## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

<table>
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<tr>
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<tbody>
<tr>
<td></td>
<td>KRW</td>
<td>KRW</td>
<td>KRW</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
</tr>
</tbody>
</table>

### Assets

#### Current Assets
- **Cash and cash equivalents**: 4,6,7 18,791,460 14,691,761 9,791,419 17,544,076 13,716,517 9,141,461
- **Short-term financial instruments**: 5,6,7 17,397,937 11,529,905 11,529,392 16,243,056 10,764,546 10,764,067
- **Available-for-sale financial assets**: 6,9 1,258,874 655,969 1,159,152 1,175,309 612,426 1,082,207
- **Trade and other receivables**: 6,7,10 26,674,596 24,153,028 21,308,834 24,903,927 22,549,741 19,894,346
- **Advances**: 6,7,10 1,674,428 1,436,288 1,302,428 1,563,279 1,340,947 1,215,972
- **Other current assets**: 6 1,262,234 2,293,412 2,200,739 2,112,066 2,174,832 2,054,653

Total current assets 87,269,017 71,502,063 61,402,589 81,476,069 66,755,731 57,326,663

#### Non-current assets
- **Available-for-sale financial assets**: 6,9 5,229,175 3,223,598 3,040,206 4,882,060 3,009,614 2,838,396
- **Advances**: 12 8,785,489 9,204,169 8,335,290 8,202,305 8,593,193 7,781,990
- **Intangible assets**: 13 68,484,743 62,043,951 52,964,594 63,938,701 57,925,451 49,448,785
- **Deposits**: 14 3,729,705 3,355,236 2,779,439 3,482,126 3,132,514 2,594,939
- **Long-term prepaid expenses**: 6 814,693 791,863 655,662 760,613 739,299 612,139

Total non-current assets 181,071,570 155,800,263 134,308,803 169,051,975 145,458,186 125,393,336

The accompanying notes are an integral part of these financial statements.
## Samsung Electronics Co., Ltd. and its subsidiaries

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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<td>KRW</td>
<td>KRW</td>
<td>KRW</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
</tr>
</tbody>
</table>

### Liabilities and Equity

#### Current liabilities

- **Trade and other payables**: 6
  - 2012: 16,889,350
  - 2011: 18,509,490
  - 2011: 16,049,800
  - 2012: 15,768,229
  - 2011: 17,280,823
  - 2011: 14,984,409
- **Short-term borrowings**: 6,15
  - 2012: 8,443,752
  - 2011: 9,653,722
  - 2011: 8,429,721
  - 2012: 7,883,253
  - 2011: 9,012,904
  - 2011: 7,870,153
- **Advance received**: 1,517,672
  - 2011: 1,450,733
  - 2011: 883,585
  - 2012: 1,416,928
  - 2011: 1,354,433
  - 2011: 824,932
- **Withholdings**: 966,374
  - 2011: 1,715,070
  - 2011: 1,052,555
  - 2012: 902,226
  - 2011: 1,601,223
  - 2011: 982,686
- **Accrued expenses**: 6
  - 2011: 4,949,156
  - 2011: 7,823,728
  - 2011: 7,102,427
  - 2012: 8,864,864
  - 2011: 7,304,386
  - 2011: 6,630,965
- **Income tax payable**: 3,222,934
  - 2011: 1,262,798
  - 2011: 2,051,452
  - 2012: 3,008,994
  - 2011: 1,178,973
  - 2011: 1,915,276
- **Current portion of long-term borrowings and debentures**: 6,15,16
  - 2012: 999,010
  - 2011: 30,292
  - 2011: 1,123,934
  - 2012: 932,695
  - 2011: 28,281
  - 2011: 1,049,327
- **Provisions**: 18
  - 2012: 5,054,853
  - 2011: 3,514,536
  - 2011: 2,917,919
  - 2012: 4,719,310
  - 2011: 3,281,240
  - 2011: 2,724,226
- **Other current liabilities**: 6
  - 2012: 343,951
  - 2011: 358,645
  - 2011: 333,328
  - 2012: 321,120
  - 2011: 334,839
  - 2011: 311,202

**Total current liabilities**: 46,933,052

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<td>KRW</td>
<td>KRW</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
</tr>
</tbody>
</table>

### Non-current liabilities

- **Long-term trade and other payables**: 6
  - 2012: 1,165,881
  - 2011: 1,024,804
  - 2011: 1,072,661
  - 2012: 1,088,489
  - 2011: 956,777
  - 2011: 1,001,457
- **Debentures**: 6,16
  - 2012: 1,829,374
  - 2011: 1,280,124
  - 2011: 587,338
  - 2012: 1,707,940
  - 2011: 1,95,149
  - 2011: 548,350
- **Long-term borrowings**: 6,15
  - 2012: 3,623,028
  - 2011: 3,682,472
  - 2011: 634,381
  - 2012: 3,382,530
  - 2011: 3,438,028
  - 2011: 592,271
- **Retirement benefit liabilities**: 17
  - 2012: 1,729,939
  - 2011: 1,119,188
  - 2011: 823,486
  - 2012: 1,615,105
  - 2011: 1,044,896
  - 2011: 768,823
- **Deferred income tax liabilities**: 29
  - 2012: 3,429,467
  - 2011: 2,333,442
  - 2011: 1,618,523
  - 2012: 3,201,818
  - 2011: 2,178,547
  - 2011: 1,511,085
- **Provisions**: 18
  - 2012: 408,529
  - 2011: 358,645
  - 2011: 333,328
  - 2012: 321,120
  - 2011: 334,839
  - 2011: 311,202
- **Other non-current liabilities**: 6
  - 2012: 472,094
  - 2011: 364,366
  - 2011: 154,700
  - 2012: 440,757
  - 2011: 340,180
  - 2011: 144,431

**Total liabilities**: 59,591,364

The accompanying notes are an integral part of these financial statements.
## Samsung Electronics Co., Ltd. and its subsidiaries

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

The accompanying notes are an integral part of these financial statements.
Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

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

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

The accompanying notes are an integral part of these financial statements.
Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

The accompanying notes are an integral part of these financial statements.
## Samsung Electronics Co., Ltd. and its subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS

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

For the year ended December 31,

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
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<tr>
<td></td>
<td>KRW</td>
<td>KRW</td>
<td>USD</td>
<td>USD</td>
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<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>23,845,285</td>
<td>13,759,043</td>
<td>22,262,426</td>
<td>12,845,713</td>
</tr>
<tr>
<td>Adjustments</td>
<td>31</td>
<td>22,759,559</td>
<td>16,450,629</td>
<td>21,248,771</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td>31</td>
<td>(5,777,949)</td>
<td>(4,057,345)</td>
<td>(5,394,406)</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>40,826,895</td>
<td>26,152,327</td>
<td>38,116,791</td>
<td>24,416,326</td>
</tr>
<tr>
<td>Interest received</td>
<td>789,397</td>
<td>755,859</td>
<td>736,997</td>
<td>705,685</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(576,379)</td>
<td>(641,462)</td>
<td>(538,119)</td>
<td>(598,882)</td>
</tr>
<tr>
<td>Dividend received</td>
<td>1,112,940</td>
<td>628,585</td>
<td>1,039,063</td>
<td>586,859</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(4,180,044)</td>
<td>(3,977,408)</td>
<td>(3,902,572)</td>
<td>(3,713,385)</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td>37,972,809</td>
<td>22,917,901</td>
<td>35,452,160</td>
<td>21,396,603</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |  |  |  |  |
| Net decrease/increase in short-term financial instruments | (5,965,611) | 75,666 | (5,569,612) | 70,643 |
| Net decrease/increase in short-term available-for-sale financial assets | (589,072) | 518,479 | (549,969) | 484,062 |
| Proceeds from disposal of long-term available-for-sale financial assets | 106,208 | 415,096 | 99,158 | 387,542 |
| Acquisition of long-term available-for-sale financial assets | (870,249) | (419,678) | (812,482) | (391,820) |
| Proceeds from disposal of associates and joint ventures | 41,091 | 306,804 | 38,363 | 286,438 |
| Acquisition of associates and joint ventures | (279,022) | (403,538) | (260,500) | (376,751) |
| Disposal of property and equipment | 644,062 | 379,878 | 601,309 | 354,662 |
| Purchases of property and equipment | (22,965,271) | (21,965,678) | (21,440,828) | (20,507,588) |
| Disposal of intangible assets | 61,497 | 9,703 | 57,415 | 9,059 |
| Purchases of intangible assets | (650,884) | (663,678) | (607,678) | (619,623) |
| Proceeds from deposits | 313,043 | 461,454 | 292,263 | 430,823 |
| Payment for deposits | (347,746) | (594,067) | (324,662) | (554,633) |
| Cash outflows from business combination | (464,279) | (522,740) | (433,460) | (488,040) |
| Cash inflows from disposal of business | - | 925,454 | - | 864,022 |
| Others | (355,321) | 364,281 | (331,735) | 340,100 |
| **Net cash used in investing activities** | (31,321,554) | (21,112,564) | (29,242,418) | (19,711,104) |

The accompanying notes are an integral part of these consolidated financial statements.
## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012 KRW</th>
<th>2011 KRW</th>
<th>2012 USD</th>
<th>2011 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (repayment) proceeds from short-term borrowings</td>
<td>(800,579)</td>
<td>977,315</td>
<td>(747,436)</td>
<td>912,440</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>88,473</td>
<td>160,827</td>
<td>82,600</td>
<td>150,151</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings and debentures</td>
<td>1,862,256</td>
<td>3,925,406</td>
<td>1,738,639</td>
<td>3,664,836</td>
</tr>
<tr>
<td>Repayment of long-term borrowings and debentures</td>
<td>(522,899)</td>
<td>(1,145,167)</td>
<td>(488,189)</td>
<td>(1,069,150)</td>
</tr>
<tr>
<td>Payment of dividends</td>
<td>(1,265,137)</td>
<td>(874,608)</td>
<td>(1,181,157)</td>
<td>(816,551)</td>
</tr>
<tr>
<td>Net increase (decrease) in Non-controlling interests</td>
<td>(1,200,134)</td>
<td>363,417</td>
<td>(1,120,469)</td>
<td>339,293</td>
</tr>
<tr>
<td>Others</td>
<td>(26,488)</td>
<td>(297,461)</td>
<td>(24,729)</td>
<td>(277,715)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(1,864,508)</td>
<td>3,109,729</td>
<td>(1,740,741)</td>
<td>2,903,304</td>
</tr>
</tbody>
</table>

Effect of exchange rate changes on cash and cash equivalents | (687,048) | (14,724) | (641,442) | (13,747) |

**Net increase (decrease) in cash and cash equivalents** | 4,099,699 | 4,900,342 | 3,827,559 | 4,575,056 |

### Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of the year</td>
<td>14,691,761</td>
<td>9,791,419</td>
<td>13,716,517</td>
<td>9,141,461</td>
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<tr>
<td><strong>End of the year</strong></td>
<td><strong>18,791,460</strong></td>
<td><strong>14,691,761</strong></td>
<td><strong>17,544,076</strong></td>
<td><strong>13,716,517</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean Won)

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

The accompanying notes are an integral part of these consolidated financial statements.
Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of U.S dollars (Note 2.28))

<table>
<thead>
<tr>
<th>2011 USD</th>
<th>Notes</th>
<th>Preferred stock</th>
<th>Common stock</th>
<th>Share premium</th>
<th>Retained earnings</th>
<th>Other reserves</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative effect of change in accounting policy</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,117</td>
<td>(191,291)</td>
<td>(138,174)</td>
<td>(21,900)</td>
<td>(160,074)</td>
</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,494,300</td>
<td>-</td>
<td>12,494,300</td>
<td>351,413</td>
<td>12,845,713</td>
</tr>
<tr>
<td>Available-for-sale financial assets, net of tax</td>
<td>9,23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(529,536)</td>
<td>(529,536)</td>
<td>(4,521)</td>
<td>(534,057)</td>
</tr>
<tr>
<td>Share of associates and joint ventures, net of tax</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(106,337)</td>
<td>(106,337)</td>
<td>-</td>
<td>(106,337)</td>
</tr>
<tr>
<td>Foreign currency translation, net of tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>115,240</td>
<td>115,240</td>
<td>56,224</td>
<td>171,464</td>
</tr>
<tr>
<td>Remeasurement effect of employee benefit, net of tax</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(360,264)</td>
<td>(360,264)</td>
<td>621</td>
<td>(359,643)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,494,300</td>
<td>880,897</td>
<td>11,613,403</td>
<td>403,737</td>
<td>12,017,140</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(769,749)</td>
<td>-</td>
<td>(769,749)</td>
<td>(146,007)</td>
<td>(915,756)</td>
</tr>
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<td>(101,615)</td>
<td>(101,615)</td>
<td>-</td>
<td>72,967</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>122,831</td>
<td>122,831</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>269,604</td>
<td>269,604</td>
<td>-</td>
<td>269,604</td>
</tr>
<tr>
<td>Stock option activities</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(68,162)</td>
<td>(68,162)</td>
<td>-</td>
<td>(68,162)</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>(6,292)</td>
<td>(61,620)</td>
<td>(67,912)</td>
<td>1,306</td>
<td>(66,606)</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(776,041)</td>
<td>38,207</td>
<td>(737,834)</td>
<td>51,097</td>
<td>(686,737)</td>
</tr>
<tr>
<td>Balance at December 31, 2011</td>
<td>111,537</td>
<td>726,400</td>
<td>4,111,561</td>
<td>91,142,630</td>
<td>(5,446,639)</td>
<td>90,645,489</td>
<td>3,942,906</td>
<td>94,588,395</td>
<td></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>2012 KRW</th>
<th>Notes</th>
<th>Preferred stock</th>
<th>Common stock</th>
<th>Share premium</th>
<th>Retained earnings</th>
<th>Other reserves</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2012</td>
<td>119,467</td>
<td>778,047</td>
<td>4,403,893</td>
<td>97,622,872</td>
<td>(5,833,896)</td>
<td>97,090,383</td>
<td>4,223,247</td>
<td>101,313,630</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23,185,375</td>
<td>-</td>
<td>23,185,375</td>
<td>659,910</td>
<td>23,845,285</td>
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</tr>
<tr>
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<td>9,23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>960,688</td>
<td>960,688</td>
<td>1,496</td>
<td>962,184</td>
</tr>
<tr>
<td>Share of associates and joint ventures, net of tax</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(350,491)</td>
<td>(350,491)</td>
<td>-</td>
<td>(350,491)</td>
</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,789,877)</td>
<td>(1,789,877)</td>
<td>(34,776)</td>
<td>(1,824,653)</td>
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<tr>
<td>Remeasurement effect of employee benefit, net of tax</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(506,351)</td>
<td>(506,351)</td>
<td>2,231</td>
<td>(504,120)</td>
</tr>
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<td>-</td>
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<td>-</td>
<td>23,185,375</td>
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<td>21,499,344</td>
<td>628,861</td>
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<td>-</td>
<td>-</td>
<td>(827,501)</td>
<td>-</td>
<td>(827,501)</td>
<td>(373,632)</td>
<td>(1,201,133)</td>
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<td>-</td>
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<td>(1,089,835)</td>
<td>(104,395)</td>
<td>(1,194,230)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,844</td>
<td>12,844</td>
</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>455,377</td>
<td>455,377</td>
<td>-</td>
<td>455,377</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(33,071)</td>
<td>(33,071)</td>
<td>-</td>
<td>(33,071)</td>
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<td>Others</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>4,943</td>
<td>(5,588)</td>
<td>(645)</td>
<td>(771)</td>
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<td>(1,495,675)</td>
<td>(465,954)</td>
<td>(1,961,629)</td>
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<td>117,094,052</td>
<td>4,386,154</td>
<td>121,480,206</td>
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</table>

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>2012 USD</th>
<th>Notes</th>
<th>Preferred stock</th>
<th>Common stock</th>
<th>Share premium</th>
<th>Retained earnings</th>
<th>Other reserves</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total</th>
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<tbody>
<tr>
<td>Balance at January 1, 2012</td>
<td>111,537</td>
<td>726,400</td>
<td>4,111,561</td>
<td>91,142,630</td>
<td>(5,446,639)</td>
<td>90,645,489</td>
<td>3,942,906</td>
<td>94,588,395</td>
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</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,646,322</td>
<td>-</td>
<td>-</td>
<td>21,646,322</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
<td>896,917</td>
<td>896,917</td>
<td>1,397</td>
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<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(327,225)</td>
<td>(327,225)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,671,064)</td>
<td>(1,671,064)</td>
<td>(32,468)</td>
</tr>
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<td>Remeasurement effect of employee benefit, net of tax</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>(472,739)</td>
<td>(472,739)</td>
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<td>-</td>
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<td>587,116</td>
<td>20,659,327</td>
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</tr>
<tr>
<td>Dividends</td>
<td>22</td>
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<td>-</td>
<td>-</td>
<td>(772,571)</td>
<td>-</td>
<td>(772,571)</td>
<td>(348,830)</td>
<td>(1,121,401)</td>
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<td>-</td>
<td>-</td>
<td>(1,017,491)</td>
<td>(1,017,491)</td>
<td>(97,466)</td>
</tr>
<tr>
<td>Effect of business combination</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>425,149</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(30,876)</td>
<td>(30,876)</td>
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<td>-</td>
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<td>(5,217)</td>
<td>(602)</td>
<td>(720)</td>
<td>(1,322)</td>
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</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>(767,956)</td>
<td>(628,435)</td>
<td>(1,396,391)</td>
<td>(435,025)</td>
<td>(1,831,416)</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012 KRW</th>
<th>2012 USD</th>
<th>2011 KRW</th>
<th>2011 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net (repayment) proceeds from short-term borrowings</td>
<td>(800,579)</td>
<td>977,315</td>
<td>(747,436)</td>
<td>912,440</td>
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<tr>
<td>Disposal of treasury stock</td>
<td>88,473</td>
<td>160,827</td>
<td>82,600</td>
<td>150,151</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings and debentures</td>
<td>1,862,256</td>
<td>3,925,406</td>
<td>1,738,639</td>
<td>3,664,836</td>
</tr>
<tr>
<td>Repayment of long-term borrowings and debentures</td>
<td>(522,899)</td>
<td>(1,145,167)</td>
<td>(488,189)</td>
<td>(1,069,150)</td>
</tr>
<tr>
<td>Payment of dividends</td>
<td>(1,265,137)</td>
<td>(874,608)</td>
<td>(1,181,157)</td>
<td>(816,551)</td>
</tr>
<tr>
<td>Net increase (decrease) in Non-controlling interests</td>
<td>(1,200,134)</td>
<td>363,417</td>
<td>(1,120,469)</td>
<td>339,293</td>
</tr>
<tr>
<td>Others</td>
<td>(26,488)</td>
<td>(297,461)</td>
<td>(24,729)</td>
<td>(277,715)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(1,864,508)</td>
<td>3,109,729</td>
<td>(1,740,741)</td>
<td>2,903,304</td>
</tr>
</tbody>
</table>

| Effect of exchange rate changes on cash and cash equivalents | (687,048) | (14,724) | (641,442) | (13,747) |

| Net increase (decrease) in cash and cash equivalents | 4,099,699 | 4,900,342 | 3,827,559 | 4,575,056 |

Cash and cash equivalents

| Beginning of the year | 14,691,761 | 9,791,419 | 13,716,517 | 9,141,461 |
| End of the year | 18,791,460 | 14,691,761 | 17,544,076 | 13,716,517 |

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

1.1 Company Overview

Samsung Electronics Co., Ltd. ("SEC") was incorporated under the laws of the Republic of Korea in 1969 and listed its shares on the Korea Stock Exchange in 1975.

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

These consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1027, Consolidated and Separate Financial Statements. SEC, as the controlling Company, consolidates its 166 subsidiaries (collectively referred to as “the Company”) including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting to its 34 affiliates, including Samsung SDI.

1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of December 31, 2012 are as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Subsidiaries</th>
<th>Industry</th>
<th>Percentage of ownership</th>
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</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>World Cyber Games</td>
<td>Cyber game match hosting</td>
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<td>SU Materials</td>
<td>Manufacture of electronic devices</td>
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<td></td>
<td>STECO</td>
<td>Manufacture of semiconductor components</td>
<td>51.0</td>
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<tr>
<td></td>
<td>SEMES</td>
<td>Manufacture of semiconductor/FPD</td>
<td>90.3</td>
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<td>SECRON</td>
<td>Semiconductor equipments</td>
<td>93.1</td>
</tr>
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<td>Samsung Electronics Service</td>
<td>Repair service for electronic devices</td>
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<td>Living Plaza</td>
<td>Sale of consumer electronics</td>
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<td>Samsung Electronics Logitech</td>
<td>General logistics agency</td>
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<td>Samsung Electronics Football Club</td>
<td>Sponsoring of sports team and games</td>
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<td>GES</td>
<td>Semiconductor equipments</td>
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<td>Samsung Medison</td>
<td>Medical equipments</td>
<td>68.5</td>
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<td>Ray</td>
<td>Dental CT</td>
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<td>Technology business venture capital investments</td>
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<td>NexusDX (Nexus)</td>
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<tr>
<td></td>
<td>Samsung Receivables (SRC)</td>
<td>Credit management</td>
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<td></td>
<td>Samsung Semiconductor (SSI)</td>
<td>Sale of electronic devices</td>
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<tr>
<td></td>
<td>Samsung Electronics Canada (SECA)</td>
<td>Sale of electronic devices</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Samsung Information Systems America (SISA)</td>
<td>R&amp;D</td>
<td>100.0</td>
</tr>
</tbody>
</table>
## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Area</th>
<th>Subsidiaries</th>
<th>Industry</th>
<th>Percentage of ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>America</strong></td>
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<tr>
<td>(Cont.)</td>
<td>Grandis</td>
<td>R&amp;D</td>
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<td>Software</td>
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<td>Samsung Mexicana (SAMEX)</td>
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<td>Samsung International (SII)</td>
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<td>Samsung Austin Semiconductor (SAS)</td>
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<td>Samsung Electronics Mexico (SEM)</td>
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<tr>
<td>Area</td>
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<td>Industry</td>
<td>Percentage of ownership</td>
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<td>Area</td>
<td>Subsidiaries</td>
<td>Industry</td>
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<tr>
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<td>Suzhou Samsung Electronics (SSEC)</td>
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<td></td>
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<td>Samsung Tianjin Mobile R&amp;D (STMC)</td>
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<td>Tianjin Samsung Opto-Electronics (TSOE)</td>
<td>Manufacture of camera and camcorder</td>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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<thead>
<tr>
<th>Area</th>
<th>Subsidiaries</th>
<th>Industry</th>
<th>Percentage of ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of Asia</td>
<td>Samsung Japan (SJC)</td>
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<td>Samsung Yokohama Research Institute (SYRI)</td>
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<td>Samsung Electronics Japan (SEJ)</td>
<td>Sale and services of communication equipments</td>
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<td></td>
<td>TNP Small/Medium Size &amp; Venture Enterprises Growth Promotion Investment Limited Partnership (TSUNAMI)</td>
<td>Technology business investment</td>
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<tr>
<td></td>
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<td>Sale of electronic devices</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Samsung India Electronics (SIEL)</td>
<td>Manufacture and sale of electronic devices</td>
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</tr>
<tr>
<td></td>
<td>Samsung India Software Operations (SISO)</td>
<td>R&amp;D</td>
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<td></td>
<td>Samsung Electronics (M) (SEMA)</td>
<td>Manufacture of home appliances</td>
<td>100.0</td>
</tr>
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<td>Sale of electronic devices</td>
<td>100.0</td>
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<td>Manufacture and sale of electronic devices</td>
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<td>Samsung India Software Operations (SISO)</td>
<td>R&amp;D</td>
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<td>Sale of electronic devices</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Samsung Electronics Display (M) (SDMA)</td>
<td>Manufacture and sales of electronic devices</td>
<td>100.0</td>
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<td>Samsung Electronics (M) (SEMA)</td>
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<td></td>
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<tr>
<td></td>
<td>Samsung Electronics (M) (SEMA)</td>
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<tr>
<td></td>
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<tr>
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<td>Manufacture and sale of electronic devices</td>
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<td>Samsung India Software Operations (SISO)</td>
<td>R&amp;D</td>
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<td>Samsung Electronics Australia (SEAU)</td>
<td>Sale of electronic devices</td>
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<tr>
<td></td>
<td>Samsung Electronics Display (M) (SDMA)</td>
<td>Manufacture and sales of electronic devices</td>
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<tr>
<td></td>
<td>Samsung Electronics (M) (SEMA)</td>
<td>Manufacture of home appliances</td>
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<td>Samsung India Electronics (SIEL)</td>
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<td>Samsung India Software Operations (SISO)</td>
<td>R&amp;D</td>
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<tr>
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<td>Samsung Electronics Australia (SEAU)</td>
<td>Sale of electronic devices</td>
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</tr>
</tbody>
</table>

1Ownership represents the Company’s ownership of the voting right in each entity.

2Although the Company owns less than 50% of the voting rights of BRC as at December 31, 2012, the Company is considered to have control over BRC, as BRC is a special purpose entity, and its operations are based on the specific business needs of the Company. Therefore the Company obtains most of the benefits from BRC’s operation.

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012 Assets</th>
<th>2012 Liabilities</th>
<th>2012 Sales</th>
<th>2012 Net income</th>
</tr>
</thead>
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<tr>
<td>Samsung Display (SDC)</td>
<td>33,791,814</td>
<td>9,122,941</td>
<td>22,304,545</td>
<td>2,079,916</td>
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<td>Samsung Electronics America (SEA)</td>
<td>11,432,490</td>
<td>6,598,643</td>
<td>12,430,205</td>
<td>201,790</td>
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<td>Samsung Austin Semiconductor (SAS)</td>
<td>6,728,824</td>
<td>3,819,196</td>
<td>3,063,343</td>
<td>(86,815)</td>
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<td>Samsung Semiconductor (SSI)</td>
<td>5,502,929</td>
<td>2,136,789</td>
<td>17,325,969</td>
<td>20,797</td>
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<td>Samsung (China) Investment (SCIC)</td>
<td>5,407,272</td>
<td>4,519,921</td>
<td>13,796,191</td>
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<td>Samsung Telecommunications America (STA)</td>
<td>5,009,772</td>
<td>3,819,196</td>
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<td>Samsung Electronics Europe Holdings (SEEH)</td>
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<td>3,063,343</td>
<td>10,697,834</td>
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<td>Samsung Electronics Vietnam (SEV)</td>
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<td>Samsung Electronics da Amazonia (SEDA)</td>
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<td>Tianjin Samsung Telecom Technology (TSTC)</td>
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<td>Samsung Electronics Taiwan (SET)</td>
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### Samsung Electronics Co., Ltd. and Subsidiaries

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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<th>Subsidiaries</th>
<th>Description</th>
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<td>Samsung Display (SDC)</td>
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<td>Samsung Venture Capital Union #23</td>
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<tr>
<td><strong>America</strong></td>
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<tr>
<td>mSpot</td>
<td>Acquisition of shares</td>
</tr>
<tr>
<td>Nanoradio</td>
<td>Acquisition of shares</td>
</tr>
<tr>
<td>Samsung LED America (SLA)</td>
<td>Acquisition of shares</td>
</tr>
<tr>
<td>Samsung Electronics Panama (SEPA)</td>
<td>Incorporation</td>
</tr>
<tr>
<td>Samsung Electronics Corporativo (SEC)</td>
<td>Acquisition of shares</td>
</tr>
<tr>
<td>Samsung Electronics Suzhou Computer (SESC)</td>
<td>Acquisition of shares</td>
</tr>
</tbody>
</table>

#### Assets, Liabilities, Sales, Net income (In millions of Korean won)

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>2012 Assets</th>
<th>2012 Liabilities</th>
<th>2012 Sales</th>
<th>2012 Net income</th>
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</thead>
<tbody>
<tr>
<td>Samsung Display (SDC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Samsung Venture Capital Union #23</td>
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<td>mSpot</td>
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<td>Acquisition of shares</td>
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<tr>
<td>Nanoradio</td>
<td></td>
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<td>Acquisition of shares</td>
</tr>
<tr>
<td>Samsung LED America (SLA)</td>
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<td>Acquisition of shares</td>
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<td>Samsung Electronics Panama (SEPA)</td>
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<td>Samsung Electronics Corporativo (SEC)</td>
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<td>Acquisition of shares</td>
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<td>Samsung Electronics Suzhou Computer (SESC)</td>
<td></td>
<td></td>
<td></td>
<td>Acquisition of shares</td>
</tr>
</tbody>
</table>

#### Changes in scope of consolidation

**Domestic**
- Samsung Display (SDC)
- Samsung Venture Capital Union #23

**America**
- mSpot
- Nanoradio
- Samsung LED America (SLA)
- Samsung Electronics Panama (SEPA)
- Samsung Electronics Corporativo (SEC)
- Samsung Electronics Suzhou Computer (SESC)
### Samsung Electronics Co., Ltd. and Subsidiaries

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td><strong>America</strong> (Cont.)</td>
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<td>Nvelo</td>
<td>Acquisition of shares</td>
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<td>Newton Sub</td>
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<td><strong>Europe</strong></td>
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<tr>
<td>Samsung Nanoradio Design Center (SNDC)</td>
<td>Acquisition of shares</td>
</tr>
<tr>
<td>Nanoradio Hellas</td>
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<tr>
<td>General RF Modules</td>
<td>Acquisition of shares</td>
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<tr>
<td>Samsung LED Europe GmbH (SLEG)</td>
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</tr>
<tr>
<td>Samsung Cambridge Solution Centre (SCSC)</td>
<td>Incorporation</td>
</tr>
<tr>
<td>Samsung Denmark Research Center (SDRC)</td>
<td>Incorporation</td>
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<td>Samsung France Research Center (SFRC)</td>
<td>Acquisition of shares</td>
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<tr>
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<td><strong>Middle East and Africa</strong></td>
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<td>Samsung Electronics Egypt (SEEG)</td>
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<tr>
<td>Samsung Electronics Tunisia (SETN)</td>
<td>Incorporation</td>
</tr>
<tr>
<td>Samsung Electronics Israel (SEIL)</td>
<td>Incorporation</td>
</tr>
<tr>
<td>Samsung Electronics Pakistan (SEPAK)</td>
<td>Incorporation</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>China</strong></td>
<td></td>
</tr>
<tr>
<td>Tianjin Samsung LED (TSLED)</td>
<td>Acquisition of shares</td>
</tr>
<tr>
<td>Samsung (China) Semiconductor (SCS)</td>
<td>Incorporation</td>
</tr>
</tbody>
</table>

(D) Details of subsidiaries deconsolidated for the year ended December 31, 2012, are as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Subsidiaries</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>Medison Healthcare</td>
<td>Merger</td>
</tr>
<tr>
<td></td>
<td>Prosonic</td>
<td>Merger</td>
</tr>
<tr>
<td></td>
<td>Samsung Mobile Display</td>
<td>Merger</td>
</tr>
<tr>
<td></td>
<td>SLCD</td>
<td>Merger</td>
</tr>
<tr>
<td></td>
<td>Samsung Venture Capital Union #7</td>
<td>Liquidation</td>
</tr>
<tr>
<td></td>
<td>SEHF Korea</td>
<td>Merger</td>
</tr>
<tr>
<td>America</td>
<td>Samsung LED America(SLA)</td>
<td>Liquidation</td>
</tr>
<tr>
<td></td>
<td>HX Diagnostics(HX)</td>
<td>Liquidation</td>
</tr>
<tr>
<td></td>
<td>HX Reagents(HX Reagent)</td>
<td>Liquidation</td>
</tr>
<tr>
<td></td>
<td>Nanoradio</td>
<td>Liquidation</td>
</tr>
<tr>
<td>Europe</td>
<td>Samsung LED Europe GmbH(SLEG)</td>
<td>Merger</td>
</tr>
<tr>
<td>Asia</td>
<td>Samsung Asia Private(SAPL)¹</td>
<td>Merger</td>
</tr>
<tr>
<td></td>
<td>Samsung Medison Japan(SMJP)</td>
<td>Liquidation</td>
</tr>
</tbody>
</table>

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

### 2. Summary of Significant Accounting Policies

#### 2.1 Basis of Presentation


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

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

(A) Amendments Adopted

**K-IFRS 1001, ‘Presentation of financial statements’**
The amendment requires entities to present operating income after deducting cost of sales, selling, and general and administrative expenses from revenue. The amendment has been retroactively applied in the preparation of the consolidated statement of income. Dividend income, profit on business transfer, gains and losses on disposal of property, plant and equipment, donations, and impairment losses on intangible assets which were previously classified as operating income are now excluded from operating income. As a result, operating income has increased by ₩23,036 million for the current financial year and decreased by ₩638,329 million for the prior financial years, relative to the figures under the standard prior to the amendment. The amendment does not have an impact on net income or earnings per share in the current or prior financial years.

(B) Standards Early Adopted

New standards issued and effective for the financial year beginning January 1, 2013 and early adopted are set out below:

**K-IFRS 1019, ‘Employee benefits’**
The main impacts on the Company will be that the corridor approach will no longer be applied and instead all actuarial gains and losses will be recognized in other comprehensive income as they occur; all past service costs will be immediately recognized, and expected return on plan assets will be replaced with a net interest amount calculated by applying the discount rate to the net defined benefit liability. The impacts of the amendment on the financial statements are as follows:

1. **Impacts on Financial Position**

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>December 31, 2011</th>
<th>January 1, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax assets</td>
<td>1,614,077</td>
<td>1,783,086</td>
</tr>
<tr>
<td>Defined benefit liability</td>
<td>418,486</td>
<td>1,119,188</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>2,333,442</td>
<td>2,333,442</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>(5,244,167)</td>
<td>(5,833,896)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>97,542,525</td>
<td>97,622,872</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>4,245,558</td>
<td>4,223,247</td>
</tr>
</tbody>
</table>

2. **Impacts on Business Performance**

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income(^1)</td>
<td>15,611,388</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>3,424,948</td>
</tr>
<tr>
<td>Net income</td>
<td>13,734,067</td>
</tr>
<tr>
<td>Net income attributable to non-controlling interests</td>
<td>374,875</td>
</tr>
<tr>
<td>Basic earnings per share (in Korean won)</td>
<td>89,073</td>
</tr>
<tr>
<td>Diluted earnings per share (in Korean won)</td>
<td>88,990</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(502,271)</td>
</tr>
</tbody>
</table>

\(^1\) Operating income is calculated by retroactively applying the changes in the calculation method of operating income and expenses.
Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

K-IFRS 1001, ‘Presentation of financial statements’
The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Company early adopted and applied the amendment retroactively in the preparation of the financial statements.

(C) Standards Not Effective or Early Adopted

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

K-IFRS 1113, ‘Fair value measurement’
The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Financial Reporting Standards. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Company is still in the process of assessing the impact of the amendment on the consolidated financial statements and intends to adopt K-IFRS 1113 no later than the accounting period beginning January 1, 2013.

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

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

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

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

(A) Subsidiaries

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

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

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

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

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

Inter-company transactions, balances, income, expenses and unrealized gains on inter-company transactions are eliminated. Unrealized losses are eliminated upon assessing the impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.
(B) Changes in the ownership of a subsidiary without gain or loss of control

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

(C) Disposal of a subsidiary

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

(D) Non-controlling interests

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

(E) Associated companies

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

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

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

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments in associates are impaired. If any such evidence exists, the Company will recognize impairment loss as the difference between the recoverable amount and the carrying amount of investments in associates. The impairment loss will be separately disclosed in the statement of income as an impairment loss on associates.
Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the parent company’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Decrease in the interest in associates is recognized in profit or loss where the Company maintains significant influence over associates although its share has been decreased.

(F) Joint ventures

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

2.4 Foreign Currency Translation

(A) Functional and presentation currency

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

(B) Transactions and balances

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

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

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

(C) Translation into presentation currency

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

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

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

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

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

2.5 Cash and Cash Equivalents

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

2.6 Financial Assets

(A) Classification

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

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

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

(2) Loans and receivables

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

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

(B) Recognition and measurement

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

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

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

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

(C) Offsetting financial instruments

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

(D) Derecognition of financial assets

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

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

(A) Assets carried at amortized cost

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

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

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

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

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

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

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

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

2.9 Inventories

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

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

2.10 Disposal Groups Classified as Held for Sale

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

2.11 Property, Plant and Equipment

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

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

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

<table>
<thead>
<tr>
<th>Asset</th>
<th>Estimated useful lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and auxiliary facilities</td>
<td>15, 30 years</td>
</tr>
<tr>
<td>Structures</td>
<td>15 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Tools and fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 years</td>
</tr>
</tbody>
</table>
Tangible assets’ depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the statement of income as part of other non-operating income and expenses.

2.12 Intangible Assets

(A) Goodwill

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

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

(B) Capitalized development costs

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

(C) Other intangible assets

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

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

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

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

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

2.14 Financial Liabilities

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

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

(B) Financial liabilities measured at amortized cost

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

2.15 Trade Payables

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

2.16 Borrowings

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

2.17 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

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

2.18 Defined Benefit Liabilities

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

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

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

2.19 Financial Guarantee Contract

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

2.20 Income Tax Expense and Deferred Taxes

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

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

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

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

2.21 Derivative Instruments

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

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

2.22 Dividend Distribution

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

2.23 Share Capital and Premium

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

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

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

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

(A) Sales of goods

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

(B) Sales of services

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

(C) Other sources of revenue

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

2.25 Government Grants

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

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

2.27 Operating Segments

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

2.28 Convenience Translation into United States Dollar Amounts

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. dollars at the rate of ₩1,171.10 to US $1, the exchange rate in effect on December 31, 2012. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

2.29 Approval of Financial Statements

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

3. Critical Estimates and Judgments

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

(A) Revenue recognition

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

(B) Provision for warranty

The Company recognizes provision for warranty on products sold. The Company accrues provision for warranty based on the best estimate of amounts necessary to settle future and existing claims. The amounts are estimated based on historical data.
The fair value of financial instruments that are not traded in an active market is determined by using a variety of methods and assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

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

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

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

4. Cash and Cash Equivalents

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>₩12,900</td>
<td>₩16,042</td>
</tr>
<tr>
<td>Bank deposits, etc.</td>
<td>₩18,778,560</td>
<td>₩14,675,719</td>
</tr>
<tr>
<td>Total</td>
<td>₩18,791,460</td>
<td>₩14,691,761</td>
</tr>
</tbody>
</table>

35
5. Financial Assets Subject to Withdrawal Restrictions

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

(In millions of Korean won)  

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term financial instruments</td>
<td>₩46,489</td>
<td>₩39,770</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Long-term financial instruments</td>
<td>29</td>
<td>21</td>
</tr>
</tbody>
</table>

6. Financial Instruments by Category

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

(1) As of December 31, 2012

<table>
<thead>
<tr>
<th>Description</th>
<th>Assets at fair value through the profit and loss</th>
<th>Loans and receivables</th>
<th>Available-for-sale financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₩ -</td>
<td>₩18,791,460</td>
<td>₩ -</td>
<td>₩18,791,460</td>
</tr>
<tr>
<td>Short-term financial instruments</td>
<td>₩ -</td>
<td>₩17,397,937</td>
<td>₩ -</td>
<td>₩17,397,937</td>
</tr>
<tr>
<td>Short-term available-for-sale financial assets</td>
<td>₩ -</td>
<td>₩1,258,874</td>
<td>₩1,258,874</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>₩ -</td>
<td>₩26,674,596</td>
<td>₩ -</td>
<td>₩26,674,596</td>
</tr>
<tr>
<td>Long-term available-for-sale financial assets</td>
<td>₩ -</td>
<td>₩5,229,175</td>
<td>₩5,229,175</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>₩47,227</td>
<td>₩814,693</td>
<td>₩ -</td>
<td>₩814,693</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td>₩2,104,215</td>
</tr>
<tr>
<td>Total</td>
<td>₩47,227</td>
<td>₩65,735,674</td>
<td>₩6,488,049</td>
<td>₩72,270,950</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Liabilities at fair value through the profit and loss</th>
<th>Financial liabilities measured at amortized cost</th>
<th>Other financial liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>₩ -</td>
<td>₩16,889,350</td>
<td>₩ -</td>
<td>₩16,889,350</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>₩ -</td>
<td>₩4,115,249</td>
<td>₩4,328,503</td>
<td>₩8,443,752</td>
</tr>
<tr>
<td>Debentures</td>
<td>₩ -</td>
<td>₩1,829,374</td>
<td>₩1,829,374</td>
<td></td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>₩ -</td>
<td>₩3,623,028</td>
<td>₩3,623,028</td>
<td></td>
</tr>
<tr>
<td>Long-term other payables</td>
<td>₩ -</td>
<td>₩1,165,881</td>
<td>₩1,165,881</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>₩79,212</td>
<td>₩10,788,823</td>
<td>₩10,868,035</td>
<td>₩42,819,420</td>
</tr>
</tbody>
</table>
Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) As of December 31, 2011

**Assets at fair value through the profit and loss**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Loans and receivables</th>
<th>Available-for-sale financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>W-</td>
<td>W 14,691,761</td>
<td>W 14,691,761</td>
</tr>
<tr>
<td>Short-term financial instruments</td>
<td>-</td>
<td>11,529,905</td>
<td>11,529,905</td>
</tr>
<tr>
<td>Short-term available-for-sale financial assets</td>
<td>-</td>
<td>655,969</td>
<td>655,969</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>-</td>
<td>24,153,028</td>
<td>24,153,028</td>
</tr>
<tr>
<td>Long-term available-for-sale financial assets</td>
<td>-</td>
<td>3,223,598</td>
<td>3,223,598</td>
</tr>
<tr>
<td>Deposits</td>
<td>-</td>
<td>791,863</td>
<td>791,863</td>
</tr>
<tr>
<td>Others</td>
<td>130,057</td>
<td>1,289,447</td>
<td>1,419,504</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>130,057</strong></td>
<td><strong>52,456,004</strong></td>
<td><strong>56,465,628</strong></td>
</tr>
</tbody>
</table>

**Liabilities at fair value through the profit and loss**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Financial liabilities measured at amortized cost</th>
<th>Other financial liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>W-</td>
<td>W 18,509,490</td>
<td>W 18,509,490</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>-</td>
<td>4,775,339</td>
<td>4,775,339</td>
</tr>
<tr>
<td>Debentures</td>
<td>-</td>
<td>1,280,124</td>
<td>1,280,124</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>-</td>
<td>3,682,472</td>
<td>3,682,472</td>
</tr>
<tr>
<td>Long-term other payables</td>
<td>-</td>
<td>1,024,804</td>
<td>1,024,804</td>
</tr>
<tr>
<td>Others</td>
<td>40,932</td>
<td>7,818,742</td>
<td>7,859,674</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40,932</strong></td>
<td><strong>37,090,971</strong></td>
<td><strong>42,010,286</strong></td>
</tr>
</tbody>
</table>
B) Income and loss of financial instruments by category for the years ended December 31, 2012 and 2011, are as follows:

(1) As of December 31, 2012

(In millions of Korean won)

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

(In millions of Korean won)

<table>
<thead>
<tr>
<th>Financial Liabilities</th>
<th>Liabilities at fair value through the profit and loss</th>
<th>Financial liabilities measured at amortized cost</th>
<th>Other Financial Liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on valuation/disposal (Profit or loss)</td>
<td>W</td>
<td>(125,553)</td>
<td>W</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>277,512</td>
<td>321,494</td>
<td>599,006</td>
</tr>
<tr>
<td>Foreign exchange differences (Financial income)</td>
<td>-</td>
<td>4,037,004</td>
<td>43,909</td>
<td>4,080,913</td>
</tr>
<tr>
<td>Foreign exchange differences (Financial expense)</td>
<td>-</td>
<td>(4,019,066)</td>
<td>-</td>
<td>(4,019,066)</td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) As of December 31, 2011

(In millions of Korean won)

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

(In millions of Korean won)

<table>
<thead>
<tr>
<th>Financial Liabilities</th>
<th>Liabilities at fair value through the profit and loss</th>
<th>Financial liabilities measured at amortized cost</th>
<th>Other Financial Liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on valuation/disposal (Profit or loss)</td>
<td>W</td>
<td>(1,865)</td>
<td>W</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense</td>
<td>-</td>
<td>270,929</td>
<td>373,204</td>
<td>644,133</td>
</tr>
<tr>
<td>Foreign exchange differences (Financial income)</td>
<td>-</td>
<td>2,056,604</td>
<td>38,788</td>
<td>2,095,392</td>
</tr>
<tr>
<td>Foreign exchange differences (Financial expense)</td>
<td>-</td>
<td>(2,288,844)</td>
<td>(12,229)</td>
<td>(2,301,073)</td>
</tr>
</tbody>
</table>
7. Credit Quality of Financial Assets

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

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

(A) Accounts receivables

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterparties with external credit rating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superior ability to repay</td>
<td>₩1,818,158</td>
<td>₩1,983,246</td>
</tr>
<tr>
<td>Strong ability to repay</td>
<td>₩3,742,515</td>
<td>₩3,813,989</td>
</tr>
<tr>
<td>Acceptable ability to repay</td>
<td>₩3,217,663</td>
<td>₩2,981,747</td>
</tr>
<tr>
<td>Currently having the ability to repay</td>
<td>₩3,834,957</td>
<td>₩2,857,491</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩12,613,293</td>
<td>₩11,636,473</td>
</tr>
<tr>
<td>Counterparties without external credit rating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 1</td>
<td>₩8,680,397</td>
<td>₩8,658,198</td>
</tr>
<tr>
<td>Group 2</td>
<td>₩50,160</td>
<td>₩67,456</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩8,730,557</td>
<td>₩8,725,654</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩21,343,850</td>
<td>₩20,362,127</td>
</tr>
</tbody>
</table>

(B) Cash equivalents and short-term financial instruments

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior ability to repay</td>
<td>₩2,850,476</td>
<td>₩1,378,015</td>
</tr>
<tr>
<td>Strong ability to repay</td>
<td>₩32,675,712</td>
<td>24,448,843</td>
</tr>
<tr>
<td>Acceptable ability to repay</td>
<td>₩505,631</td>
<td>278,216</td>
</tr>
<tr>
<td>Currently having the ability to repay</td>
<td>₩12,896</td>
<td>15,397</td>
</tr>
<tr>
<td>Others¹</td>
<td>₩131,782</td>
<td>85,153</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩36,176,497</td>
<td>26,205,624</td>
</tr>
</tbody>
</table>

¹ Short-term financial instruments at financial institutions (Credit union etc.) without external credit rating
8. Transfers of Financial Assets

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of the discounted trade receivables(^1)</td>
<td>₩4,328,503</td>
<td>₩4,878,383</td>
</tr>
<tr>
<td>Carrying amount of the related borrowing</td>
<td>₩4,328,503</td>
<td>₩4,878,383</td>
</tr>
</tbody>
</table>

\(^1\) The discounted trade receivables include intercompany balances.


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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of January 1</td>
<td>₩3,879,567</td>
<td>₩4,199,358</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>₩2,630,247</td>
<td>₩2,309,143</td>
</tr>
<tr>
<td>-Increase from business combinations</td>
<td>₩16,544</td>
<td>₩1,018</td>
</tr>
<tr>
<td>Disposals</td>
<td>(₩1,171,666)</td>
<td>(₩2,004,296)</td>
</tr>
<tr>
<td>Changes in value, net of tax</td>
<td>₩1,185,256</td>
<td>₩(559,831)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(₩28,009)</td>
<td>(₩39)</td>
</tr>
<tr>
<td>Translation and exchange difference</td>
<td>₩(19,302)</td>
<td>₩1,007</td>
</tr>
<tr>
<td>Others</td>
<td>₩11,956</td>
<td>₩(65,775)</td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>₩6,488,049</td>
<td>₩3,879,567</td>
</tr>
</tbody>
</table>

A) Current portion            | ₩1,258,874 | ₩655,969 |
B) Non-current portion        | ₩5,229,175 | ₩3,223,598 |
Samsung Electronics Co., Ltd. and Subsidiaries  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>National bonds</td>
<td>₩1,258,873</td>
<td>₩655,969</td>
</tr>
<tr>
<td>Beneficiary certificates¹</td>
<td>₩1,258,874</td>
<td>₩655,969</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>₩1,159,290</td>
<td>₩647,379</td>
</tr>
<tr>
<td>Time deposits</td>
<td>293</td>
<td>715</td>
</tr>
<tr>
<td>Call loan</td>
<td>85,200</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>14,145</td>
<td>7,875</td>
</tr>
<tr>
<td></td>
<td>₩1,258,873</td>
<td>₩655,969</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>₩5,969</td>
<td>₩9,144</td>
</tr>
<tr>
<td>Fair value gains</td>
<td>₩8,873</td>
<td>₩5,969</td>
</tr>
<tr>
<td>Net gains transferred from equity</td>
<td>(₽5,969)</td>
<td>(₽9,144)</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>₩8,873</td>
<td>₩5,969</td>
</tr>
<tr>
<td>Deferred income tax and minority interest</td>
<td>(₽2,147)</td>
<td>(₽1,444)</td>
</tr>
<tr>
<td></td>
<td>₩6,726</td>
<td>₩4,525</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Detail</th>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities-Listed</td>
<td>(1)</td>
<td>₩4,435,856</td>
<td>₩2,526,187</td>
</tr>
<tr>
<td>Equity securities-Unlisted</td>
<td>(2)</td>
<td>₩667,325</td>
<td>₩623,739</td>
</tr>
<tr>
<td>Debt securities¹</td>
<td></td>
<td>₩125,994</td>
<td>₩73,672</td>
</tr>
<tr>
<td></td>
<td></td>
<td>₩5,229,175</td>
<td>₩3,223,598</td>
</tr>
</tbody>
</table>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost</td>
<td>Book Value</td>
</tr>
<tr>
<td>Number of Shares Owned</td>
<td>Percentage of Ownership (%)</td>
</tr>
<tr>
<td>Samsung Heavy Industries</td>
<td>40,675,641</td>
</tr>
<tr>
<td>Samsung Fine Chemicals</td>
<td>2,164,970</td>
</tr>
<tr>
<td>Hotel Shilla</td>
<td>2,004,717</td>
</tr>
<tr>
<td>Cheil Worldwide</td>
<td>2,998,725</td>
</tr>
<tr>
<td>iMarket Korea</td>
<td>647,320</td>
</tr>
<tr>
<td>A-Tech Solution</td>
<td>1,592,000</td>
</tr>
<tr>
<td>SFA</td>
<td>1,822,000</td>
</tr>
<tr>
<td>KT Skylife</td>
<td>240,000</td>
</tr>
<tr>
<td>ASML</td>
<td>12,595,757</td>
</tr>
<tr>
<td>CSR</td>
<td>9,925,000</td>
</tr>
<tr>
<td>Rambus</td>
<td>4,788,125</td>
</tr>
<tr>
<td>Seagate Technology</td>
<td>45,239,490</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
</tr>
</tbody>
</table>

₩2,091,369 ₩4,435,856 ₩2,526,187

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

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

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

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

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

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost</td>
<td>Book Value</td>
</tr>
<tr>
<td>Number of Shares Owned</td>
<td>Percentage of Ownership (%)</td>
</tr>
<tr>
<td>Kihyup Technology</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Pusan Newport</td>
<td>1,135,307</td>
</tr>
<tr>
<td>Samsung Venture</td>
<td>980,000</td>
</tr>
<tr>
<td>Samsung Petrochemical</td>
<td>514,172</td>
</tr>
<tr>
<td>Samsung General</td>
<td>-</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1,914,251</td>
</tr>
<tr>
<td>icube Investment</td>
<td>40</td>
</tr>
<tr>
<td>Maltani Lighting</td>
<td>9,000</td>
</tr>
<tr>
<td>SK Telink</td>
<td>14,609</td>
</tr>
<tr>
<td>CSDOT</td>
<td>-</td>
</tr>
<tr>
<td>Nanosys</td>
<td>13,100,436</td>
</tr>
<tr>
<td>OpenX</td>
<td>8,899,172</td>
</tr>
<tr>
<td>Voltaix</td>
<td>7,785</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
</tr>
</tbody>
</table>

₩545,995 ₩667,325 ₩623,739

43
As of December 31, 2012, the Company’s investments in Pusan Newport are pledged as collateral against the investee’s debt (Note 19).

Nonmarketable shares are measured at cost because the variation of reasonable fair value estimates is not insignificant and the probabilities of the various estimates and applicable discount rate cannot be reasonably assessed (Note 32).

Impairment losses on unlisted equity securities resulting from the decline in realizable value below the acquisition cost amounted to ₩2,235 million and ₩39 million for the year ended December 31, 2012 and 2011, respectively.

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

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

10. Trade and other receivables

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade</td>
<td>Non-Trade</td>
</tr>
<tr>
<td>Receivables</td>
<td>₩24,168,427</td>
<td>₩2,834,187</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowances for impairment</td>
<td>₩(276,787)</td>
<td>₩(2,595)</td>
</tr>
<tr>
<td>Trade receivables, net</td>
<td>₩23,891,640</td>
<td>₩2,831,592</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current portion</td>
<td>₩(30,405)</td>
<td>₩(18,231)</td>
</tr>
<tr>
<td>Current portion</td>
<td>₩23,861,235</td>
<td>₩2,813,361</td>
</tr>
</tbody>
</table>

The Company transferred receivable balances to financial institutions in exchange for cash. The outstanding balances of transferred receivable balances amounting to ₩4,328,503 million and ₩4,878,383 million have been accounted for as borrowings as of December 31, 2012 and 2011 (Note 15).
(B) Movements on the provision for impairment of trade receivables are as follows:

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

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

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2012</th>
<th></th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₩ 24,151,060</td>
<td></td>
<td>₩ 22,467,108</td>
</tr>
<tr>
<td>Receivables not past due</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables past due, not impaired¹ :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 31 days overdue</td>
<td>2,226,759</td>
<td></td>
<td>1,351,566</td>
</tr>
<tr>
<td>Bad debts² :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 days to 90 days overdue</td>
<td>231,343</td>
<td></td>
<td>339,107</td>
</tr>
<tr>
<td>90 days overdue or more</td>
<td>393,452</td>
<td></td>
<td>287,956</td>
</tr>
<tr>
<td></td>
<td>₩ 27,002,614</td>
<td></td>
<td>₩ 24,445,737</td>
</tr>
</tbody>
</table>

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

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

11. Inventories

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Amount</td>
<td>Valuation Allowance</td>
<td>Book Value</td>
<td>Gross Amount</td>
</tr>
<tr>
<td>Finished goods</td>
<td>₩ 7,003,826</td>
<td>₩ (166,576)</td>
<td>₩ 6,837,250</td>
<td>₩ 6,105,312</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>5,239,262</td>
<td>(157,866)</td>
<td>₩ 5,081,396</td>
<td>₩ 4,673,143</td>
</tr>
<tr>
<td>Materials-in-transit</td>
<td>2,598,191</td>
<td>-</td>
<td>₩ 2,598,191</td>
<td>₩ 2,252,853</td>
</tr>
<tr>
<td></td>
<td>₩18,464,851</td>
<td>₩ (717,438)</td>
<td>₩17,747,413</td>
<td>₩16,486,131</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>₩9,204,169</td>
<td>₩8,335,290</td>
</tr>
<tr>
<td>Acquisition</td>
<td>279,022</td>
<td>403,538</td>
</tr>
<tr>
<td>Disposal</td>
<td>(21,891)</td>
<td>(298,375)</td>
</tr>
<tr>
<td>Share of profit</td>
<td>986,611</td>
<td>1,399,194</td>
</tr>
<tr>
<td>Others 1</td>
<td>(1,662,422)</td>
<td>(635,478)</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>₩8,785,489</td>
<td>₩9,204,169</td>
</tr>
</tbody>
</table>

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

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

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

(1) Associates

<table>
<thead>
<tr>
<th>Investee</th>
<th>Industry</th>
<th>Percentage of Ownership (%) 1</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Card</td>
<td>Finance</td>
<td>37.5</td>
<td>Korea</td>
</tr>
<tr>
<td>Samsung Electro-Mechanics</td>
<td>Manufacture of electronic components, computers, videos, sound and communication equipments</td>
<td>23.7</td>
<td>Korea</td>
</tr>
<tr>
<td>Samsung SDI</td>
<td>Manufacture of electronic components, computers, videos, sound and communication equipments</td>
<td>20.4</td>
<td>Korea</td>
</tr>
<tr>
<td>Samsung SDS</td>
<td>Computer programming, system integration and management</td>
<td>21.7</td>
<td>Korea</td>
</tr>
<tr>
<td>Samsung Techwin</td>
<td>Manufacture of electronic components, computers, videos, sound and communication equipments</td>
<td>25.5</td>
<td>Korea</td>
</tr>
</tbody>
</table>

(2) Joint ventures

<table>
<thead>
<tr>
<th>Investee</th>
<th>Industry</th>
<th>Percentage of Ownership (%) 1</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Corning Precision Materials</td>
<td>TFT- LCD components Manufacturing and retail</td>
<td>42.5</td>
<td>Korea</td>
</tr>
<tr>
<td>Samsung Corning Advanced Glass</td>
<td>Manufacture of other industrial glass devices</td>
<td>50.0</td>
<td>Korea</td>
</tr>
</tbody>
</table>

1 The ownership represents the Company’s ownership of the voting rights in the entity.
Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(1) Associates

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investee</td>
<td>Acquisition cost</td>
<td>Net asset value</td>
<td>Book value</td>
<td></td>
</tr>
<tr>
<td>SamsungCard</td>
<td>₩1,538,540</td>
<td>₩2,221,201</td>
<td>₩2,238,073</td>
<td></td>
</tr>
<tr>
<td>Samsung Electro-Mechanics</td>
<td>359,237</td>
<td>887,933</td>
<td>890,460</td>
<td></td>
</tr>
<tr>
<td>Samsung SDI</td>
<td>423,722</td>
<td>1,450,811</td>
<td>1,174,183</td>
<td></td>
</tr>
<tr>
<td>Samsung SDS</td>
<td>17,967</td>
<td>689,874</td>
<td>701,808</td>
<td></td>
</tr>
<tr>
<td>Samsung Techwin</td>
<td>174,531</td>
<td>401,146</td>
<td>360,739</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>461,599</td>
<td>513,580</td>
<td>457,016</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>₩2,975,596</td>
<td>₩6,164,545</td>
<td>₩5,822,279</td>
<td></td>
</tr>
</tbody>
</table>

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

(2) Joint ventures

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investee</td>
<td>Acquisition cost</td>
<td>Net asset value</td>
<td>Book value</td>
<td></td>
</tr>
<tr>
<td>Samsung Corning Precision Materials</td>
<td>₩297,165</td>
<td>₩2,825,104</td>
<td>₩2,794,617</td>
<td></td>
</tr>
<tr>
<td>Samsung Corning Advanced Glass</td>
<td>115,000</td>
<td>114,274</td>
<td>114,274</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>419,461</td>
<td>64,193</td>
<td>54,319</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>₩831,626</td>
<td>₩3,003,571</td>
<td>₩2,963,210</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2011</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investee</td>
<td>Acquisition cost</td>
<td>Net asset value</td>
<td>Book value</td>
<td></td>
</tr>
<tr>
<td>Samsung Corning Precision Materials</td>
<td>₩297,165</td>
<td>₩3,191,077</td>
<td>₩3,089,298</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>419,461</td>
<td>145,870</td>
<td>229,689</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>₩716,626</td>
<td>₩3,336,947</td>
<td>₩3,318,987</td>
<td></td>
</tr>
</tbody>
</table>
### (D) Gain/loss on valuation of equity

#### (1) 2012

<table>
<thead>
<tr>
<th></th>
<th>Balance at January 1</th>
<th>Gain/loss on valuation</th>
<th>Other comprehensive gains</th>
<th>Others&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Balance on December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Card</td>
<td>₩ 2,184,855</td>
<td>₩ 264,688</td>
<td>₩ (181,217)</td>
<td>₩ (30,253)</td>
<td>₩ 2,238,073</td>
</tr>
<tr>
<td>Samsung Electro-Mechanics</td>
<td>799,792</td>
<td>102,946</td>
<td>11,689</td>
<td>(23,967)</td>
<td>899,460</td>
</tr>
<tr>
<td>Samsung SDI</td>
<td>1,185,509</td>
<td>31,256</td>
<td>(30,531)</td>
<td>(12,051)</td>
<td>1,174,183</td>
</tr>
<tr>
<td>Samsung SDS</td>
<td>632,593</td>
<td>89,157</td>
<td>(16,488)</td>
<td>(3,454)</td>
<td>701,808</td>
</tr>
<tr>
<td>Samsung Techwin</td>
<td>370,379</td>
<td>39,356</td>
<td>(27,171)</td>
<td>(21,825)</td>
<td>360,739</td>
</tr>
<tr>
<td>Samsung LED</td>
<td>340,145</td>
<td>(22,519)</td>
<td>(712)</td>
<td>(316,914)</td>
<td></td>
</tr>
<tr>
<td>Samsung Corning Precision Materials</td>
<td>3,089,298</td>
<td>644,242</td>
<td>(10,300)</td>
<td>(928,623)</td>
<td>2,794,617</td>
</tr>
<tr>
<td>Samsung Corning Advanced Glass</td>
<td>-</td>
<td>(726)</td>
<td>-</td>
<td>115,000</td>
<td>114,274</td>
</tr>
<tr>
<td>Others</td>
<td>601,598</td>
<td>(161,789)</td>
<td>(95,761)</td>
<td>167,287</td>
<td>511,335</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩ 9,204,169</td>
<td>₩ 986,611</td>
<td>₩ (350,491)</td>
<td>₩ (1,054,800)</td>
<td>₩ 8,785,489</td>
</tr>
</tbody>
</table>

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

#### (2) 2011

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

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

(1) Associates

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

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

(2) Joint Ventures - A listing of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities is as follows:

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

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won, except for number of shares)</th>
<th>Number of shares held</th>
<th>Market value</th>
<th>Market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung SDI</td>
<td>9,282,753</td>
<td>₩1,401,696</td>
<td>₩1,239,248</td>
</tr>
<tr>
<td>Samsung Electro-Mechanics</td>
<td>17,693,084</td>
<td>1,755,154</td>
<td>1,374,753</td>
</tr>
<tr>
<td>Samsung Card</td>
<td>43,393,170</td>
<td>1,583,851</td>
<td>1,687,994</td>
</tr>
<tr>
<td>Samsung Techwin</td>
<td>13,526,935</td>
<td>807,558</td>
<td>719,633</td>
</tr>
</tbody>
</table>
13. Property, Plant and Equipment

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

### 2012

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Buildings and Structures</th>
<th>Machinery and Equipment</th>
<th>Construction -In-Progress/ Machinery-In-Transit</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at January 1, 2012</strong></td>
<td>₩7,214,734</td>
<td>₩12,778,760</td>
<td>₩33,453,220</td>
<td>₩6,982,473</td>
<td>₩1,614,764</td>
<td>₩62,043,951</td>
</tr>
<tr>
<td><strong>Acquisition cost</strong></td>
<td>₩7,214,734</td>
<td>18,472,852</td>
<td>96,618,176</td>
<td>6,982,473</td>
<td>4,683,845</td>
<td>133,972,080</td>
</tr>
<tr>
<td><strong>Accumulated depreciation and impairment</strong></td>
<td>-</td>
<td>(5,694,092)</td>
<td>(63,164,956)</td>
<td>-</td>
<td>(3,069,081)</td>
<td>(71,928,129)</td>
</tr>
<tr>
<td><strong>Acquisition and capital expense</strong></td>
<td>₩54,960</td>
<td>1,681,106</td>
<td>18,302,895</td>
<td>1,854,111</td>
<td>956,723</td>
<td>22,849,795</td>
</tr>
<tr>
<td><strong>Business combinations</strong></td>
<td>-</td>
<td>-</td>
<td>654,490</td>
<td>21,612</td>
<td>29,007</td>
<td>705,109</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>-</td>
<td>(1,121,614)</td>
<td>(12,895,133)</td>
<td>-</td>
<td>(818,299)</td>
<td>(14,835,046)</td>
</tr>
<tr>
<td><strong>Sale / Disposal / Impairment</strong></td>
<td>(76,724)</td>
<td>(100,854)</td>
<td>(604,989)</td>
<td>(22,213)</td>
<td>(34)</td>
<td>(819,072)</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>(40,829)</td>
<td>(224,567)</td>
<td>(653,008)</td>
<td>(343,098)</td>
<td>116,833</td>
<td>(1,144,669)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2012</strong></td>
<td>₩7,152,141</td>
<td>₩13,008,839</td>
<td>₩38,046,176</td>
<td>₩8,492,885</td>
<td>₩1,784,702</td>
<td>₩68,484,743</td>
</tr>
<tr>
<td><strong>Acquisition cost</strong></td>
<td>₩7,152,141</td>
<td>19,624,030</td>
<td>110,034,355</td>
<td>8,492,885</td>
<td>5,011,914</td>
<td>150,315,325</td>
</tr>
<tr>
<td><strong>Accumulated depreciation and impairment</strong></td>
<td>-</td>
<td>(6,615,191)</td>
<td>(71,988,179)</td>
<td>-</td>
<td>(3,227,212)</td>
<td>(81,830,582)</td>
</tr>
</tbody>
</table>

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

### 2011

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Buildings and Structures</th>
<th>Machinery and Equipment</th>
<th>Construction -In-Progress/ Machinery-In-Transit</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at January 1, 2011</strong></td>
<td>₩6,631,392</td>
<td>₩10,312,316</td>
<td>₩26,474,573</td>
<td>₩8,243,827</td>
<td>₩1,302,486</td>
<td>₩52,964,594</td>
</tr>
<tr>
<td><strong>Acquisition cost</strong></td>
<td>₩6,631,392</td>
<td>15,055,715</td>
<td>81,456,534</td>
<td>8,243,827</td>
<td>4,147,859</td>
<td>115,353,272</td>
</tr>
<tr>
<td><strong>Accumulated depreciation and impairment</strong></td>
<td>-</td>
<td>(4,743,399)</td>
<td>(54,981,961)</td>
<td>-</td>
<td>(2,845,373)</td>
<td>(62,570,733)</td>
</tr>
<tr>
<td><strong>Acquisition and capital expense</strong></td>
<td>₩553,058</td>
<td>3,443,087</td>
<td>18,596,927</td>
<td>(966,244)</td>
<td>1,046,373</td>
<td>22,673,201</td>
</tr>
<tr>
<td><strong>Business combinations</strong></td>
<td>₩53,771</td>
<td>55,605</td>
<td>5,522</td>
<td>451</td>
<td>8,620</td>
<td>123,969</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>-</td>
<td>(980,863)</td>
<td>(11,244,032)</td>
<td>-</td>
<td>(709,379)</td>
<td>(12,934,274)</td>
</tr>
<tr>
<td><strong>Sale / Disposal / Impairment</strong></td>
<td>(22,394)</td>
<td>(49,794)</td>
<td>(376,727)</td>
<td>-</td>
<td>(83,507)</td>
<td>(532,422)</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>(1,093)</td>
<td>3,332</td>
<td>78,598</td>
<td>(295,561)</td>
<td>50,226</td>
<td>(164,498)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2011</strong></td>
<td>₩7,124,734</td>
<td>₩12,778,760</td>
<td>₩33,453,220</td>
<td>₩6,982,473</td>
<td>₩1,614,764</td>
<td>₩62,043,951</td>
</tr>
<tr>
<td><strong>Acquisition cost</strong></td>
<td>₩7,124,734</td>
<td>18,472,852</td>
<td>96,618,176</td>
<td>6,982,473</td>
<td>4,683,845</td>
<td>133,972,080</td>
</tr>
<tr>
<td><strong>Accumulated depreciation and impairment</strong></td>
<td>-</td>
<td>(5,694,092)</td>
<td>(63,164,956)</td>
<td>-</td>
<td>(3,069,081)</td>
<td>(71,928,129)</td>
</tr>
</tbody>
</table>

1 The capitalized borrowing costs are ₩46,863 million and the interest rate used to calculate the borrowing costs eligible for capitalization is 4.35%.
### (B) Details of property, plant and equipment’s depreciation by line item as of December 31, 2012 and 2011, are as follows:

*(In millions of Korean won)*

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>₩13,666,700</td>
<td>₩11,945,495</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>₩442,080</td>
<td>₩368,123</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>₩726,266</td>
<td>₩620,656</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩14,835,046</td>
<td>₩12,934,274</td>
</tr>
</tbody>
</table>

### 14. Intangible Assets

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

**2012**

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

**2011**

<table>
<thead>
<tr>
<th></th>
<th>Intellectual property rights</th>
<th>Capitalized cost</th>
<th>Membership</th>
<th>Goodwill</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1, 2011</td>
<td>₩601,882</td>
<td>₩334,617</td>
<td>₩191,431</td>
<td>₩571,412</td>
<td>₩1,080,097</td>
<td>₩2,779,439</td>
</tr>
<tr>
<td>Internally generated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(development costs)</td>
<td>-</td>
<td>₩331,576</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>₩331,576</td>
</tr>
<tr>
<td>External acquisition</td>
<td>260,399</td>
<td>-</td>
<td>₩3,494</td>
<td>-</td>
<td>68,209</td>
<td>₩321,102</td>
</tr>
<tr>
<td>Business Combinations</td>
<td>234,644</td>
<td>-</td>
<td>₩135,118</td>
<td>₩181,455</td>
<td>₩551,217</td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>(125,636)</td>
<td>(193,169)</td>
<td>-</td>
<td>₩138,958</td>
<td>(637,790)</td>
<td></td>
</tr>
<tr>
<td>Sale / Disposal</td>
<td>(18,927)</td>
<td></td>
<td>(93)</td>
<td>-</td>
<td>(5,109)</td>
<td>(24,129)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(85)</td>
<td>-</td>
<td>-</td>
<td>(183,145)</td>
<td>(236)</td>
<td>(183,466)</td>
</tr>
<tr>
<td>Others</td>
<td>31,525</td>
<td>-</td>
<td>3,125</td>
<td>24</td>
<td>191,613</td>
<td>226,287</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2011</strong></td>
<td>₩983,802</td>
<td>₩473,024</td>
<td>₩197,957</td>
<td>₩523,409</td>
<td>₩1,177,044</td>
<td>₩3,355,236</td>
</tr>
</tbody>
</table>
(B) Goodwill

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>S. LSI business</td>
<td>₩112,723</td>
<td>₩-</td>
</tr>
<tr>
<td>Memory business</td>
<td>74,995</td>
<td>39,883</td>
</tr>
<tr>
<td>Health care equipment business</td>
<td>89,258</td>
<td>80,799</td>
</tr>
<tr>
<td>Digital Imaging business</td>
<td>82,599</td>
<td>287,199</td>
</tr>
<tr>
<td>LCD business</td>
<td>80,299</td>
<td>80,299</td>
</tr>
<tr>
<td>LED business</td>
<td>79,277</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>54,694</td>
<td>35,229</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₩573,845</strong></td>
<td><strong>₩523,409</strong></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Samsung Digital Imaging</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales profit margin rate</td>
<td>0.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Sales growth rate(^1)</td>
<td>6.7</td>
<td>13.6</td>
</tr>
<tr>
<td>Perpetual growth rate(^2)</td>
<td>(2.4)</td>
<td>2.1</td>
</tr>
<tr>
<td>Pre-tax discount rate(^3)</td>
<td>15.6</td>
<td>13.6</td>
</tr>
</tbody>
</table>

\(^1\) Future cashflow of 5 years are projected based on previous growth rate and the industry estimates.

\(^2\) The projected growth rate beyond five years is consistent with industry estimates.

\(^3\) Pre-tax discount rate applied to the cash flow projections

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

The carrying value of Samsung Digital Imaging exceeded the value in use by ₩204,600 million in 2012 and ₩183,145 million in 2011 and the amounts have been recognized as the other non-operating expenses - net in the consolidated income statements.
(C) Amortization of intangible assets as of December 31, 2012 and 2011 is classified as follows:

(In millions of Korean won)

<table>
<thead>
<tr>
<th>Account</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>₩327,869</td>
<td>₩266,101</td>
</tr>
<tr>
<td>Selling general and administrative expenses</td>
<td>₩353,909</td>
<td>₩300,497</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>₩105,192</td>
<td>₩91,192</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩786,970</td>
<td>₩657,790</td>
</tr>
</tbody>
</table>

15. Borrowings

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

(In millions of Korean won)

<table>
<thead>
<tr>
<th>Financial Institutions</th>
<th>Current Portion of long-term Borrowings</th>
<th>Long-term Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Interest Rates (%) as of December 31, 2012</td>
<td>Annual Interest Rates (%) as of December 31, 2012</td>
</tr>
<tr>
<td><strong>Short-term Borrowings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collateralized borrowings</td>
<td>Shinhan Bank, etc</td>
<td>0.9 ~ 5.1</td>
</tr>
<tr>
<td>Without collateralized borrowings</td>
<td>BOA etc,</td>
<td>0.5 ~ 15.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩8,443,752</td>
<td>₩9,653,722</td>
</tr>
<tr>
<td><strong>Current Portion of long-term Borrowings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank borrowings</td>
<td>MIZUHO Bank, etc</td>
<td>1.6 ~ 4.6</td>
</tr>
<tr>
<td>Financial lease liabilities</td>
<td>APCI, etc</td>
<td>2.2 ~15.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩493,860</td>
<td>₩24,756</td>
</tr>
<tr>
<td><strong>Long-term Borrowings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank borrowings</td>
<td>SMBC, etc</td>
<td>0.7 ~ 5.3</td>
</tr>
<tr>
<td>Financial lease liabilities</td>
<td>CSSD, etc</td>
<td>2.2 ~ 15.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩3,623,028</td>
<td>₩3,682,472</td>
</tr>
</tbody>
</table>

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

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

(In millions of Korean won)

<table>
<thead>
<tr>
<th>For the Years Ending December 31</th>
<th>Long-term borrowings in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>₩493,860</td>
</tr>
<tr>
<td>2014</td>
<td>₩2,583,907</td>
</tr>
<tr>
<td>2015</td>
<td>₩380,722</td>
</tr>
<tr>
<td>2016</td>
<td>₩573,564</td>
</tr>
<tr>
<td>Thereafter</td>
<td>₩84,835</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩4,116,888</td>
</tr>
</tbody>
</table>
16. Debentures

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

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

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

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

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

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

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

1 US dollar straight bonds are repaid for twenty years after a ten-year grace period from the date of issuance. Interest is paid semi-annually.
2 Samsung Electronics America issued dollar denominated unsecured bonds. Repayment of these debentures is due on the date of maturity and interest is paid semi-annually.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(\text{In millions of Korean won})

<table>
<thead>
<tr>
<th>For the Years Ending December 31</th>
<th>Debentures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>₩505,356</td>
</tr>
<tr>
<td>2014</td>
<td>505,356</td>
</tr>
<tr>
<td>2015</td>
<td>5,356</td>
</tr>
<tr>
<td>2016</td>
<td>205,356</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,130,009</td>
</tr>
<tr>
<td>Total</td>
<td>₩2,351,433</td>
</tr>
</tbody>
</table>

17. Retirement Benefit Liabilities

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

(\text{In millions of Korean won})

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of funded defined benefit obligation</td>
<td>₩4,593,284</td>
<td>₩3,283,629</td>
</tr>
<tr>
<td>Present value of unfunded defined benefit</td>
<td>₩76,183</td>
<td>₩258,711</td>
</tr>
<tr>
<td>Subtotal</td>
<td>₩4,669,467</td>
<td>₩3,542,340</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(₩2,939,528)</td>
<td>(₩2,423,152)</td>
</tr>
<tr>
<td>Total</td>
<td>₩1,729,939</td>
<td>₩1,119,188</td>
</tr>
</tbody>
</table>

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

(\text{In millions of Korean won})

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>₩670,123</td>
<td>₩508,958</td>
</tr>
<tr>
<td>Interest cost</td>
<td>₩58,591</td>
<td>₩39,901</td>
</tr>
<tr>
<td>The effect of any settlement or curtailment</td>
<td>₩8,033</td>
<td>₩11,941</td>
</tr>
<tr>
<td>Total</td>
<td>₩736,747</td>
<td>₩560,800</td>
</tr>
</tbody>
</table>

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

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

(\text{In millions of Korean won})

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement impact before income tax</td>
<td>₩657,804</td>
<td>₩508,928</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>(₩153,684)</td>
<td>(₩123,714)</td>
</tr>
<tr>
<td>Remeasurement impact after income tax</td>
<td>₩504,120</td>
<td>₩385,214</td>
</tr>
</tbody>
</table>
(E) The pension expenses related to defined-benefit plans recognized in the statement of income for the years ended December 31, 2012 and 2011, are allocated to the following accounts:

<table>
<thead>
<tr>
<th>Account</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>₩291,355</td>
<td>₩247,908</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>185,125</td>
<td>121,213</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>260,267</td>
<td>191,679</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩736,747</td>
<td>₩560,800</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Account</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>₩2,423,152</td>
<td>₩1,797,706</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>136,034</td>
<td>120,704</td>
</tr>
<tr>
<td>Remeasurement factor of plan assets</td>
<td>(47,333)</td>
<td>(40,153)</td>
</tr>
<tr>
<td>Contributions by the employer</td>
<td>595,420</td>
<td>555,815</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(155,000)</td>
<td>(72,179)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(8,812)</td>
<td>(92)</td>
</tr>
<tr>
<td>Others</td>
<td>(3,933)</td>
<td>61,351</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>₩2,939,528</td>
<td>₩2,423,152</td>
</tr>
</tbody>
</table>

Expected contributions to retirement benefit plans for the year ending December 31, 2013, are ₩947,072 million.
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.7 ~ 7.0</td>
<td>4.9 ~ 7.5</td>
</tr>
<tr>
<td>Future salary increases (including inflation)</td>
<td>2.5 ~ 9.0</td>
<td>2.6 ~ 9.9</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>2012 (In millions of Korean won)</th>
<th>2011 (In millions of Korean won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual return on plan assets</td>
<td>₩88,701</td>
<td>₩80,551</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2012 (In millions of Korean won)</th>
<th>2011 (In millions of Korean won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity instruments</td>
<td>₩59,988</td>
<td>₩68,375</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>₩2,859,415</td>
<td>₩2,325,392</td>
</tr>
<tr>
<td>Other</td>
<td>₩20,125</td>
<td>₩29,385</td>
</tr>
<tr>
<td>Total</td>
<td>₩2,939,528</td>
<td>₩2,423,152</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>Change in value</th>
<th>Rate of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% increases</td>
<td>₩4,201,001</td>
<td>90%</td>
</tr>
<tr>
<td>1% decreases</td>
<td>₩5,235,704</td>
<td>112%</td>
</tr>
<tr>
<td>Future salary increases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% increases</td>
<td>₩5,220,723</td>
<td>112%</td>
</tr>
<tr>
<td>1% decreases</td>
<td>₩4,203,970</td>
<td>90%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 year</th>
<th>Between 1 and 2 years</th>
<th>Between 2 and 5 years</th>
<th>Between 5 and 10 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension benefits</td>
<td>₩250,111</td>
<td>₩256,194</td>
<td>₩1,081,159</td>
<td>₩2,957,385</td>
<td>₩4,544,849</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>Warranty (A)</th>
<th>Royalty expenses (B)</th>
<th>Long-term incentives (C)</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2012</td>
<td>₩ 1,680,534</td>
<td>₩ 1,590,079</td>
<td>₩ 510,901</td>
<td>₩ 96,245</td>
<td>₩ 3,877,759</td>
</tr>
<tr>
<td>Increase</td>
<td>₩ 2,403,512</td>
<td>₩ 1,510,409</td>
<td>₩ 199,566</td>
<td>(₩ 9,936)</td>
<td>₩ 4,103,551</td>
</tr>
<tr>
<td>Decrease</td>
<td>(₩ 1,970,017)</td>
<td>(₩ 174,702)</td>
<td>(₩ 134,138)</td>
<td>-</td>
<td>(₩ 2,278,857)</td>
</tr>
<tr>
<td>Others¹</td>
<td>₩ (81,212)</td>
<td>₩ (152,590)</td>
<td>-</td>
<td>(₩ 5,269)</td>
<td>(₩ 239,071)</td>
</tr>
<tr>
<td>December 31, 2012</td>
<td>₩ 2,032,817</td>
<td>₩ 2,773,196</td>
<td>₩ 576,329</td>
<td>₩ 81,040</td>
<td>₩ 5,463,382</td>
</tr>
</tbody>
</table>

¹ Others include amounts from changes in foreign currency exchange rates.

(A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs.

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

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

19. Commitments and Contingencies

(A) Guarantees

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees of debt for housing rental¹</td>
<td>₩ 151,817</td>
<td>₩ 153,989</td>
</tr>
</tbody>
</table>

¹ Represents the maximum amount of debt guarantee, which was provided for employees who took debt from financial institutions in order to finance employee housing rental.

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

(B) Lease

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

Finance leases

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum Lease</td>
<td>Present</td>
</tr>
<tr>
<td></td>
<td>payments</td>
<td>values</td>
</tr>
<tr>
<td>Within one year</td>
<td>₩ 21,399</td>
<td>₩ 13,293</td>
</tr>
<tr>
<td>From one year to five years</td>
<td>70,310</td>
<td>40,216</td>
</tr>
<tr>
<td>More than five years</td>
<td>108,865</td>
<td>61,555</td>
</tr>
<tr>
<td>Total</td>
<td>₩ 200,574</td>
<td>₩ 115,064</td>
</tr>
<tr>
<td>Present value adjustment</td>
<td>(85,510)</td>
<td>-</td>
</tr>
<tr>
<td>Finance lease payables</td>
<td>₩ 115,064</td>
<td>-</td>
</tr>
</tbody>
</table>

(C) Litigation

(1) Based on the agreement entered on August 24, 1999 with respect to Samsung Motor Inc.’s (“SMI”) bankruptcy proceedings, Samsung Motor Inc.’s creditors (“the Creditors”) filed a civil action against Mr. Kun Hee Lee, former chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450 billion (approximately $2.12 billion) for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest. SLI completed its Initial Public Offering (“IPO”) on May 7, 2010. After disposing 2,277,787 shares and paying the principal balance owed to the Creditors, ₩878 billion (approximately $0.76 billion) was deposited into an escrow account. That remaining balance was to be used to pay the Creditors interest due to the delay in the SLI IPO. On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay ₩600 billion (approximately $0.52 billion) to the Creditors and pay 5% annual interest for the period between May 8, 2010 and January 11, 2011, and pay 20% annual interest for the period after January 11, 2011 until the amounts owed to the Creditors are paid. In accordance with the Seoul High Court order, ₩620.4 billion (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. On February 7, 2011, the Samsung Group affiliates and the Creditors appealed the Seoul High Court’ ruling to the Korean Supreme Court and the appeal is currently in progress. The amount of loss related to this matter cannot be reasonably determined. Accordingly, the Company has concluded that no provision for loss should be reflected in the Company’s consolidated financial statements at December 31, 2012.

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

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

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

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

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

20. Share Capital and Premium

The Company’s number of authorized shares is 500,000,000 shares. The Company has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as of December 31, 2012, excluding retired shares. Due to retirement of shares, the total par value of the shares issued is ₩850,664 million (common stock ₩736,497 million, preferred stock ₩114,167 million), which does not agree with paid-in capital of ₩897,514 million.

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

<table>
<thead>
<tr>
<th></th>
<th>Number of shares of Preferred stock</th>
<th>Number of shares of Common stock</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2010</td>
<td>19,853,734</td>
<td>129,843,077</td>
<td>₩897,514</td>
<td>₩4,403,893</td>
<td>₩5,301,407</td>
</tr>
<tr>
<td>Shares issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2011</td>
<td>19,853,734</td>
<td>130,386,723</td>
<td>₩897,514</td>
<td>₩4,403,893</td>
<td>₩5,301,407</td>
</tr>
<tr>
<td>Shares issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2012</td>
<td>19,853,734</td>
<td>130,847,899</td>
<td>₩897,514</td>
<td>₩4,403,893</td>
<td>₩5,301,407</td>
</tr>
</tbody>
</table>

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

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

Issuance of shares

SEC is authorized, subject to the Board of Directors’ approval, to issue shares of common or preferred stock to investors other than current shareholders for issuance of depository receipts, general public subscription, urgent financing with financial institutions, and strategic alliance.
SEC has issued global depositary receipts (“GDR”) to overseas capital markets. The number of outstanding GDR as of December 31, 2012 and 2011, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-voting Preferred</td>
<td>Non-voting Preferred</td>
</tr>
<tr>
<td></td>
<td>Stock</td>
<td>Stock</td>
</tr>
<tr>
<td></td>
<td>Common Stock</td>
<td>Common Stock</td>
</tr>
<tr>
<td>- Share of Stock</td>
<td>3,323,283</td>
<td>3,092,581</td>
</tr>
<tr>
<td>- Share of GDR</td>
<td>6,646,566</td>
<td>6,185,162</td>
</tr>
</tbody>
</table>

21. Retained Earnings

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

<table>
<thead>
<tr>
<th></th>
<th>2012 (In millions of Korean won)</th>
<th>2011 (In millions of Korean won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropiated</td>
<td>₩ 87,915,275</td>
<td>₩ 78,713,318</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>32,070,414</td>
<td>18,909,554</td>
</tr>
<tr>
<td>Total</td>
<td>₩ 119,985,689</td>
<td>₩ 97,622,872</td>
</tr>
</tbody>
</table>

22. Dividends

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

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

(A) Interim Dividends

<table>
<thead>
<tr>
<th></th>
<th>2012 (In millions of Korean won and number of shares)</th>
<th>2011 (In millions of Korean won and number of shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares eligible for dividends</td>
<td>Common stock 130,759,755 shares Preferred stock 19,853,734 shares</td>
<td>Common stock 130,148,288 shares Preferred stock 19,853,734 shares</td>
</tr>
<tr>
<td>Dividend rate</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Dividend amount</td>
<td>Common stock ₩ 65,380</td>
<td>₩ 65,074</td>
</tr>
<tr>
<td></td>
<td>Preferred stock ₩ 9,927</td>
<td>₩ 9,927</td>
</tr>
<tr>
<td>Total</td>
<td>₩ 75,307</td>
<td>₩ 75,001</td>
</tr>
</tbody>
</table>
Samsung Electronics Co., Ltd. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Year-end Dividends

(In millions of Korean won and number of shares)  

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares eligible for dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>130,847,899 shares</td>
<td>130,386,723 shares</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>19,853,734 shares</td>
<td>19,853,734 shares</td>
</tr>
<tr>
<td>Dividend rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>150%</td>
<td>100%</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>151%</td>
<td>101%</td>
</tr>
<tr>
<td>Dividend amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>₩ 981,359</td>
<td>₩ 651,934</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>₩ 149,896</td>
<td>₩ 100,261</td>
</tr>
<tr>
<td>Total</td>
<td>₩ 1,131,255</td>
<td>₩ 752,195</td>
</tr>
</tbody>
</table>

(C) Dividend Payout Ratio (Including interim dividends)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend payout ratio</td>
<td>5.20%</td>
<td>6.18%</td>
</tr>
</tbody>
</table>

(D) Dividend Yield Ratio (Including interim dividends)

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Preferred Stock</th>
<th>Common Stock</th>
<th>Preferred Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend yield ratio1</td>
<td>0.54%</td>
<td>0.95%</td>
<td>0.52%</td>
<td>0.85%</td>
</tr>
</tbody>
</table>

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

23. Other Components of Equity

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

(In millions of Korean won)  

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury stock1</td>
<td>₩ (7,350,927)</td>
<td>₩ (7,539,561)</td>
</tr>
<tr>
<td>Stock option</td>
<td>22,242</td>
<td>55,313</td>
</tr>
<tr>
<td>Unrealized gains on available-for-sale financial assets</td>
<td>2,001,536</td>
<td>1,040,849</td>
</tr>
<tr>
<td>Share of associates and joint ventures accumulated other comprehensive gains</td>
<td>720,944</td>
<td>1,071,435</td>
</tr>
<tr>
<td>Foreign-currency translation differences</td>
<td>(2,623,963)</td>
<td>(834,086)</td>
</tr>
<tr>
<td>Remeasurement impact of employee benefit</td>
<td>(1,097,228)</td>
<td>(590,877)</td>
</tr>
<tr>
<td>Others</td>
<td>134,352</td>
<td>963,031</td>
</tr>
<tr>
<td>Total</td>
<td>₩ (8,193,044)</td>
<td>₩ (5,833,896)</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Date of the Grant</th>
<th>March 9, 2001</th>
<th>February 28, 2002</th>
<th>March 25, 2002</th>
<th>March 7, 2003</th>
<th>April 16, 2004</th>
<th>December 20, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1, 2011</td>
<td>176,072</td>
<td>160,221</td>
<td>30,975</td>
<td>74,875</td>
<td>344,568</td>
<td>10,000</td>
</tr>
<tr>
<td>Exercised during 2011</td>
<td>176,072</td>
<td>112,626</td>
<td>28,046</td>
<td>25,624</td>
<td>143,282</td>
<td>-</td>
</tr>
<tr>
<td>At December 31, 2011</td>
<td>-</td>
<td>47,595</td>
<td>2,929</td>
<td>49,251</td>
<td>201,286</td>
<td>10,000</td>
</tr>
<tr>
<td>Exercised During 2012</td>
<td>-</td>
<td>47,595</td>
<td>2,929</td>
<td>33,404</td>
<td>102,381</td>
<td>5,000</td>
</tr>
<tr>
<td>At December 31, 2012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>98,905</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Exercise price

| Weighted average share price at the date of exercise during 2011 | ₩ 197,100 | ₩ 329,200 | ₩ 342,800 | ₩ 288,800 | ₩ 580,300 | ₩ 606,700 |
| Weighted average share price at the date of exercise during 2012 | ₩ 943,994 | ₩ 949,456 | ₩ 931,977 | ₩ 935,942 | ₩ 998,175 | -          |
| Exercise period from the date of the grant | 3-10years | 2-10years | 2-10years | 2-10years | 2-10years | 2-10years |

25. Expenses by Nature

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and goods</td>
<td>₩ 85,193,865</td>
<td>₩ 75,329,188</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>₩ 13,629,400</td>
<td>₩ 11,906,674</td>
</tr>
<tr>
<td>Pension expenses</td>
<td>₩ 768,423</td>
<td>₩ 584,096</td>
</tr>
<tr>
<td>Depreciation expenses</td>
<td>₩ 14,835,046</td>
<td>₩ 12,934,274</td>
</tr>
<tr>
<td>Amortization expenses</td>
<td>₩ 786,970</td>
<td>₩ 657,790</td>
</tr>
<tr>
<td>Welfare expenses</td>
<td>₩ 2,481,756</td>
<td>₩ 1,998,559</td>
</tr>
<tr>
<td>Commission and service charges</td>
<td>₩ 6,961,701</td>
<td>₩ 5,936,770</td>
</tr>
<tr>
<td>Other expenses</td>
<td>₩ 47,397,114</td>
<td>₩ 40,010,129</td>
</tr>
<tr>
<td>Total¹</td>
<td>₩ 172,054,275</td>
<td>₩ 149,357,480</td>
</tr>
</tbody>
</table>

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

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

(\textit{In millions of Korean won})

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

27. Other Non-Operating Income and Expense

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

(\textit{In millions of Korean won})

\begin{tabular}{lcc}
\hline
 & 2012 & 2011 \\
\hline
Dividend income & ₩106,181 & ₩34,423 \\
Commission income & ₩100,535 & ₩26,313 \\
Rental income & ₩98,462 & ₩92,155 \\
Gain on disposal of investments & ₩113,886 & ₩223,535 \\
Gain on disposal of property, plant and equipment & ₩147,645 & ₩113,690 \\
Gain on disposal of business\textsuperscript{1} & - & ₩1,062,793 \\
Others & ₩986,280 & ₩698,110 \\
\hline
 & ₩1,552,989 & ₩2,251,019 \\
\hline
\end{tabular}

\textsuperscript{1} Gain on disposal of business in 2011 relates to sales of the Solar battery business and the HDD business.

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

(\textit{In millions of Korean won})

\begin{tabular}{lcc}
\hline
 & 2012 & 2011 \\
\hline
Loss from disposal of property, plant and equipment & ₩324,993 & ₩109,338 \\
Donations & ₩235,349 & ₩272,275 \\
Impairment losses on intangible assets & ₩216,790 & ₩186,759 \\
Impairment losses on property, plant and equipment & ₩215,325 & ₩97,517 \\
Impairment losses on available-for-sale financial assets & ₩87,515 & 39 \\
Others & ₩496,053 & ₩946,762 \\
\hline
 & ₩1,576,025 & ₩1,612,690 \\
\hline
\end{tabular}
28. Financial Income and Costs

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>₩845,431</td>
<td>₩705,653</td>
</tr>
<tr>
<td>Interest income from loans and receivables</td>
<td>840,150</td>
<td>702,198</td>
</tr>
<tr>
<td>Interest income from available-for-sale financial assets</td>
<td>5,281</td>
<td>3,455</td>
</tr>
<tr>
<td>Foreign exchange differences</td>
<td>₩6,452,612</td>
<td>₩6,120,748</td>
</tr>
<tr>
<td>Gains on valuation of derivatives</td>
<td>27,719</td>
<td>80,103</td>
</tr>
<tr>
<td>Gains on derivatives transaction</td>
<td>510,792</td>
<td>497,021</td>
</tr>
<tr>
<td></td>
<td>₩7,836,554</td>
<td>₩7,403,525</td>
</tr>
<tr>
<td><strong>Finance expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense:</td>
<td>₩599,006</td>
<td>₩644,133</td>
</tr>
<tr>
<td>Interest expense from financial liabilities measured at amortized cost</td>
<td>277,512</td>
<td>270,929</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>321,494</td>
<td>373,204</td>
</tr>
<tr>
<td>Foreign exchange differences</td>
<td>₩6,596,524</td>
<td>₩6,785,565</td>
</tr>
<tr>
<td>Losses on valuation of derivatives</td>
<td>124,344</td>
<td>59,697</td>
</tr>
<tr>
<td>Losses on derivatives transaction</td>
<td>614,576</td>
<td>404,026</td>
</tr>
<tr>
<td></td>
<td>₩7,934,450</td>
<td>₩7,893,421</td>
</tr>
</tbody>
</table>

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

29. Income Tax

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current taxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax on profits for the year</td>
<td>₩5,656,298</td>
<td>₩3,051,406</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>95,296</td>
<td>95,670</td>
</tr>
<tr>
<td></td>
<td>₩5,751,594</td>
<td>₩3,147,076</td>
</tr>
<tr>
<td><strong>Deferred taxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income taxes - tax credit</td>
<td>235,640</td>
<td>(75,311)</td>
</tr>
<tr>
<td>Deferred income taxes - temporary difference</td>
<td>19,885</td>
<td>381,715</td>
</tr>
<tr>
<td>Deferred income taxes - accumulated operating loss</td>
<td>(850)</td>
<td>(22,599)</td>
</tr>
<tr>
<td>Others</td>
<td>60,654</td>
<td>-</td>
</tr>
<tr>
<td>Items charged directly to equity</td>
<td>2,809</td>
<td>1,994</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>₩6,069,732</td>
<td>₩3,432,875</td>
</tr>
</tbody>
</table>
(B) The tax on the Company’s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before tax</td>
<td>₩29,915,017</td>
<td>₩17,191,918</td>
</tr>
<tr>
<td>Tax calculated at weighted average tax rates applicable¹</td>
<td>7,664,722</td>
<td>4,354,162</td>
</tr>
<tr>
<td>Tax effects of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent difference</td>
<td>(161,762)</td>
<td>(393,004)</td>
</tr>
<tr>
<td>Temporary differences for which no deferred income tax was recognized</td>
<td>(7,930)</td>
<td>7,309</td>
</tr>
<tr>
<td>Tax credit</td>
<td>(1,980,710)</td>
<td>(1,633,452)</td>
</tr>
<tr>
<td>Subsidiaries, associates and interests in joint ventures</td>
<td>650,000</td>
<td>906,505</td>
</tr>
<tr>
<td>Impact of changes in tax rates</td>
<td>(3,602)</td>
<td>140,181</td>
</tr>
<tr>
<td>Other</td>
<td>(90,986)</td>
<td>51,174</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>₩6,069,732</td>
<td>₩3,432,875</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>20.29%</td>
<td>19.97%</td>
</tr>
</tbody>
</table>

¹ Weighted average statutory tax rates that are applied differently for the profits of the Company at each tax authority as of December 31, 2012 and 2011.
Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2012, are as follows:

<table>
<thead>
<tr>
<th>Temporary Differences</th>
<th>Deferred Income Tax Assets (Liabilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance</td>
</tr>
<tr>
<td></td>
<td>(In millions of Korean won)</td>
</tr>
<tr>
<td>Deferred tax arising from temporary differences</td>
<td></td>
</tr>
<tr>
<td>Special reserves appropriated for tax purposes</td>
<td>₩ (18,146)</td>
</tr>
<tr>
<td>Revaluation of land</td>
<td>(4,017,316)</td>
</tr>
<tr>
<td>Subsidiaries, associates and interests in joint ventures</td>
<td>(13,450,537)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>26,975</td>
</tr>
<tr>
<td>Capitalized interest expense</td>
<td>(40,522)</td>
</tr>
<tr>
<td>Accrued income</td>
<td>(92,953)</td>
</tr>
<tr>
<td>Provisions, accrued expenses and others</td>
<td>7,144,431</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>150,908</td>
</tr>
<tr>
<td>Impairment losses on investments</td>
<td>52,901</td>
</tr>
<tr>
<td>Others</td>
<td>779,626</td>
</tr>
<tr>
<td>Subtotal</td>
<td>₩ (9,464,633)</td>
</tr>
</tbody>
</table>

Deferred tax assets arising from carryforwards

| Undisposed accumulated deficit | ₩ 100,401 | ₩ 30,591 | ₩ 130,992 | ₩ 26,961 | ₩ 850 | ₩ 27,811 |
| Tax credit carryforwards | ₩ 1,512,052 | (195,543) | ₩ 1,316,509 | ₩ 1,495,747 | (235,640) | ₩ 1,260,107 |

Deferred items recognized in other comprehensive income

| Valuation of available-for-sale financial instruments | ₩ (1,316,863) | ₩ (1,264,765) | ₩ (2,581,628) | ₩ (318,052) | ₩ (262,040) | ₩ (580,092) |
| Actuarial valuation | 813,514 | 657,804 | 1,471,318 | 196,149 | 153,684 | 349,833 |
| Subtotal | ₩ (503,349) | ₩ (606,961) | ₩ (1,110,310) | ₩ (121,903) | ₩ (108,356) | ₩ (230,259) |

Deferred tax assets | ₩ 2,516,080 |
Deferred tax liabilities | ₩ (3,429,467) |
Total | ₩ (913,387) |
Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards and undisposed accumulated deficit as of December 31, 2011, are as follows:

<table>
<thead>
<tr>
<th>Temporary Differences</th>
<th>Deferred Income Tax Asset (Liabilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance</td>
</tr>
<tr>
<td>Deferred tax arising from temporary differences</td>
<td></td>
</tr>
<tr>
<td>Special reserves appropriated for tax purposes</td>
<td>₩ (18,146)</td>
</tr>
<tr>
<td>Revaluation of land</td>
<td>₩ (3,984,173)</td>
</tr>
<tr>
<td>Subsidiaries, associates and interests in joint ventures</td>
<td>₩ (14,160,207)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>₩ 130,396</td>
</tr>
<tr>
<td>Capitalized interest expense</td>
<td>₩ (39,867)</td>
</tr>
<tr>
<td>Accrued income</td>
<td>₩ (144,621)</td>
</tr>
<tr>
<td>Provisions, accrued expenses and others</td>
<td>₩ 3,742,343</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>₩ (23,022)</td>
</tr>
<tr>
<td>Impairment losses on investments</td>
<td>₩ 45,420</td>
</tr>
<tr>
<td>Others</td>
<td>₩ 1,970,813</td>
</tr>
<tr>
<td>Total (1,969,885)</td>
<td>₩ 3,016,431</td>
</tr>
</tbody>
</table>

Deferred tax assets arising from carryforwards

| Undisposed accumulated deficit | ₩ 40,822 | ₩ 59,579 | ₩ 100,401 | ₩ 4,362 | ₩ 22,599 | ₩ 26,961 |
| Tax credit carryforwards | ₩ 1,581,825 | ₩ (69,773) | ₩ 1,512,052 | ₩ 1,420,436 | ₩ 75,311 | ₩ 1,495,747 |

Deferred items recognized in other comprehensive income

| Valuation of available-for-sale financial instruments | ₩ (2,274,471) | ₩ 957,608 | ₩ (1,316,863) | ₩ (424,121) | ₩ 106,069 | ₩ (318,052) |
| Actuarial valuation | ₩ 304,586 | ₩ 508,928 | ₩ 813,514 | ₩ 72,435 | ₩ 123,714 | ₩ 196,149 |
| Total | ₩ (1,969,885) | ₩ 1,466,536 | ₩ (503,349) | ₩ (351,686) | ₩ 229,783 | ₩ (121,903) |

Deferred tax assets | ₩ 1,783,086 |
Deferred tax liabilities | ₩ (2,333,442) |
Total | ₩ (550,356) |

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undisposed accumulated deficit</td>
<td>₩ -</td>
<td>₩ 144,108</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>₩ 48,262</td>
<td>₩ 159,160</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 and after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax credit carryforwards</td>
<td>₩ 1,103</td>
<td>₩ 3,455</td>
<td>₩ 22,313</td>
<td>₩ 21,391</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of available-for-sale financial assets</td>
<td>₩ (580,092)</td>
<td>₩ (340,760)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>-</td>
<td>₩ 22,708</td>
</tr>
<tr>
<td>Actuarial valuation</td>
<td>₩ 349,833</td>
<td>₩ 196,149</td>
</tr>
<tr>
<td>Total</td>
<td>₩ (230,259)</td>
<td>₩ (121,903)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>₩ 1,898,481</td>
<td>₩ 2,869,404</td>
</tr>
<tr>
<td>Non-current</td>
<td>(2,811,868)</td>
<td>(3,419,760)</td>
</tr>
<tr>
<td>Total</td>
<td>₩ (913,387)</td>
<td>₩ (550,356)</td>
</tr>
</tbody>
</table>

30. Earnings per Share

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income as reported on the statements of income</td>
<td>₩ 23,185,375</td>
<td>₩ 13,382,645</td>
</tr>
<tr>
<td>Net income available for common stock</td>
<td>₩ 20,130,020</td>
<td>₩ 11,613,300</td>
</tr>
<tr>
<td>Weighted-average number of common shares outstanding (in thousands)</td>
<td>130,698</td>
<td>130,152</td>
</tr>
<tr>
<td>Basic earnings per share (in Korean won)</td>
<td>₩ 154,020</td>
<td>₩ 89,229</td>
</tr>
</tbody>
</table>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: Stock options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.
Diluted earnings per share for the years ended December 31, 2012 and 2011 are calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income available for common stock and common equivalent shares</strong></td>
<td>₩20,131,405</td>
<td>₩11,614,952</td>
</tr>
<tr>
<td>Weighted-average number of shares of common stock and common shares equivalent (in thousands)</td>
<td>130,766</td>
<td>130,292</td>
</tr>
<tr>
<td><strong>Diluted earnings per share (in Korean won)</strong></td>
<td>₩153,950</td>
<td>₩89,146</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income available for preferred stock and preferred equivalent shares</strong></td>
<td>₩3,053,970</td>
<td>₩1,767,693</td>
</tr>
<tr>
<td>Weighted-average number of shares of preferred stock and preferred shares equivalent (in thousands)</td>
<td>19,854</td>
<td>19,854</td>
</tr>
<tr>
<td><strong>Diluted earnings per preferred share (in Korean won)</strong></td>
<td>₩153,823</td>
<td>₩89,036</td>
</tr>
</tbody>
</table>
31. Cash Generated from Operations

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

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

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

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

(In millions of Korean won)

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of available-for-sale financial assets</td>
<td>₩1,185,256</td>
<td>₩(559,831)</td>
</tr>
<tr>
<td>Reclassification of construction-in-progress and machinery-in-transit to property, plant and equipment</td>
<td>₩19,567,010</td>
<td>₩22,530,787</td>
</tr>
<tr>
<td>Increase in share of associates and joint ventures accumulated other comprehensive income</td>
<td>₩(350,491)</td>
<td>₩(113,898)</td>
</tr>
<tr>
<td>Net assets acquired from business combination</td>
<td>₩(633,708)</td>
<td>-</td>
</tr>
<tr>
<td>Net assets acquired in transfer of business</td>
<td>-</td>
<td>₩788,454</td>
</tr>
</tbody>
</table>

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

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

32. Financial Risk Management

Financial risk factors

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

Also, financial risk management officers are dispatched to the regional headquarters of each area including US, UK, Singapore, China, Japan, Brazil and Russia to run and operate a local financial center for global financial risk management.

The Company’s financial assets that are under financial risk management are composed of cash and cash equivalents, short-term financial instruments, available-for-sale financial assets, trade and other receivables and other financial assets. The Company’s financial liabilities under financial risk management are composed of trade and other payables, borrowings and debentures, and other financial liabilities.

(A) Market risk

(1) Foreign exchange risk

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

The Company limits all speculative foreign exchange transactions and operates a system to manage receivables and payables denominated in foreign currency. It evaluates, manages and reports foreign currency exposures to receivables and payables.
A summary of foreign assets and liabilities of the Company, presented in Korean won, as of December 31, 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>12,709,235</td>
<td>12,310,076</td>
</tr>
<tr>
<td>EUR</td>
<td>1,085,390</td>
<td>660,482</td>
</tr>
<tr>
<td>JPY</td>
<td>178,373</td>
<td>568,204</td>
</tr>
<tr>
<td>Other</td>
<td>1,577,076</td>
<td>1,288,309</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td>9,550,081</td>
<td>643,926</td>
</tr>
<tr>
<td>USD</td>
<td>594,288</td>
<td>524,075</td>
</tr>
<tr>
<td>EUR</td>
<td>978,953</td>
<td>1,064,553</td>
</tr>
<tr>
<td>JPY</td>
<td>1,142,081</td>
<td>197,362</td>
</tr>
<tr>
<td>Other</td>
<td>214,639</td>
<td></td>
</tr>
<tr>
<td>Net effect</td>
<td>183,216</td>
<td>97,428</td>
</tr>
<tr>
<td>Increase</td>
<td>777,504</td>
<td>741,354</td>
</tr>
<tr>
<td>Decrease</td>
<td>(777,504)</td>
<td>(741,354)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>777,504</td>
<td>741,354</td>
</tr>
<tr>
<td>EUR</td>
<td>(777,504)</td>
<td>(741,354)</td>
</tr>
<tr>
<td>Other</td>
<td>50,476,935</td>
<td>2,838,767</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>594,288</td>
<td>524,075</td>
</tr>
<tr>
<td>USD</td>
<td>978,953</td>
<td>1,064,553</td>
</tr>
<tr>
<td>EUR</td>
<td>1,142,081</td>
<td>197,362</td>
</tr>
<tr>
<td>Other</td>
<td>214,639</td>
<td></td>
</tr>
<tr>
<td>Net effect</td>
<td>183,216</td>
<td>97,428</td>
</tr>
<tr>
<td>Increase</td>
<td>(594,288)</td>
<td>643,926</td>
</tr>
<tr>
<td>Decrease</td>
<td>(643,926)</td>
<td>643,926</td>
</tr>
</tbody>
</table>

(2) Price risk

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

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

(3) Interest rate risk

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>59,351,335</td>
<td>50,476,935</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>40,632,972</td>
<td>41,129,584</td>
</tr>
<tr>
<td>Floating rate</td>
<td>7,816,434</td>
<td>2,838,767</td>
</tr>
<tr>
<td>Fixed rate</td>
<td>2,186,448</td>
<td>880,702</td>
</tr>
<tr>
<td>Floating rate</td>
<td>41,129,584</td>
<td>41,129,584</td>
</tr>
</tbody>
</table>
The sensitivity risk of the Company is determined based on the following assumptions:

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase</td>
<td>Decrease</td>
</tr>
<tr>
<td>Financial assets</td>
<td>₩ 78,164</td>
<td>₩ 78,164</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>(21,864)</td>
<td>21,864</td>
</tr>
<tr>
<td>Total</td>
<td>₩ 56,300</td>
<td>₩ 19,581</td>
</tr>
</tbody>
</table>

(B) Credit risk

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

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

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

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

(C) Liquidity risk

The Company manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. Beyond effective working capital and cash management, the Company mitigates liquidity risk by contracting with financial institutions with respect to bank overdrafts, Cash Pooling or Banking Facility agreements for efficient management of funds. The Cash Pooling programs allow sharing of funds among subsidiaries to minimize liquidity risk and reduce financial expense.
The following table is an undiscounted cash flow analysis for financial liabilities that are presented on the balance sheet according to their remaining contractual maturity.

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>Less than 3 months</th>
<th>4-6 months</th>
<th>7-12 months</th>
<th>1-5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Financial liabilities</td>
<td>₩32,257,940</td>
<td>₩1,690,825</td>
<td>₩2,371,879</td>
<td>₩7,006,975</td>
<td>₩76,236</td>
</tr>
<tr>
<td>2011 Financial liabilities</td>
<td>₩31,045,236</td>
<td>₩1,134,966</td>
<td>₩3,951,111</td>
<td>₩6,467,585</td>
<td>₩92,737</td>
</tr>
</tbody>
</table>

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

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

(D) Capital risk management

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>₩59,591,364</td>
<td>₩54,486,633</td>
</tr>
<tr>
<td>Total equity</td>
<td>₩121,480,206</td>
<td>₩101,313,630</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>49.1%</td>
<td>53.8%</td>
</tr>
</tbody>
</table>
(E) Fair value estimation

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

### 2012

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>W</td>
<td>-</td>
<td>W 47,227</td>
<td>W 47,227</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>5,694,730</td>
<td>125,994</td>
<td>389,195</td>
<td>6,209,919</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>5,694,730</td>
<td>173,221</td>
<td>389,195</td>
<td>6,257,146</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>79,212</td>
<td>-</td>
<td>79,212</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>W</td>
<td>-</td>
<td>W 79,212</td>
<td>W 79,212</td>
</tr>
</tbody>
</table>

### 2011

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>W</td>
<td>-</td>
<td>W 130,057</td>
<td>W 130,057</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>3,182,156</td>
<td>73,672</td>
<td>623,739</td>
<td>3,879,567</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,182,156</td>
<td>203,729</td>
<td>623,739</td>
<td>4,009,624</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>40,932</td>
<td>-</td>
<td>40,932</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>W</td>
<td>-</td>
<td>W 40,932</td>
<td>W 40,932</td>
</tr>
</tbody>
</table>

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

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. As for trade and other receivables, the book value approximates a reasonable estimate of fair value.

(2) Changes in Level 3 instruments:

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>₩ 623,739</td>
<td>₩ 326,359</td>
</tr>
<tr>
<td>Purchases</td>
<td>82,508</td>
<td>397,865</td>
</tr>
<tr>
<td>Disposals</td>
<td>(31,972)</td>
<td>(97,390)</td>
</tr>
<tr>
<td>Gains and losses recognized in other comprehensive income</td>
<td>(6,294)</td>
<td>69,004</td>
</tr>
<tr>
<td>Others(^1)</td>
<td>(278,786)</td>
<td>(72,099)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>₩ 389,195</td>
<td>₩ 623,739</td>
</tr>
</tbody>
</table>

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

33. Segment Information

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

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

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

Depreciation, amortization of intangible assets, and operating profit were prepared after the allocation of internal transaction adjustments. Assets and liabilities of each operating segment are excluded as it has not been provided regularly to the Management Committee.
The segment information provided to the Management committee for the reportable segments for the year ended 31 December 2012 and 2011 is as follows:

### 2012 (In millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>DMC</th>
<th>DS</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total¹</td>
<td>CE</td>
<td>IM</td>
<td>Total¹</td>
<td>Semi conductor</td>
<td>LCD</td>
<td>Total¹</td>
<td>Elimination</td>
</tr>
<tr>
<td>Total segment revenue</td>
<td>347,393,209</td>
<td>111,397,867</td>
<td>231,420,085</td>
<td>136,724,256</td>
<td>66,976,623</td>
<td>69,359,762</td>
<td>479,499,910 (278,396,297)</td>
<td>201,103,613</td>
</tr>
<tr>
<td>Inter-segment revenue (189,065,192) (62,954,118) (122,914,049)</td>
<td>(68,436,962) (32,090,017) (36,360,406)</td>
<td>(278,396,297) 278,396,297</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from external customers</td>
<td>158,328,017</td>
<td>48,443,749</td>
<td>108,506,036</td>
<td>68,287,294</td>
<td>34,886,066</td>
<td>32,999,356</td>
<td>201,103,613</td>
<td>- 201,103,613</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,371,373</td>
<td>565,310</td>
<td>497,607</td>
<td>13,354,303</td>
<td>9,087,880</td>
<td>4,179,088</td>
<td>14,835,046</td>
<td>- 14,835,046</td>
</tr>
<tr>
<td>Amortization</td>
<td>376,956</td>
<td>70,370</td>
<td>188,740</td>
<td>274,568</td>
<td>186,497</td>
<td>77,047</td>
<td>786,970</td>
<td>- 786,970</td>
</tr>
<tr>
<td>Operating profit(loss)</td>
<td>21,612,818</td>
<td>2,301,431</td>
<td>19,440,840</td>
<td>7,416,325</td>
<td>4,173,730</td>
<td>3,214,750</td>
<td>29,049,338</td>
<td>- 29,049,338</td>
</tr>
</tbody>
</table>

¹The total amount includes others not composing operating segments.

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

### 2012 (In millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>Korea</th>
<th>America</th>
<th>Europe</th>
<th>Asia and Africa</th>
<th>China</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>179,434,349</td>
<td>81,440,718</td>
<td>75,448,403</td>
<td>57,246,033</td>
<td>85,930,407 (278,396,297)</td>
<td>201,103,613</td>
<td></td>
</tr>
<tr>
<td>Inter-segment revenue (150,254,258) (23,277,536) (25,927,742) (21,167,278) (57,769,483)</td>
<td>(278,396,297)</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from external customers</td>
<td>29,180,091</td>
<td>58,163,182</td>
<td>49,520,661</td>
<td>36,078,755</td>
<td>28,160,924</td>
<td>- 201,103,613</td>
<td></td>
</tr>
<tr>
<td>Non-current assets¹</td>
<td>60,591,343</td>
<td>6,890,648</td>
<td>1,030,437</td>
<td>1,749,330</td>
<td>2,574,796 (622,106)</td>
<td>72,214,448</td>
<td></td>
</tr>
</tbody>
</table>

¹The total of non-current assets other than financial instruments, deferred tax assets, associates, and interests in joint ventures.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

34. Related Parties

(A) Associates

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

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

(In millions of Korean won) 2012 2011

Transactions
Sales ₩ 806,658 ₩ 1,695,298
Purchases 9,710,610 8,634,597

Receivables and Payables
Receivables 85,701 225,076
Payables 955,349 1,168,952

(B) Joint ventures

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

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

(In millions of Korean won) 2012 2011

Transactions
Sales ₩ 35,484 ₩ 7,195
Purchases 2,800,989 3,210,831

Receivables and Payables
Receivables 878 6,379
Payables 408,885 379,944
(C) Other related parties

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

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>₩109,228</td>
<td>₩85,907</td>
</tr>
<tr>
<td>Purchases</td>
<td>₩752,170</td>
<td>₩655,062</td>
</tr>
<tr>
<td><strong>Receivables and Payables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>₩189,840</td>
<td>₩244,411</td>
</tr>
<tr>
<td>Payables</td>
<td>₩179,646</td>
<td>₩172,872</td>
</tr>
</tbody>
</table>

(D) Key management compensation

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

<table>
<thead>
<tr>
<th>(In millions of Korean won)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and other short-term benefits</td>
<td>₩10,062</td>
<td>₩15,808</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>₩530</td>
<td>₩696</td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>₩5,865</td>
<td>₩5,096</td>
</tr>
</tbody>
</table>

35. Significant Changes of Non-Controlling Interests

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

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

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

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

(A) Samsung LED

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

(1) Overview of the acquired company

<table>
<thead>
<tr>
<th>Name of the acquired company</th>
<th>Samsung LED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters location</td>
<td>Giheung-gu, Yongin-si, Gyeonggi-do</td>
</tr>
<tr>
<td>Representative director</td>
<td>Nam-seong Cho</td>
</tr>
<tr>
<td>Classification of the acquired company</td>
<td>Unlisted company</td>
</tr>
<tr>
<td>Former relationship with the Company</td>
<td>Associates</td>
</tr>
</tbody>
</table>

(2) Terms of the business combination

The shareholders of Samsung LED received 0.0134934 shares of the Company’s common stock for each share of Samsung LED common stock owned on the closing date. The Company transferred its treasury stock to the shareholders of Samsung LED, instead of issuing new stock.
(3) Purchase price allocation

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Amount (In millions of Korean won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Consideration transferred</td>
<td></td>
</tr>
<tr>
<td>Fair value of equity interest held before the business combination</td>
<td>₩344,082</td>
</tr>
<tr>
<td>Fair value of additional consideration transferred</td>
<td>₩344,082</td>
</tr>
<tr>
<td>Total</td>
<td>₩688,164</td>
</tr>
<tr>
<td>II. Identifiable assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₩54,454</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>₩304,552</td>
</tr>
<tr>
<td>Inventories</td>
<td>₩146,141</td>
</tr>
<tr>
<td>Property, plant, and equipment</td>
<td>₩699,803</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>₩59,512</td>
</tr>
<tr>
<td>Investments in Subsidiary, Associates and Joint Ventures</td>
<td>₩68,839</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>₩62,733</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>₩47,370</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>₩157,571</td>
</tr>
<tr>
<td>Borrowings</td>
<td>₩584,338</td>
</tr>
<tr>
<td>Defined benefit liability</td>
<td>₩30,108</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>₩62,500</td>
</tr>
<tr>
<td>Total</td>
<td>₩608,887</td>
</tr>
<tr>
<td>III. Goodwill</td>
<td>₩79,277</td>
</tr>
</tbody>
</table>

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

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

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

(4) Had Samsung LED been merged on January 1, 2012, the revenue would be increased by ₩293,273 million and net income would be decreased by ₩25,582 million. Revenue and net loss contributed by Samsung LED division after the merger date of April 1, 2012 amount to ₩923,358 million and ₩10,527 million, respectively.
(B) Mobile business of Cambridge Silicon Radio (“CSR”)

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

(1) Purchase price allocation

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Amount (In millions of Korean won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Considerations transferred</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₩383,498</td>
</tr>
<tr>
<td>II. Identifiable assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₩1,753</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>₩304</td>
</tr>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>₩3,714</td>
</tr>
<tr>
<td>Intangible assets¹</td>
<td>₩158,117</td>
</tr>
<tr>
<td>Available-for-sales²</td>
<td>₩59,572</td>
</tr>
<tr>
<td>Long-term prepaid expenses</td>
<td>₩54,339</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>₩15,779</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>₩374</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>₩1,687</td>
</tr>
<tr>
<td>Total Identifiable net assets</td>
<td>₩291,517</td>
</tr>
<tr>
<td>III. Goodwill³</td>
<td>₩91,981</td>
</tr>
</tbody>
</table>

¹ This figure includes ₩102,442 million of Connectivity Semiconductor related patents and ₩55,675 million of other intangible assets.
² Samsung Electronics Europe Holdings (SEEH) acquired a 4.9% share in CSR plc according to the contract terms set by the Company.
³ Goodwill arising from the acquisition was recognized as this transaction will allow faster response to changes in the domestic and international business environments and strengthen manufacturing competitiveness.
37. Business Restructuring within Consolidated Entity

(A) Spin-off of LCD division

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

<table>
<thead>
<tr>
<th>Name of the new company</th>
<th>Samsung Display Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters location</td>
<td>Giheung-gu, Yongin-si, Gyeonggi-do</td>
</tr>
<tr>
<td>Business</td>
<td>LCD</td>
</tr>
<tr>
<td>Date of Spin-off</td>
<td>April 1, 2012</td>
</tr>
</tbody>
</table>

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

On July 1, 2012, Samsung Display, a subsidiary, merged with two other subsidiaries: Samsung Mobile Display and S-LCD.

(1) Overview of merged companies

<table>
<thead>
<tr>
<th></th>
<th>Samsung Mobile Display</th>
<th>S-LCD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters location</td>
<td>Yong-In, Gyeonggi-do</td>
<td>Asan, Chung-Nam</td>
</tr>
<tr>
<td>Representative director</td>
<td>Soo-in Cho</td>
<td>Dong-geon Park</td>
</tr>
<tr>
<td>Classification of the acquired company</td>
<td>Unlisted company</td>
<td>Unlisted company</td>
</tr>
<tr>
<td>Relationship with the Company</td>
<td>Associates</td>
<td>Subsidiary</td>
</tr>
</tbody>
</table>

(2) Share exchange ratio and distribution

<table>
<thead>
<tr>
<th>Type</th>
<th>Acquiring Company</th>
<th>Acquired Company</th>
<th>Acquired Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Samsung Display</td>
<td>Samsung Mobile Display</td>
<td>S-LCD</td>
</tr>
<tr>
<td>Merger Ratio</td>
<td>1</td>
<td>1.6487702</td>
<td>-</td>
</tr>
</tbody>
</table>

Samsung Display did not distribute common shares of Samsung Display as a result of its 100% ownership of S-LCD. Acquired assets and liabilities were recognized at book value in the consolidated financial statements as the acquisition is a business combination under common control. As a result, the Company does not recognize an additional goodwill.

(C) Merger of Samsung Medison and Prosonic

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

(1) Overview of merged companies

<table>
<thead>
<tr>
<th></th>
<th>Prosonic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters location</td>
<td>Gyeong-ju, Gyeongsangbuk-do</td>
</tr>
<tr>
<td>Representative director</td>
<td>Won Gil Son</td>
</tr>
<tr>
<td>Classification of the acquired company</td>
<td>Unlisted company</td>
</tr>
<tr>
<td>Relationship with the Company</td>
<td>Subsidiary</td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Share exchange ratio and distribution

<table>
<thead>
<tr>
<th>Type</th>
<th>Acquiring Company</th>
<th>Acquired Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Samsung Medison</td>
<td>Prosonic</td>
</tr>
<tr>
<td>Merger Ratio</td>
<td>1</td>
<td>17.5971363</td>
</tr>
</tbody>
</table>

The Company received 10,030,367 of newly issued common shares from Samsung Medison in exchange for 570,000 common shares of Prosonic which were previously owned by the Company. Acquired assets and liabilities were recognized at book value in the consolidated financial statements as the acquisition is a merger between subsidiaries. There is no additional goodwill.

(D) Others

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

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

(2) Acquisition of SEHF Korea

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

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

38. Subsequent Events

(A) Merger within Subsidiaries

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

(1) Overview of the acquired company

<table>
<thead>
<tr>
<th>SECRON</th>
<th>GES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters location</td>
<td>Cheonan-si, Chungcheongnam-do</td>
</tr>
<tr>
<td>Representative director</td>
<td>Jae-kyung Lee</td>
</tr>
<tr>
<td>Classification of the acquired company</td>
<td>Unlisted company</td>
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<tr>
<td>Relationship with the Company</td>
<td>Associates</td>
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</table>

(2) Share exchange ratio and distribution

<table>
<thead>
<tr>
<th>Type</th>
<th>Acquiring Company</th>
<th>Acquired Company</th>
<th>Acquired Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>SEMES</td>
<td>SECRON</td>
<td>GES</td>
</tr>
<tr>
<td>Merger Ratio</td>
<td>1</td>
<td>0.4473688</td>
<td>0.7684500</td>
</tr>
</tbody>
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