315,357
	₩(12,404,152)	₩ 3,052,080	₩ (9,352,072)	₩ (1,529,335)	₩ (394,686)	₩ (1,924,021)
<b>Deferred tax assets arising from the carryforwards</b>						
Undisposed accumulated deficit	₩ 40,822	₩ 59,579	₩ 100,401	₩ 4,362	₩ 22,599	₩ 26,961
Tax credit carryforwards	1,581,825	(352,538)	1,229,287	1,420,436	75,311	1,495,747
<b>Deferred items recognized in other comprehensive income</b>						
Valuation of available-for-sale financial assets and others	₩ (2,274,471)	₩ 3,591,334	₩ 1,316,863	₩ (424,121)	₩ 106,069	₩ (318,052)

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(2) 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:

<i>(In millions of Korean Won)</i>	Temporary Differences			Deferred Income Tax Asset (Liabilities)		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
<b>Deferred tax arising from temporary differences</b>						
Special reserves appropriated for tax purposes	₩ (644,811)	₩ 626,665	₩ (18,146)	₩ (156,044)	₩ 152,052	₩ (3,992)
Revaluation of land	(4,202,389)	218,216	(3,984,173)	(924,525)	48,007	(876,518)
Associates and joint ventures and other Investments	(9,032,482)	(5,127,725)	(14,160,207)	(1,581,746)	(527,553)	(2,109,299)
Depreciations and etc.	(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	1,786,980	260,745	2,047,725	587,909	(4,509)	583,400
	₩ (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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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, 2011 and 2010 are as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Undisposed accumulated deficit	₩ 144,108	₩ 37,803
Tax credit carryforwards	159,160	131,782

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>	2012	2013	2014	2015 and after
Undisposed accumulated deficit	₩ –	₩ –	₩ –	₩ 144,108
Tax credit carryforwards	74,828	15,803	46,046	22,483

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Gain and loss on valuation of available-for-sale financial assets	₩ (340,760)	₩ (449,408)
Foreign currency translation adjustment,	22,708	25,287
<b>Total</b>	<b>₩ (318,052)</b>	<b>₩ (424,121)</b>

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

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Current	₩ 2,869,404	₩ 2,786,728
Non-current	(3,588,769)	(3,315,386)
<b>Total</b>	<b>₩ (719,365)</b>	<b>₩ (528,658)</b>

**28. Earnings per share**

Basic earnings per share for the years ended December 31, 2011 and 2010, are calculated as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Net income as reported on the statements of income	₩ 13,359,192	₩ 15,799,035
Net income available for common stock	11,592,946	13,702,618
Weighted-average number of common shares outstanding (in thousands)	130,152	129,280
<b>Basic earnings per share (in Korean Won)</b>	<b>₩ 89,073</b>	<b>₩ 105,992</b>

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Net income as reported on the statements of income	₩ 13,359,192	₩ 15,799,035
Net income available for preferred stock	1,766,246	2,096,417
Weighted-average number of preferred shares outstanding (in thousands)	19,854	19,854
<b>Basic earnings per preferred share (in Korean Won)</b>	<b>₩ 88,963</b>	<b>₩ 105,592</b>

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.

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Diluted earnings per share for the years ended December 31, 2011 and 2010, are calculated as follows:

<i>(In millions of Korean Won, except for share amounts)</i>	<b>2011</b>	<b>2010</b>
Net income available for common stock and common equivalent shares	₩ 11,594,595	₩ 13,702,618
Weighted-average number of shares of common stock and common shares equivalent (in thousands)	130,291	129,671
Diluted earnings per share (in Korean won)	₩ 88,990	₩ 105,672

<i>(In millions of Korean Won, except for share amounts)</i>	<b>2011</b>	<b>2010</b>
Net income available for common stock and common equivalent shares	₩ 1,764,597	₩ 2,096,417
Weighted-average number of shares of common stock and common shares equivalent (in thousands)	19,854	19,854
Diluted earnings per preferred share (in Korean Won)	₩ 88,880	₩ 105,592

**29. Cash generated from operations**

A) Cash flows from operating activities as of December 31, 2011 and 2010, consist of the following:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Adjustments for:		
Tax expense	₩ 3,424,948	₩ 3,182,131
Finance income	(1,821,379)	(1,452,502)
Finance expense	1,661,180	1,425,355
Severance and retirement benefits	616,999	563,408
Depreciation expenses	12,934,274	10,847,374
Amortization expenses	657,790	546,522
Bad debt expenses and etc.	93,801	115,078
Gain on valuation of equity method	(1,399,194)	(2,267,091)
Gain on disposal of property, plant and equipment	(113,690)	(282,941)
Loss on disposal of property, plant and equipment	109,338	276,080
Obsolescence and scrappage of inventories	1,353,320	1,284,956
Gain on disposal of investments	(223,535)	(412,715)
Gain on transfer of business	(1,062,793)	(179,418)
Impairment losses on intangible assets	186,759	160,173
Other income/expense	57,787	281,913
Adjustments, total	₩ 16,475,605	₩ 14,088,323

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Changes in assets and liabilities:		
Increase in trade receivables	₩ (2,015,177)	₩ (1,798,135)
Increase in other receivables	(181,613)	(137,460)
Decrease/(Increase) in advances	(147,387)	242,472
Increase in prepaid expenses	(27,432)	(1,841,462)
Increase in inventories	(3,919,683)	(4,812,756)
Increase in trade payables	750,048	1,134,781
Increase in other payables	375,478	1,280,376
(Decrease)/Increase in advance received	548,416	(386,029)
Increase in withholdings	556,563	192,849
Increase in accrued expenses	508,657	1,136,351
Utilization of provisions	722,421	(201,550)
Payment of severance benefits	(256,261)	(555,084)
Increase in severance benefit deposit	(531,743)	(135,684)
Others	(439,632)	213,296
Changes in net working capital, total	₩ (4,057,345)	₩ (5,668,035)

B) Significant transactions not affecting cash flows for the years ended, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
Valuation of available-for-sale financial assets	₩ (559,831)	₩ 1,193,297
Reclassification of construction-in-progress and machinery-in-transit to other property, plant and equipment accounts	22,530,787	14,351,744
Increase in share of associates and joint ventures accumulated other comprehensive income	(113,898)	387,457
Net assets acquired from business combination	-	1,043,554
Net assets acquired in transfer of business	788,454	-

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

D) Among the net cash used in investing activities, cash outflows from transfer of business are aroused by sales of assets and liabilities of Solar battery business and the HDD business.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 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.

##### A) Market risk

###### (1) Foreign exchange risk

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

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

A summary of foreign assets and liabilities of the Company as of December 31, 2011 and 2010 is as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>				<b>2010</b>			
	<b>USD</b>	<b>EUR</b>	<b>JPY</b>	<b>Other</b>	<b>USD</b>	<b>EUR</b>	<b>JPY</b>	<b>Other</b>
Financial Asset	₩12,310,076	₩660,482	₩568,204	₩1,288,309	₩10,963,970	₩825,356	₩221,197	₩906,328
Financial Liabilities	11,092,528	524,075	1,064,553	197,362	10,073,117	768,638	395,491	200,641

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Financial assets	₩ 741,354	₩ (741,354)	₩ 645,843	₩ (645,843)
Financial liabilities	(643,926)	643,926	(571,894)	571,894
Net effect	97,428	(97,428)	73,949	(73,949)

#### (2) 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, 2011 and 2010 are ₩3,149,926 million and ₩2,990,441 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, 2011 and 2010 are ₩25,262 million and ₩26,641 million, respectively.

#### (3) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk mainly arising through interest bearing liabilities and assets. The Company's position with regard to interest rate risk exposure is mainly driven by its debt obligations such as bonds, interest-bearing deposits and issuance of receivables. In order to avoid interest rate risk, the Company maintains minimum external borrowing by facilitating cash pooling systems on a regional and global basis. The Company manages exposed interest rate risk via periodic monitoring and handles risk factors on a timely basis.

As 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>	<b>2011</b>		<b>2010</b>	
	<b>Fixed rate</b>	<b>Floating rate</b>	<b>Fixed rate</b>	<b>Floating rate</b>
Financial assets	₩ 53,626,861	₩ 2,838,767	₩ 48,532,894	₩ -
Financial liabilities	41,129,584	880,702	30,742,720	4,969,320
	₩ 12,497,277	₩ 1,958,065	₩ 17,790,174	₩ (4,969,320)

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



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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>	<b>2011</b>		<b>2010</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Financial assets	₩ 28,388	₩ (28,388)	₩ -	₩ -
Financial liabilities	(8,807)	8,807	(49,693)	49,693
	₩ 19,581	₩ (19,581)	₩ (49,693)	₩ 49,693

#### B) Credit risk

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

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

The top five customers account for approximately occupies 12.9% and 14.3% and ₩2,831,801 million and ₩2,734,014 million for the year ended 2011 and 2010, respectively, while the top three credit exposures by country amounted to 16.0%, 14.7% and 10.4% (December 31, 2010: 15.6%, 12.0% and 11.0%), respectively.

#### C) Liquidity risk

The Company manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. Beyond effective working capital and cash management, the Company mitigates liquidity risk by contracting with financial institutions with respect to bank overdrafts, Cash Pooling or Banking Facility 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.

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

<i>(In millions of Korean Won)</i>	<b>Less than 3 months</b>	<b>4-6 months</b>	<b>7-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Financial liabilities	₩ 30,303,459	₩ 245,863	₩ 2,409,404	₩ 2,923,122	₩ 103,832

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### D) 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 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 31 December 2011 and 2010 were as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>		<b>2010</b>	
Total liabilities	₩	53,785,931	₩	44,939,653
Total equity		101,845,323		89,349,091
Gearing ratio		52.8%		50.3%

### 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 2011 and 2010, is as follows:

<i>(In millions of Korean Won)</i>	2011			2010			<b>Total<sup>1</sup></b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>SET</b>	<b>Tele- Communi- cation</b>	<b>Device</b>	<b>SET</b>	<b>Tele- Communi- cation</b>	<b>Device</b>			
Total segment Revenue	246,168,779	132,067,414	113,263,888	131,926,525	71,305,465	61,648,667	378,693,504	(213,691,733)	165,001,771
Inter-segment Revenue	(131,313,977)	(73,145,237)	(57,729,846)	(66,373,586)	(34,315,914)	(32,405,595)	(213,691,733)	213,691,733	-
Revenue from external customers	114,854,802	58,922,177	55,534,042	65,552,939	36,989,551	29,243,072	165,001,771	-	165,001,771
Depreciation	(1,138,951)	(644,759)	(296,138)	(11,715,044)	(7,678,022)	(4,027,032)	(12,934,274)	-	(12,934,274)
Amortization	(192,114)	(18,862)	(149,325)	(204,109)	(143,810)	(61,943)	(657,790)	-	(657,790)
Operating profit(loss)	9,706,360	1,412,949	8,269,798	6,588,438	7,339,206	(749,339)	16,249,717	-	16,249,717

<sup>1</sup> The total amount includes others not composing operating segments.

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

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2010 <i>(In millions of Korean Won)</i>	SET			Device			Total <sup>1</sup>	Elimination	Consoli- dated
	Total <sup>1</sup>	Digital Media	Tele- Communi- cation	Total <sup>1</sup>	Semi conductor	LCD			
Total segment									
Revenue	214,945,026	135,652,814	78,293,262	134,384,718	72,806,264	62,162,133	362,098,684	(207,468,356)	154,630,328
Inter-segment									
Revenue	(115,898,073)	(77,265,652)	(38,223,312)	(67,546,082)	(35,167,480)	(32,242,249)	(207,468,356)	207,468,356	-
Revenue from external customers	99,046,953	58,387,162	40,069,950	66,838,636	37,638,784	29,919,884	154,630,328	-	154,630,328
Depreciation	(984,124)	(524,897)	(285,391)	(9,809,152)	(6,335,282)	(3,472,011)	(10,847,374)	-	(10,847,374)
Amortization	(175,329)	(19,179)	(131,467)	(176,894)	(136,075)	(40,993)	(546,522)	-	(546,522)
Operating profit(loss)	4,822,401	429,482	4,359,254	12,089,126	10,110,698	1,991,990	17,296,536	-	17,296,536

<sup>1</sup> The total amount includes others not composing operating segments.

<sup>2</sup> SET segment has been re-categorized considering changes in organization during current year.

The regional segment information provided to the Management committee for the reportable segments for the year ended 31 December 2011 and 2010, is as follows:

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

<sup>1</sup> The total of non-current assets other than financial instruments, deferred tax assets, associated companies and investments in joint-ventures.

2010 <i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia and Africa	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 <sup>1</sup>	47,622,520	4,926,910	971,032	1,062,261	1,625,001	(463,691)	55,744,033

<sup>1</sup> The total of non-current assets other than financial instruments, deferred tax assets, associated companies and investments in joint-ventures.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 32. Related parties

##### A) Associates

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

Transactions with associates for the years ended December 31, 2011 and 2010, and the related receivables and payables as of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
<b>Transactions</b>		
Sales	₩ 1,695,298	₩ 1,503,642
Purchases	8,634,597	7,262,621
<b>Receivables and Payables</b>		
Receivables	225,076	183,812
Payables	1,168,952	816,473

##### B) Joint ventures

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

Transactions with joint venture partners for the years ended December 31, 2011 and 2010, and the related receivables and payables as of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
<b>Transactions</b>		
Sales	₩ 7,195	₩ 12,690
Purchases	3,210,831	3,212,732
<b>Receivables and Payables</b>		
Receivables	6,379	131
Payables	379,944	126,906

##### C) Other related parties

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

Transactions with other related parties for the years ended December 31, 2011 and 2010, and the related receivables and payables as of December 31, 2011 and 2010, are as follows:

<i>(In millions of Korean Won)</i>	<b>2011</b>	<b>2010</b>
<b>Transactions</b>		
Sales	₩ 85,907	₩ 598,795
Purchases	655,062	478,122
<b>Receivables and Payables</b>		
Receivables	244,411	233,649
Payables	172,872	109,875

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### D) 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>		<b>2011</b>		<b>2010</b>
Salaries and other short-term benefits	₩	15,808	₩	18,222
Termination benefits		696		2,633
Other long-term benefits		5,096		7,634

#### 33. Capital transactions without controlling loss

Capital transactions without controlling loss as of December 31, 2011 are as follows:

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

<b>Name of the acquired company</b>	<b>Samsung Gwangju Electronics</b>
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.

**Samsung Electronics Co., Ltd. and Subsidiaries**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**34. Business Combination**

Business combinations as of December 31, 2011 are as follows:

A) 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	Gangwon-do, Hongchen-gun
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 Korean Won)	
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)
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 one-year 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.

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B) Acquisition of Grandis

Samsung Information Systems America acquired Grandis with a closing date of July 22, 2011.

(1) Overview of the acquired company

Name of the acquired company	Grandis
Headquarters location	Milpitas, CA
Representative director	Farhad Tabrizi
Classification of the acquired company	Unlisted company

(2) Purchase price allocation

Classification	Amount <i>(In millions of Korean Won)</i>	
I. Considerations transferred	₩	81,050
II. Identifiable assets and liabilities		
Cash and cash equivalents		269
Trade and other receivables		367
Property, plant, and equipment		2,129
Intangible assets		57,682
Other assets		83
Trade and other payables		(527)
Deferred income tax liabilities		(18,836)
Total	₩	41,167
III. Goodwill	₩	39,883

Had Grandis been consolidated from January 1, 2011, the consolidated for the one-year period would show loss of ₩1,600 million, additionally.

The revenue included in the financial statement of income statement since the date of acquisition contributed by Grandis was ₩2,668 million and profit of ₩600 million over the period.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 35. Events After the Reporting Period

##### A) Merger of Samsung LED

The merger of Samsung LED with SEC was approved by the Board of Directors on December 26, 2011. The approval of the Board of Directors of the Company replaces shareholders' meeting approval of the acquisition, as the acquisition of Samsung LED is a small and simple merger as defined in the commercial law.

The shareholders of Samsung LED will receive 0.0134934 shares of the Company's common stock for each share of Samsung LED common stock owned on the closing date. The Company transferred its treasury stocks to the shareholders of Samsung LED.

##### B) Acquisition of S-LCD

The Company entered into contracts to acquire remaining issued shares of S-LCD from Sony on December 26, 2011.

The Company acquired shares of S-LCD with a closing date of January 19, 2011.

<b>Name of the acquired company</b>	<b>S-LCD</b>
<i>(In millions of Korean Won)</i>	
Purchase price	₩ 1,067,082
Shares	329,999,999 shares
Percentage of shareholding after acquisition	100 %

##### C) Spin-Off of LCD division

The Company's Board of Directors approved the spin-off of the Company's LCD division on February 20, 2012. The shareholders will approve the spin-off on March 16, 2012, during the shareholders' meeting.

<b>Category</b>	<b>Details</b>
Companies subject to stock split Business	Samsung Display Corporation <sup>1</sup> LCD

<sup>1</sup> The name of the newly established company is subject to change according to decision of shareholder's meeting.

150,000,000 shares will be newly issued with par value of ₩5,000 per shares and be assigned to SEC.