

**CONSOLIDATED FINANCIAL STATEMENTS OF
SAMSUNG ELECTRONICS CO., LTD. AND SUBSIDIARIES**

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Auditor's Review Report

To the Board of Directors and Shareholders of
Samsung Electronics Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company"). These financial statements consist of consolidated statement of financial position of the Company as of September 30, 2011, and the related consolidated statements of income and comprehensive income for the three-month and the nine-month periods ended September 30, 2011 and 2010, changes in equity and cash flows for the nine-month then ended September, 2011 and 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the republic of Korea ("K-IFRS") 1034, Interim Financial Reporting and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these consolidated financial statements based on our reviews. We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements do not present fairly, in all material respects, in accordance with the K-IFRS 1034, Interim Financial Reporting.

We have audited the statement of financial position of the Company as of December 31, 2010, and the related statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated March 2, 2011. The statement of financial position as of December 31, 2010, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2010.

Samil PricewaterhouseCoopers

Seoul, Korea
November 11, 2011

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	Notes	September 2011 KRW	December 2010 KRW	September 2011 USD	December 2010 USD
Assets					
Current Assets					
Cash and cash equivalents		11,048,427	9,791,419	9,367,043	8,301,330
Short-term financial instruments		10,045,815	11,529,392	8,517,011	9,774,813
Available-for-sale financial assets		656,679	1,159,152	556,744	982,749
Trade and other receivables		23,743,627	21,308,834	20,130,248	18,065,989
Advances		1,437,545	1,302,428	1,218,775	1,104,220
Prepaid expenses		2,787,637	2,200,739	2,363,406	1,865,824
Inventories	4	16,629,616	13,364,524	14,098,869	11,330,669
Other current assets		864,906	746,101	733,281	632,557
Total current assets		67,214,252	61,402,589	56,985,377	52,058,151
Non-current assets					
Available-for-sale financial assets	5	2,380,351	3,040,206	2,018,102	2,577,538
Associates and joint ventures	6	9,191,650	8,335,290	7,792,836	7,066,799
Property, plant and equipment	7	59,659,764	52,964,594	50,580,554	44,904,276
Intangible assets	8	3,408,239	2,779,439	2,889,563	2,356,455
Deposits		766,495	655,662	649,847	555,881
Long-term prepaid expenses		3,515,276	3,544,572	2,980,310	3,005,148
Deferred income tax assets		1,589,795	1,124,009	1,347,855	952,954
Other non-current assets		440,063	442,383	373,093	375,061
Total assets		148,165,885	134,288,744	125,617,537	113,852,263

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	Notes	September 2011 KRW	December 2010 KRW	September 2011 USD	December 2010 USD
Liabilities and Equity					
Current liabilities					
Trade and other payables		18,256,288	16,049,800	15,477,989	13,607,291
Short-term borrowings	9	8,287,478	8,429,721	7,026,264	7,146,860
Advance received		973,745	883,585	825,557	749,118
Withholdings		1,142,457	1,052,555	968,594	892,374
Accrued expenses		6,025,599	7,102,427	5,108,604	6,021,557
Income tax payable		1,150,159	2,051,452	975,124	1,739,256
Current portion of long-term borrowings and debentures	9, 10	400,887	1,123,934	339,879	952,890
Provisions	11	4,487,088	2,917,919	3,804,229	2,473,861
Other current liabilities		971,726	333,328	823,846	282,601
Total current liabilities		41,695,427	39,944,721	35,350,086	33,865,808
Debentures	10	584,844	587,338	495,841	497,955
Long-term borrowings	9	2,878,972	634,381	2,440,841	537,839
Long-term other payables		1,295,440	1,072,661	1,098,296	909,420
Long-term accrued expenses		91,895	123,513	77,910	104,716
Retirement benefit obligation		567,640	597,829	481,255	506,850
Deferred income tax liabilities		1,875,384	1,652,667	1,589,982	1,401,159
Provisions	11	467,873	295,356	396,671	250,408
Other non-current liabilities		44,162	31,187	37,441	26,441
Total liabilities		49,501,637	44,939,653	41,968,323	38,100,596

Samsung Electronics Co., Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	Notes	September 2011	December 2010	September 2011	December 2010
		KRW	KRW	USD	USD
Equity attributable to owners of the parent					
Preferred stock	13	119,467	119,467	101,286	101,286
Common stock	13	778,047	778,047	659,641	659,641
Share premium		4,403,893	4,403,893	3,733,695	3,733,695
Retained earnings	14	93,655,091	85,014,550	79,402,366	72,076,770
Other component of equity	15	(4,584,429)	(4,726,398)	(3,886,756)	(4,007,120)
		94,372,069	85,589,559	80,010,232	72,564,272
Non-controlling interests		4,292,179	3,759,532	3,638,982	3,187,395
Total equity		98,664,248	89,349,091	83,649,214	75,751,667
Total liabilities and equity		148,165,885	134,288,744	125,617,537	113,852,263

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

Samsung Electronics Co., Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	For the three-months ended September 30,				For the nine-months ended September 30,			
	2011 KRW	2010 KRW	2011 USD	2010 USD	2011 KRW	2010 KRW	2011 USD	2010 USD
Revenue	41,273,965	40,229,261	34,992,764	34,107,046	117,697,836	112,759,249	99,786,211	95,599,194
Cost of sales	27,754,250	26,017,008	23,530,522	22,057,658	80,635,815	73,551,279	68,364,404	62,358,016
Gross profit	13,519,715	14,212,253	11,462,242	12,049,388	37,062,021	39,207,970	31,421,807	33,241,178
Research and development Expenses	2,429,192	2,313,368	2,059,510	1,961,312	7,237,390	6,671,915	6,135,981	5,656,562
Selling, general and administrative expenses	17 6,799,189	7,149,614	5,764,467	6,061,563	18,964,240	19,046,614	16,078,203	16,148,041
Other operating income	18 257,923	396,984	218,671	336,570	824,596	1,456,425	699,106	1,234,782
Other operating expenses	18 296,361	281,842	251,259	238,952	731,675	661,629	620,326	560,940
Operating profit	4,252,896	4,864,413	3,605,677	4,124,131	10,953,312	14,284,237	9,286,403	12,110,417
Share of profit or loss of associates and joint ventures	6 292,061	557,873	247,614	472,974	1,078,328	1,572,446	914,225	1,333,146
Finance income	19 3,037,838	1,905,684	2,575,530	1,615,671	5,679,650	5,754,906	4,815,303	4,879,106
Finance expense	19 3,450,581	1,904,260	2,925,460	1,614,463	6,026,732	5,900,957	5,109,566	5,002,930
Profit before income tax	4,132,214	5,423,710	3,503,361	4,598,313	11,684,558	15,710,632	9,906,365	13,319,739
Income tax expense	20 690,504	968,284	585,421	820,928	1,951,746	2,984,521	1,654,723	2,530,327
Profit for the period	3,441,710	4,455,426	2,917,940	3,777,385	9,732,812	12,726,111	8,251,642	10,789,412
Profit attributable to owners of the parent	3,300,157	4,310,375	2,797,929	3,654,409	9,471,758	12,499,510	8,030,316	10,597,295
Profit attributable to non-controlling interest	141,553	145,051	120,011	122,976	261,054	226,601	221,326	192,117
Earnings per share for profit attributable to the owners of the parent (in Korean Won and US dollars):								
Basic	21 21,998	28,842	18.65	24.45	63,159	83,920	53.55	71.15
Diluted	21 21,968	28,726	18.62	24.35	63,061	83,577	53.46	70.86

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	For the three-months ended September 30,				For the nine-months ended September 30,			
	2011	2010	2011	2010	2011	2010	2011	2010
	KRW	KRW	USD	USD	KRW	KRW	USD	USD
Profit for the period	3,441,710	4,455,426	2,917,940	3,777,385	9,732,812	12,726,111	8,251,642	10,789,412
Valuation of available-for-sale financial assets, net of tax	(664,687)	362,199	(563,533)	307,078	(614,820)	428,665	(521,255)	363,429
Share of other comprehensive income of associates and joint ventures, net of tax	(47,439)	99,776	(40,220)	84,592	(26,212)	414,448	(22,223)	351,376
Foreign currency translation, net of tax	1,389,469	(304,941)	1,178,016	(258,534)	914,934	(74,463)	775,697	(63,131)
Consolidated comprehensive income	4,119,053	4,612,460	3,492,203	3,910,521	10,006,714	13,494,761	8,483,861	11,441,086
Consolidated comprehensive income attributable to :								
Owners of the parent	3,873,245	4,487,395	3,283,802	3,804,489	9,679,946	13,246,820	8,206,822	11,230,877
Non-controlling interests	245,808	125,065	208,401	106,032	326,768	247,941	277,039	210,209

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean Won)

2010 KRW	Preferred stock	Common stock	Share premium	Retained earnings	Other component of equity	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2010	119,467	778,047	4,403,893	71,065,247	(6,801,601)	69,565,053	3,480,149	73,045,202
Profit for the period	-	-	-	12,499,510	-	12,499,510	226,601	12,726,111
Valuation of available-for-sale financial assets, net of tax	-	-	-	-	425,972	425,972	2,693	428,665
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	414,448	414,448	-	414,448
Foreign currency translation, net of tax	-	-	-	-	(93,108)	(93,108)	18,645	(74,463)
Total comprehensive income	-	-	-	12,499,510	747,312	13,246,822	247,939	13,494,761
Dividends	-	-	-	(1,858,994)	-	(1,858,994)	(46,619)	(1,905,613)
Paid-in-capital increase	-	-	-	-	-	-	1,592	1,592
Effect of business combination	-	-	-	-	-	-	17,647	17,647
Disposal of treasury stock	-	-	-	-	941,855	941,855	-	941,855
Stock option activities	-	-	-	-	(47,661)	(47,661)	-	(47,661)
Other	-	-	-	-	14,589	14,589	(3,906)	10,683
Total transactions with owners	-	-	-	(1,858,994)	908,783	(950,211)	(31,286)	(981,497)
Balance at September 30, 2010	119,467	778,047	4,403,893	81,705,763	(5,145,506)	81,861,664	3,696,802	85,558,466

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.1))

2010 USD	Preferred stock	Common stock	Share premium	Retained earnings	Other component of equity	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2010	101,286	659,641	3,733,695	60,250,315	(5,766,512)	58,978,425	2,950,530	61,928,955
Profit for the period	-	-	-	10,597,295	-	10,597,295	192,117	10,789,412
Valuation of available-for-sale financial assets, net of tax	-	-	-	-	361,146	361,146	2,283	363,429
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	351,376	351,376	-	351,376
Foreign currency translation, net of tax	-	-	-	-	(78,939)	(78,939)	15,808	(63,131)
Total comprehensive income	-	-	-	10,597,295	633,583	11,230,878	210,208	11,441,086
Dividends	-	-	-	(1,576,086)	-	(1,576,086)	(39,525)	(1,615,611)
Paid-in-capital increase	-	-	-	-	-	-	1,350	1,350
Effect of business combination	-	-	-	-	-	-	14,961	14,961
Disposal of treasury stock	-	-	-	-	798,521	798,521	-	798,521
Stock option activities	-	-	-	-	(40,408)	(40,408)	-	(40,408)
Other	-	-	-	-	12,369	12,369	(3,312)	9,057
Total transactions with owners	-	-	-	(1,576,086)	770,482	(805,604)	(26,526)	(832,130)
Balance at September 30, 2010	101,286	659,641	3,733,695	69,271,524	(4,362,447)	69,403,699	3,134,212	72,537,911

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean Won)

2011 KRW	Preferred stock	Common stock	Share premium	Retained earnings	Other component of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance at January 1, 2011	119,467	778,047	4,403,893	85,014,550	(4,726,398)	85,589,559	3,759,532	89,349,091
Profit for the period	-	-	-	9,471,758	-	9,471,758	261,054	9,732,812
Valuation of available-for-sale financial assets, net of tax	-	-	-	-	(611,802)	(611,802)	(3,018)	(614,820)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	(26,212)	(26,212)	-	(26,212)
Foreign currency translation, net of tax	-	-	-	-	846,202	846,202	68,732	914,934
Total comprehensive income	-	-	-	9,471,758	208,188	9,679,946	326,768	10,006,714
Dividends	-	-	-	(824,478)	-	(824,478)	(5,712)	(830,190)
Paid-in-capital increase	-	-	-	-	(128,239)	(128,239)	81,100	(47,139)
Effect of business combinations	-	-	-	-	-	-	131,164	131,164
Disposal of treasury stock	-	-	-	-	171,727	171,727	-	171,727
Stock option activities	-	-	-	-	(37,157)	(37,157)	-	(37,157)
Other	-	-	-	(6,739)	(72,550)	(79,289)	(673)	(79,962)
Total transactions with owners	-	-	-	(831,217)	(66,219)	(897,436)	205,879	(691,557)
Balance at September 30, 2011	119,467	778,047	4,403,893	93,655,091	(4,584,429)	94,372,069	4,292,179	98,664,248

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.1))

2011 USD	Preferred stock	Common stock	Share premium	Retained earnings	Other component of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance at January 1, 2011	101,286	659,641	3,733,695	72,076,770	(4,007,120)	72,564,272	3,187,395	75,751,667
Profit for the period	-	-	-	8,030,316	-	8,030,316	221,326	8,251,642
Valuation of available-for-sale financial assets, net of tax	-	-	-	-	(518,696)	(518,696)	(2,559)	(521,255)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	(22,223)	(22,223)	-	(22,223)
Foreign currency translation, net of tax	-	-	-	-	717,424	717,425	58,272	775,697
Total comprehensive income	-	-	-	8,030,316	176,505	8,206,822	277,039	8,483,861
Dividends	-	-	-	(699,006)	-	(699,006)	(4,843)	(703,849)
Paid-in-capital increase	-	-	-	-	(108,723)	(108,723)	68,758	(39,965)
Effect of business combinations	-	-	-	-	-	-	111,203	111,203
Disposal of treasury stock	-	-	-	-	145,593	145,593	-	145,593
Stock option activities	-	-	-	-	(31,502)	(31,502)	-	(31,502)
Other	-	-	-	(5,714)	(61,509)	(67,224)	(570)	(67,794)
Total Transactions with owners	-	-	-	(704,720)	(56,141)	(760,862)	174,548	(586,314)
Balance at September 30, 2011	101,286	659,641	3,733,695	79,402,366	(3,886,756)	80,010,232	3,638,982	83,649,214

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 2.1))

		For the nine-months ended September 30,			
	Notes	2011	2010	2011	2010
Cash flows from operating activities		KRW	KRW	USD	USD
Profit for the period		9,732,812	12,726,111	8,251,642	10,789,412
Adjustments	22	12,084,354	10,695,464	10,245,319	9,067,795
Changes in operating assets and liabilities	22	(3,529,465)	(6,079,447)	(2,992,340)	(5,154,258)
Cash flows from operating activities		18,287,701	17,342,128	15,504,621	14,702,949
Interest received		562,873	330,150	477,213	279,907
Interest paid		(474,030)	(357,559)	(401,891)	(303,145)
Dividend received		348,788	287,728	295,708	243,941
Income tax paid		(3,127,372)	(1,798,416)	(2,651,439)	(1,524,727)
Net cash generated from operating activities		15,597,960	15,804,031	13,224,212	13,398,925
Cash flows from investing activities					
Net decrease(increase) in short-term financial instruments		1,604,961	(1,461,598)	1,360,713	(1,239,167)
Net decrease in short- term available-for-sale financial assets		512,412	973,986	434,432	825,762
Proceeds from disposal of long-term available-for-sale financial assets		248,272	6,563	210,489	5,564
Acquisition of long-term available-for-sale financial assets		(379,797)	(339,517)	(321,998)	(287,848)
Proceeds from disposal of associates and joint ventures		20,419	197,033	17,312	167,048
Acquisition of associates and joint ventures		(114,923)	(243)	(97,434)	(206)
Disposal of property and equipment		292,855	1,186,130	248,287	1,005,621
Purchases of property and equipment		(16,038,806)	(14,981,647)	(13,597,970)	(12,701,693)
Disposal of intangible assets		9,703	7,654	8,226	6,489
Purchases of intangible assets		(477,324)	(1,041,182)	(404,683)	(882,732)
Proceeds from deposits		284,113	327,622	240,876	277,763
Payment for deposits		(381,068)	(349,571)	(323,076)	(296,372)
Cash (outflows) inflows from business combination		(510,583)	47,549	(432,881)	40,313
Others		40,831	318,619	34,617	270,131
Net cash used in investing activities		(14,888,935)	(15,108,602)	(12,623,090)	(12,809,327)

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

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	For the nine-months ended September 30,			
Notes	2011	2010	2011	2010
	KRW	KRW	USD	USD
Cash flows from financing activities				
Net (repayment) proceeds from short-term borrowings	(436,049)	1,096,971	(369,690)	930,031
Disposal of treasury stock	79,632	99,611	67,513	84,452
Proceeds from long-term borrowings	2,372,441	866,035	2,011,396	734,239
Repayment of long-term borrowings	(984,399)	(77,885)	(834,590)	(66,032)
Payment of dividends	(840,122)	(1,913,771)	(712,270)	(1,622,527)
Others	65,734	42,366	55,733	35,916
Net cash used in financing activities	257,237	113,327	218,092	96,079
Effect of exchange rate changes	290,746	(313,061)	246,499	(265,419)
Net decrease in cash and cash equivalents	1,257,008	495,695	1,065,713	420,258
Cash and cash equivalents				
Beginning of the year	9,791,419	10,149,930	8,301,330	8,605,282
End of the period	11,048,427	10,645,625	9,367,043	9,025,540

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

As of September 30, 2011, SEC's shares are listed on the Korea Stock Exchange, and its global depository receipts are listed on the London and Luxembourg Stock Exchange. SEC is domiciled in the Republic of Korea and the address of its registered office is Suwon, the Republic of Korea.

Consolidated Subsidiaries

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

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

Area	Subsidiaries
Korea	STECO, SEMES, Samsung Electronics Service, Living Plaza, Samsung Electronics Logitech, SECRON, S-LCD, Samsung Electronics Hainan Fiberoptics Korea, Samsung Electronics Football Club, Samsung Mobile Display, World Cyber Games, Samsung Venture Capital Union #6, #7, #14 and #20, Ray, GES, Prosonic, Samsung Medison, Medison Healthcare, SU Materials Co., Ltd, HI Pioneer Private Securities Investment Trust 1
Americas	Samsung Electronics Canada (SECA), Samsung Electronics America (SEA), Samsung Electronics Latinoamerica (SELA), Samsung Electronics Mexico (SEM), Samsung Electronics Argentina (SEASA), Samsung Receivables (SRC), Samsung Semiconductor (SSI), Samsung Information Systems America (SISA), Samsung Telecommunications America (STA), Samsung International (SII), Samsung Austin Semiconductor (SAS), Samsung Mexicana (SAMEX), Samsung Electronics Latinoamerica Miami (SEMI), Samsung Electronica Columbia (SAMCOL), Samsung Electronica da Amazonia (SEDA), SEMES America (SEMESA), Samsung Electronics Chile (SECH), Samsung Electronics Peru (SEPR), Samsung Electronics Venezuela (SEVEN), Samsung Medison America(SMUS), Samsung Medison Brasil(SMBR), Grandis(GRANDIS)

Samsung Electronics Co., Ltd. and Subsidiaries

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Area	Subsidiaries
Europe and Africa	<p> Samsung Electronics Iberia (SESA), Samsung Electronics Nordic (SENA), Samsung Electronics Hungarian (SEH), Samsung Electronics Portuguesa (SEP), Samsung Electronics France (SEF), Samsung Electronics (UK)(SEUK), Samsung Electronics Holding (SEHG), Samsung Electronics Italia (SEI), Samsung Electronics South Africa (SSA), Samsung Electronics Benelux (SEBN), Samsung Electronics LCD Slovakia (SELSK), Samsung Electronics Polska (SEPOL), Samsung Semiconductor Europe (SSEL), Samsung Electronics GmbH (SEG), Samsung Semiconductor Europe GmbH (SSEG), Samsung Electronics Austria (SEAG), Samsung Electronics Overseas (SEO), Samsung Electronics Europe Logistics (SELS), Samsung Electronics Rus (SER), Samsung Electronics Rus Company (SERC), Samsung Electronics Slovakia (SESK), Samsung Russia Service Center (SRSC), Samsung Electronics Rus Kaluga (SERK), Samsung Electronics Baltics (SEB), Samsung Electronics Ukraine Company (SEUC), Samsung Electronics KZ and Central Asia (SEKZ), Samsung Semiconductor Israel R&D Center(SIRC), Samsung Gulf Electronics (SGE), Samsung Electronics Ukraine (SEU), Samsung Electronics Limited (SEL), Samsung Telecoms (UK)(STUK), Samsung Electronics Kazakhstan (SEK), Samsung Electronics Turkey (SETK), Samsung Electronics Levant (SELV), Samsung Electronics Romania (SEROM), Samsung Electronics Czech and Slovak (SECZ), Samsung Electronics European Holding(SEEH), Samsung Electronics Morocco (SEMRC), Samsung Electronics Poland Manufacturing (SEPM), Samsung Electronics West Africa (SEWA), Samsung Electronics Greece (SEGR), Samsung LCD Netherlands R&D Center(SNRC), Samsung LCD Netherlands R&D Center UK(SNRC(UK)), Samsung Opto-Electronics GmbH (SOG), SonoAce Deutschland(SMDE), Samsung Medison Italia(SMIT), Samsung Medison France(SMFR), Samsung Medison Europe(SMNL) </p>
China	<p> Samsung Electronics Hong Kong (SEHK), Samsung Electronics Taiwan (SET), Samsung Electronics Huizhou (SEHZ), Samsung Electronics (Shandong) Digital Printing (SSDP), Samsung Electronics Suzhou Semiconductor (SESS), Suzhou Samsung Electronics (SSEC), Samsung Suzhou Electronics Export (SSEC-E), Samsung (China) Investment (SCIC), Tianjin Samsung Electronics (TSEC), Tianjin Samsung Telecom Technology (TSTC), Samsung Electronics Suzhou LCD (SESL), Samsung Electronics Suzhou Computer (SESC), Shanghai Samsung Semiconductor (SSS), Shenzhen Samsung Kejian Mobile Telecommunication Technology (SSKMT), Samsung Electronics Hainan Fiberoptics (SEHF), Samsung Electronics (Beijing) Service (SBSC), Samsung Semiconductor (China) R&D (SSCR), Beijing Samsung Telecom R&D Center (BST), Samsung Electronics Shanghai Telecommunication (SSTC), Samsung Electronics China R&D Center (SCRC), Dongguan Samsung Mobile Display (DSMD), Tianjin Samsung Mobile Display (TSMD), Samsung Guangzhou Mobile R&D Center (SGMC), Tianjin Samsung Opto-Electronics (TSOE), Samsung Tianjin Mobile R&D (STMC), Samsung LCD Netherlands R&D Center HK(SNRC(HK)), Medison (Shanghai) (SMS2), Samsung Medison Shanghai Medical Instrument (SMS1), Medison Medical Equipment(Shanghai) (MMS) </p>

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rest of Asia	Samsung Yokohama Research Institute (SYRI), Samsung Electronics Australia (SEAU), Samsung Electronics Indonesia (SEIN), Samsung Asia (SAPL), Samsung Electronics Asia Holding (SEAH), Samsung Electronics Display (M)(SDMA), Samsung Electronics (M)(SEMA), Samsung Vina Electronics (SAVINA), Samsung India Electronics (SIEL), Thai Samsung Electronics (TSE), Samsung Electronics Philippines (SEPCO), Batino Realty Corporation (BRC), Samsung Electronics Philippines Manufacturing (SEPHIL), Samsung Japan (SJC), Samsung Telecommunications Indonesia (STIN), Samsung Malaysia Electronics (SME), Samsung Electronics Vietnam (SEV), Samsung India Software Operations (SISO), Samsung Telecommunications Japan (STJ), Samsung Telecommunications Malaysia (STM), Samsung Bangladesh R&D (SBRC), Samsung Medison Japan (SMJP), Samsung Medison India (SMIN), Medison Medical Systems (India) (MI), TNP Small/Medium Size & Venture Enterprises Growth Promotion Investment Limited Partnership(TSUNAMI)
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2. Basis of Presentation

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

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

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

(a) New and amended standards adopted by the Company

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

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

K-IFRS 1024 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The Company has applied the revised standard from January 1, 2011. When the revised standard is applied, the Company and the parent will need to disclose any transactions between its subsidiaries and its associates.

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

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with K-IFRS 1008 'Accounting policies, changes in accounting estimates and errors'. The Company has applied the amended standard from January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

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

The option to measure non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets is amended to be available only in certain cases. Otherwise, non-controlling interest should be measured at fair value. In addition, the guidance applies to share-based payment transactions that are chosen not to be replaced as a consequence of the business combination and to share-based payment transactions that the acquirer chooses to exchange for share-based transactions of the acquiree. It is not expected to have any impact on the Company or the parent entity's financial statements.

'Prepayments of a minimum funding requirement' (amendments to K-IFRIC 2114).

The amendments correct an unintended consequence of K-IFRIC 2114, 'K-IFRS 1019 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset on some voluntary prepayments for minimum funding contributions. This was not intended when K-IFRIC 2114 was issued, and the amendments corrected this. The amendments are effective for annual periods beginning January 1, 2011. The Company has applied these amendments for the financial reporting period commencing on January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

K-IFRIC 2119, 'Extinguishing financial liabilities with equity instruments'.

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

2.1 Convenience translation into United States Dollar Amounts

The Company operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. dollars at the rate of ₩1,180 to US \$1, the exchange rate in effect on September 30, 2011. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial instruments by category

Financial instruments by category as of September 30, 2011 consist of the following:

<i>(In millions of Korean Won)</i>	Assets at fair value through the profit and loss		Loans and receivables		Available-for-sale financial assets		Total	Fair value
Assets								
Cash and cash equivalents	₩	-	₩	11,048,427	₩	-	₩ 11,048,427	₩ 11,048,427
Short-term financial instruments		-		10,045,815		-	10,045,815	10,045,815
Available-for-sale financial assets		-		-		3,037,030	3,037,030	3,037,030
Trade and other receivables		-		23,743,627		-	23,743,627	23,743,627
Other financial assets (*)		130,460		1,941,004		-	2,071,464	2,071,464
Total	₩	130,460	₩	46,778,873	₩	3,037,030	₩49,946,363	₩49,946,363

<i>(In millions of Korean Won)</i>	Liabilities at fair value through the profit and loss		Financial liabilities measured at amortized cost		Total	Fair value
Liabilities						
Trade and other payables	₩	-	₩	19,551,728	₩ 19,551,728	₩ 19,551,728
Borrowings		-		11,511,681	11,511,681	11,511,681
Debentures		-		640,500	640,500	640,500
Other financial liabilities (**)		40,169		7,093,213	7,133,382	7,133,382
Total	₩	40,169	₩	38,797,122	₩ 38,837,291	₩ 38,837,291

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

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

Samsung Electronics Co., Ltd. and Subsidiaries

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

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

<i>(In millions of Korean Won)</i>	Liabilities at fair value through the profit and loss		Financial liabilities measured at amortized cost		Total	Fair value
Liabilities						
Trade and other payables	₩	-	₩	17,122,461	₩	17,122,461
Borrowings		-		10,082,577		10,082,577
Debentures		-		692,797		692,797
Other financial liabilities(**)		24,638		7,789,567		7,814,205
Total	₩	24,638	₩	35,687,402	₩	35,712,040

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

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

The following table presents the assets and liabilities that are measured at fair value at September 30, 2011.

<i>(In millions of Korean Won)</i>	Level 1		Level 2		Level 3		Total balance	
Derivatives	₩	-	₩	130,460	₩	-	₩	130,460
Available-for-sale financial assets		2,303,776		72,100		661,154		3,037,030
Total assets		2,303,776		202,560		661,154		3,167,490
Derivatives		-		40,169		-		40,169
Total liabilities	₩	-	₩	40,169	₩	-	₩	40,169

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. As for trade and other receivables, the book value approximates a reasonable estimate of fair value.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Inventories

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

<i>(In millions of Korean Won)</i>	2011	2010
Finished goods	₩ 5,420,468	₩ 4,511,391
Work in Process	2,911,169	2,619,713
Raw materials and supplies	5,288,664	4,159,842
Materials-in-transit	3,009,315	2,073,578
Total	₩ 16,629,616	₩ 13,364,524

As of September 30, 2011, losses from valuation of inventories of ₩599,393 million (December 31, 2010: ₩524,850 million) were deducted to inventories.

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

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

<i>(In millions of Korean Won)</i>	Detail	September 30, 2011		December 31, 2010
		Acquisition Cost	Recorded Book Value	Recorded Book Value
Listed equities ¹	1)	₩ 529,767	₩ 1,647,097	₩ 2,664,082
Non-listed equities ^{1,2}	2)	546,590	661,154	326,359
Government, public bonds and others		67,383	72,100	49,765
		₩ 1,143,740	₩ 2,380,351	₩ 3,040,206

¹ Excludes associates and joint ventures

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

1) Listed equities

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

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

	September 30, 2011			December 31, 2010	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Recorded Book Value	Recorded Book Value
Samsung Life Insurance	-	-	₩ -	₩ -	₩ 134,878
Samsung Heavy Industries	40,675,641	17.6	258,299	1,128,749	1,675,836
Samsung Fine Chemicals	2,164,970	8.4	45,678	89,955	179,476
Hotel Shilla	2,004,717	5.0	13,957	71,167	55,631
Cheil Worldwide	2,998,725	2.6	2,920	55,926	41,532
iMarket Korea	3,800,000	10.6	1,900	59,660	103,360
A-Tech Solution	1,592,000	15.9	26,348	14,503	33,432
SFA	1,822,000	10.0	38,262	107,680	89,278
SNU Pricision	1,075,446	5.3	14,204	15,218	18,874

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rambus	4,788,125	4.2	92,682	40,086	223,363
Others			35,517	64,153	108,422
			₩ 529,767	₩ 1,647,097	₩ 2,664,082

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

6. Associates and Joint Ventures

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

<i>(In millions of Korean Won)</i>	2011	2010
At January 1	₩ 8,335,290	₩ 7,334,705
Acquisition of Associates and Joint Ventures	401,307	243
Disposal of Associates and Joint Ventures	(300,348)	(197,033)
Share of profit ¹	1,078,328	1,572,446
Others ²	(322,927)	194,331
At September 30	₩ 9,191,650	₩ 8,904,692

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

² Others consist of dividends and effect of change in foreign exchange rates.

7. Property, Plant and Equipment

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

<i>(In millions of Korean won)</i>	2011	2010
Net book value at January 1	₩ 52,964,594	₩ 43,560,295
Acquisition	16,038,806	14,981,647
Acquisition from business combination	129,925	23,401
Disposal / Impairment	(365,891)	(1,112,321)
Depreciation	(9,446,048)	(7,977,898)
Others	338,378	(67,691)
Net book value at September 30	₩ 59,659,764	₩ 49,407,433

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible Assets

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

<i>(In millions of Korean won)</i>	2011	2010
Net book value at January 1	₩ 2,779,439	₩ 1,256,008
Internal generation	263,439	236,420
Acquisition	213,885	804,762
Acquisition from business combination	523,124	931,737
Disposal / Impairment	(9,703)	(12,197)
Amortization	(467,463)	(401,433)
Others	105,518	(1,846)
Net book value at September 30	₩ 3,408,239	₩ 2,813,451

9. Borrowings

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

<i>(In millions of Korean Won)</i>	Financial Institutions	Annual Interest Rates (%) as of September 30, 2011	2011	2010
Short-term Borrowings				
Collateralized borrowings	Woori Bank etc	1.4 ~ 5.9	₩ 5,315,886	₩ 5,090,433
Bank borrowings	Woori Bank etc	0.3 ~ 13.5	2,971,592	3,339,288
Total			₩ 8,287,478	₩ 8,429,721
Current Portion of long-term Borrowings				
Bank borrowings	Woori Bank etc	2.8 ~ 9.6	₩ 318,322	₩ 1,008,884
Financial lease liabilities	APCI etc	2.4 ~ 15.3	26,909	9,591
Total			₩ 345,231	₩ 1,018,475
Long-term Borrowings				
Bank borrowings	Woori Bank etc	1.0 ~ 5.4	₩ 2,761,434	₩ 536,871
Financial lease liabilities	APCI etc	1.2 ~ 15.3	117,538	97,510
Total			₩ 2,878,972	₩ 634,381

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

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Debentures

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

<i>(In millions of Korean Won)</i>	2011	2010
Korea Won denominated debenture(A)	₩ 550,000	₩ 600,000
Foreign currency denominated debenture(B)	90,500	92,797
Total	₩ 640,500	₩ 692,797
Current portion of debentures	₩ 55,656	₩ 105,459
Non-current portion of debentures	₩ 584,844	₩ 587,338

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

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

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

(B) Debentures denominated in foreign currencies as of September 30, 2011 and December 31, 2010, consist of the following:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of September 30, 2011	2011	2010
US dollar denominated straight bonds	1997.10.2	2027.10.1	7.7	₩ 94,360 (USD 80M)	₩ 96,807 (USD 85M)
Less: Discounts				(3,860)	(4,010)
Total				₩ 90,500	₩ 92,797
Current portion				₩ 5,656	₩ 5,459

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

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11. Provisions

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

(In millions of Korean Won)

	Ref.	Balance at January 1, 2011	Increase	Decrease	Others ¹	Balance at September 30, 2011
Warranty	(A)	₩ 1,633,506	₩ 1,439,825	₩ (1,558,767)	₩ 16,124	₩ 1,530,688
Royalty expenses	(B)	989,057	1,091,542	(421,928)	(1,983)	1,656,688
Long-term incentives	(C)	590,712	180,946	(303,785)	-	467,873

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

(A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs (which have terms ranging from one to four years).

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

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

12. Commitments and Contingencies

(A) Guarantees

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

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

(B) Litigation

A. Civil class actions with respect to fixed pricing on the sales of TFT-LCD were filed against the Company and its subsidiaries in the United States. As of balance sheet date, the outcome of the investigation and civil actions cannot be reasonably determined, and therefore, the Company has not recorded any liability for these matters in the consolidated financial statements.

B. Based on the agreement entered into on August 24, 1999 with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, Samsung Motor Inc.'s creditors ("the Creditors") filed a civil action lawsuit against Mr. Kun Hee Lee, chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450,000 million (approximately \$1.95 billion) for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest.

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SLI completed its Initial Public Offering (“IPO”) on May 7, 2010. After disposing of 2,277,787 of the shares donated by Mr. Lee and payment of the principal balance owed to the Creditors, ₩878,000 million (approximately \$ 0.80 billion) was deposited into an escrow account. That remaining balance was to be used to pay the Creditors interest due to the delay in the SLI IPO. On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay ₩600,000 million (approximately \$ 0.53 billion) to the Creditors and pay 5% annual interest for the period between May 8, 2010 and January 11, 2011, and pay 20% annual interest for the period after January 11, 2011 until the amounts owed to the Creditors are paid. In accordance with the Seoul High Court order, ₩620,400 million (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. Samsung Group affiliates and the Creditors all have appealed to the Korean Supreme Court. The Company has concluded that no provision for loss related to this matter should be reflected in the Company’s consolidated financial statements at September 30, 2011.

C. In addition to the cases mentioned above, as of September 30, 2011, the Company’s domestic and foreign subsidiaries have been involved in various litigation claims and proceedings during the normal course of business including legal acting against Apple Inc. As the outcome of these matters cannot be reasonably determined, the Company has not recorded any liability for these matters in the consolidated financial statements at September 30, 2011.

(C) Other Commitment

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

13. Share capital and premium

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

As of September 30, 2011, exclusive of retired stocks, 147,299,337 shares of common stock and 22,833,427 shares of preferred stock have been issued. The preferred shares which are non-cumulative and non-voting, were all issued on or before February 28, 1997, and are entitled to an additional cash dividend of 1% of par value over common stock.

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

	2011		2010	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Outstanding GDR				
- Share of Stock	3,260,275	7,678,120	3,253,577	9,243,488
- Share of GDR	6,520,550	15,356,240	6,507,154	18,486,976

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14. Retained earnings

On July 28, 2011, the Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends. Details of interim dividends for the nine-month period ended September 30, 2011 and 2010 are as follows:

<i>(In millions of Korean won)</i>		2011		2010	
Number of shares eligible for dividends	Common stock		130,148,288		129,558,812
	Preferred stock		19,853,734		19,853,734
Dividend rate			10%		100%
Dividend amount	Common stock	₩	65,074	₩	647,794
	Preferred stock		9,927		99,268
Total		₩	75,001	₩	747,062

15. Other components of equity

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

<i>(In millions of Korean Won)</i>	2011		2010	
Treasury stock(*)	₩	(7,623,589)	₩	(7,761,927)
Stock option		91,163		128,320
Unrealized holding gains on available-for-sale financial assets		996,233		1,608,035
Share of associates and joint ventures accumulated other comprehensive income		1,159,121		1,185,333
Foreign-currency translation differences		(111,377)		(957,579)
Others		904,020		1,071,420
	₩	(4,584,429)	₩	(4,726,398)

(*) As of September 30, 2011, the Company holds 17,118,049 common shares and 2,979,693 preferred shares as treasury stocks.

16. Expenses by Nature

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

<i>(In millions of Korean won)</i>	3 Months		9 Months	
	2011	2010	2011	2010
Wages and salaries	₩ 2,787,262	₩ 3,243,149	₩ 8,749,172	₩ 8,541,578
Severance and retirement benefits	155,425	132,982	461,716	395,044
Welfare expenses	517,877	396,246	1,491,191	1,209,024
Depreciation expenses	3,318,584	2,653,709	9,446,048	7,977,898
Amortization expenses	167,124	146,797	467,463	401,433

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17. Selling, general and administrative expenses

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

<i>(In millions of Korean won)</i>	3 Months		9 Months	
	2011	2010	2011	2010
Wages and salaries	₩ 898,879	₩ 1,015,565	₩ 2,602,907	₩ 2,548,667
Severance and retirement benefits	37,160	31,583	111,969	94,130
Commission and service charges	1,418,447	2,005,910	4,403,356	5,202,747
Depreciation expenses	95,422	87,588	276,045	260,600
Amortization expenses	75,200	62,000	206,898	165,920
Advertising expenses	763,636	794,638	1,835,611	1,976,508
Sales promotion expenses	1,176,811	943,039	3,019,179	2,447,568
Transportation expenses	952,004	1,047,139	2,789,041	3,013,758
Warranty expenses	625,363	607,863	1,727,752	1,720,037
Public relation expenses	129,435	120,692	330,566	343,096
Others	626,832	433,597	1,660,916	1,243,583
	₩ 6,799,189	₩ 7,149,614	₩ 18,964,240	₩ 19,046,614

18. Other operating income and expense

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

1) Other operating income

<i>(In millions of Korean won)</i>	3 Months		Accumulate	
	2011	2010	2011	2010
Dividend income	₩ 1,257	₩ 656	₩ 32,840	₩ 32,808
Commission income	21,359	11,251	33,181	18,235
Rental income	22,744	23,320	66,631	74,035
Gain on disposal of investments	29,356	42,640	76,656	403,696
Gain on disposal of property, plant and equipment	7,733	64,137	76,523	268,280
Gain on transfer of business	11,572	-	11,572	179,418
Other	163,902	254,980	527,193	479,953
	₩ 257,923	₩ 396,984	₩ 824,596	₩ 1,456,425

2) Other operating expense

<i>(In millions of Korean won)</i>	3 Months		Accumulate	
	2011	2010	2011	2010
Other bad debts expense	₩ 4,261	₩ 3,625	₩ 7,877	₩ 10,704
Loss from disposal of property, plant and equipment	29,249	67,635	67,626	194,472
Donations	125,508	78,393	225,884	183,105
Other	137,343	132,189	430,288	273,348
	₩ 296,361	₩ 281,842	₩ 731,675	₩ 661,629

Samsung Electronics Co., Ltd. and Subsidiaries

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19. Finance income and expenses

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

<i>(In millions of Korean won)</i>	3 Months		Accumulate	
	2011	2010	2011	2010
Interest income:	₩ 177,799	₩ 135,557	₩ 492,871	₩ 399,891
Interest income from loans and receivables	176,625	135,327	489,450	399,423
Interest income from available-for-sale financial assets	1,174	230	3,421	468
Realized foreign exchange gains	1,824,340	1,380,968	3,486,297	4,307,034
Unrealized foreign exchange gains	779,698	285,092	1,279,873	759,794
Other finance income	256,001	104,067	420,609	288,187
Finance income	₩ 3,037,838	₩ 1,905,684	₩ 5,679,650	5,754,906
Interest expense:	168,167	154,199	454,555	406,490
Interest expense from financial liabilities measured at amortized cost	168,167	154,199	454,555	406,490
Realized foreign exchange losses	2,031,784	1,556,270	3,814,535	4,472,700
Unrealized foreign exchange losses	1,128,693	16,047	1,414,228	696,005
Other finance expenses	121,937	177,744	343,414	325,762
Finance expenses	₩ 3,450,581	₩ 1,904,260	₩ 6,026,732	₩ 5,900,957

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

20. Income Tax

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended December 31, 2011 is 16.7% (the estimated tax rate for the period ended September 30, 2010: 19%). The primary reason for the decrease in estimated average annual tax rate for FY 2011 is the proportionate increase in tax credits relative to taxable income compared to FY 2010.

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21. Earnings Per Share

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

Basic earnings per share for the years ended September 30, 2011 and 2010, are calculated as follows:

(In millions of Korean Won)

	3 Months		9 Months	
	2011	2010	2011	2010
Net income as reported on the statements of income	₩ 3,300,157	₩ 4,310,375	₩ 9,471,758	₩12,499,510
Adjustments:				
Dividends for preferred stock ¹	(25,065)	(37,474)	(85,123)	(211,690)
Undeclared participating preferred stock dividend ¹	(411,851)	(535,374)	(1,168,898)	(1,449,515)
Net income available for common stock	2,863,241	3,737,527	8,217,737	10,838,305
Weighted-average number of common shares Outstanding (in thousands)	130,162	129,585	130,112	129,151
Basic earnings per share (in Korean won)	₩ 21,998	₩ 28,842	₩ 63,159	₩ 83,920

¹ Basic earnings per preferred share (in Korean Won)

(In millions of Korean Won)

	3 Months		9 Months	
	2011	2010	2011	2010
Net income available for preferred stock	₩ 436,916	₩ 572,848	₩ 1,254,021	₩ 1,661,205
Weighted-average number of preferred shares Outstanding (in thousands)	19,854	19,854	19,854	19,854
Basic earnings per preferred share (in Korean Won)	₩ 22,007	₩ 28,853	₩ 63,163	₩ 83,671

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 September 30, 2011 and 2010, is calculated as follows:

(In millions, except for share amounts)

	3 Months		9 Months	
	2011	2010	2011	2010
Net income available for common stock	₩ 2,863,895	₩ 3,737,527	₩ 8,219,691	₩10,838,305
Weighted-average number of shares of common stock and common shares equivalent	130,370	130,108	130,346	129,680
Diluted earnings per share (in Korean Won)	₩ 21,968	₩ 28,726	₩ 63,061	₩ 83,577

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(In millions, except for share amounts)

	3 Months		9 Months	
	2011	2010	2011	2010
Net income available for preferred stock	₩ 436,261	₩ 572,848	₩ 1,252,066	₩1,661,205
Weighted-average number of shares of preferred stock and preferred shares equivalent	19,854	19,854	19,854	19,854
Diluted earnings per preferred share (in Korean Won)	₩ 21,974	₩ 28,853	₩ 63,065	₩ 83,671

22. Cash generated from operations

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

<i>(In millions of Korean Won)</i>	2011	2010
Adjustments for:		
Tax expense	₩ 1,951,746	₩ 2,984,521
Finance income	(2,193,353)	(1,447,720)
Finance expenses	2,209,655	1,429,940
Severance and retirement benefits	461,716	395,044
Depreciation expenses	9,446,048	7,977,898
Amortization expenses	467,463	401,433
Bad debt expenses	73,108	104,303
Share of profit or loss of associates and joint ventures	(1,078,328)	(1,572,446)
Gain on disposal of property, plant and equipment	(76,523)	(268,280)
Loss on disposal of property, plant and equipment	67,626	194,472
Obsolescence and scrappage of inventories	814,670	840,170
Other income/expense	(59,474)	(343,871)
Adjustments, total	₩ 12,084,354	₩ 10,695,464
Changes in assets and liabilities:		
Increase in trade receivables	₩ (1,533,715)	₩ (2,251,698)
Decrease/(increase) in other receivables	223,387	(12,928)
(Increase)/decrease in advances	(112,326)	150,365
Increase in prepaid expenses	(383,581)	(2,086,700)
Increase in inventories	(3,675,462)	(6,410,449)
Increase in trade payables	1,467,732	2,172,649
(Decrease)/increase in other payables	(22,140)	1,969,693
Increase/(decrease) in advance received	42,284	(317,490)
Increase in withholdings	651,818	18,209
Decrease in accrued expenses	(1,310,227)	(1,412,427)
Increase in provisions	1,727,545	2,180,706
Payment of severance benefits	(101,871)	(517,061)
Other	(502,909)	437,684
Changes in operating assets and liabilities, total	₩ (3,529,465)	₩ (6,079,447)

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23. Segment Information

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

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

The operating segments are product based and include Digital media, Telecommunication, Semiconductor, LCD and others.

The segment information provided to the Management Committee for the reportable segments for the nine-month and three-month ended September 30, 2011 and 2010, consist of the following:

1) Nine-month ended September 30, 2011

<i>(In millions of Korean Won)</i>	2011 Summary of Business by Segment						Total	Elimination	Consolidated
	SET			Device					
	Total	Digital Media	Tele- Communication	Total	Semiconductor	LCD			
Total segment revenue	170,096,128	92,997,295	76,493,109	95,160,179	53,366,653	42,532,059	266,055,805	(148,357,969)	117,697,836
Inter segment revenue	(90,127,092)	(51,038,949)	(38,775,012)	(47,183,006)	(25,549,943)	(21,842,646)	(148,357,969)	148,357,969	-
Revenue from external customers	79,969,036	41,958,346	37,718,097	47,977,173	27,816,710	20,689,413	117,697,836	-	117,697,836
Operating profit ¹	6,497,574	846,461	5,628,760	4,499,408	5,025,029	(528,324)	10,953,312	-	10,953,312
Total assets	99,558,623	46,867,622	43,232,918	98,603,540	63,451,732	34,619,290	220,176,812	(72,010,927)	148,165,885

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

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2) Three-month ended September 30, 2011

2011 Summary of Business by Segment

<i>(In millions of Korean Won)</i>	SET			Device			Total	Elimination	Consolidated
	Total	Digital Media	Tele- Communication	Total	Semiconductor	LCD			
Total segment revenue	63,977,932	31,477,149	32,290,714	32,866,263	18,274,412	15,045,811	96,785,540	(55,511,575)	41,273,965
Inter segment revenue	(34,623,376)	(17,118,684)	(17,392,732)	(16,459,459)	(8,792,063)	(7,960,916)	(55,511,575)	55,511,575	-
Revenue from external customers	29,354,556	14,358,465	14,897,982	16,406,804	9,482,349	7,084,895	41,273,965	-	41,273,965
Operating profit ¹	2,768,974	235,594	2,524,174	1,504,588	1,589,100	(85,697)	4,252,896	-	4,252,896
Total assets	99,558,623	46,867,622	43,232,918	98,603,540	63,451,732	34,619,290	220,176,812	(72,010,927)	148,165,885

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

3) Nine-month ended September 30, 2010

2010 Summary of Business by Segment

<i>(In millions of Korean Won)</i>	SET			Device			Total	Elimination	Consolidated
	Total	Digital Media	Tele- Communication	Total	Semiconductor	LCD			
Total segment revenue	153,321,731	95,584,264	56,014,880	101,884,688	54,960,148	47,394,128	266,186,475	(153,427,226)	112,759,249
Inter segment revenue	(81,490,300)	(53,528,502)	(27,698,641)	(51,342,299)	(26,569,895)	(24,679,103)	(153,427,226)	153,427,226	-
Revenue from external customers	70,831,431	42,055,762	28,316,239	50,542,389	28,390,253	22,715,025	112,759,249	-	112,759,249
Operating profit ¹	3,513,477	633,036	2,879,838	10,207,133	8,314,641	1,892,670	14,284,237	-	14,284,237
Total assets	98,835,851	48,074,835	34,485,766	87,795,614	56,966,093	30,721,738	188,163,230	(55,933,370)	132,229,860

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

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4) Three-month ended September 30, 2010

<i>(In millions of Korean Won)</i>	2010 Summary of Business by Segment								
	SET			Device			Total	Elimination	Consolidated
	Total	Digital Media	Tele-Communication	Total	Semiconductor	LCD			
Total segment revenue	54,737,810	33,079,339	21,439,318	37,209,039	20,659,897	16,722,777	92,475,167	(52,245,906)	40,229,261
Inter segment revenue	(29,352,522)	(18,659,381)	(10,603,388)	(18,665,383)	(10,004,007)	(8,621,566)	(52,245,906)	52,245,906	-
Revenue from external customers	25,385,288	14,419,958	10,835,930	18,543,656	10,655,890	8,101,211	40,229,261	-	40,229,261
Operating profit ¹	921,713	(252,473)	1,155,188	3,940,390	3,415,947	523,169	4,864,413	-	4,864,413
Total assets	98,835,851	48,074,835	34,485,766	87,759,614	56,966,093	30,721,738	188,163,230	(55,933,370)	132,229,860

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

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

1) Nine-month ended September 30, 2011

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	95,619,710	50,741,237	44,998,479	29,616,142	45,080,237	(148,357,969)	117,697,836
Inter segment revenue	(75,621,655)	(17,030,275)	(18,712,191)	(9,069,394)	(27,924,454)	148,357,969	-
Revenue from external customers	19,998,055	33,710,962	26,286,288	20,546,748	17,155,783	-	117,697,836
Non-current assets ¹	51,382,093	7,262,334	1,058,663	1,365,996	2,125,891	(126,974)	63,068,003

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

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2) Three-month ended September 30, 2011

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	29,421,014	19,620,925	17,709,318	11,310,359	18,723,924	(55,511,575)	41,273,965
Inter segment revenue	(23,171,197)	(8,003,603)	(7,826,506)	(3,965,499)	(12,544,770)	55,511,575	-
Revenue from external customers	6,249,817	11,617,322	9,882,812	7,344,860	6,179,154	-	41,273,965
Non-current assets ¹	51,382,093	7,262,334	1,058,663	1,365,996	2,125,891	(126,974)	63,068,003

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

3) Nine-month ended September 30, 2010

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	94,474,894	48,282,625	46,823,441	26,225,916	50,379,599	(153,427,226)	112,759,249
Inter segment revenue	(74,788,095)	(17,175,291)	(22,268,358)	(7,835,642)	(31,359,840)	153,427,226	-
Revenue from external customers	19,686,799	31,107,334	24,555,083	18,390,274	19,019,759	-	112,759,249
Non-current assets ¹	45,557,952	3,651,815	946,626	974,171	1,584,022	(493,702)	52,220,884

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

4) Three-month ended September 30, 2010

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia	China	Eliminations	Consolidated
Total segment revenue	30,821,153	19,321,345	17,299,654	9,528,914	15,504,101	(52,245,906)	40,229,261
Inter segment revenue	(23,619,323)	(7,332,575)	(8,653,721)	(3,136,747)	(9,503,540)	52,245,906	-
Revenue from external customers	7,201,830	11,988,770	8,645,933	6,392,167	6,000,561	-	40,229,261
Non-current assets ¹	45,557,952	3,651,815	946,626	974,171	1,584,022	(493,702)	52,220,884

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

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24. Related-party transactions

1) Associates

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

Transactions with associates for the nine-month ended September 30, 2011 and 2010, and the related receivables and payables as of September 30, 2011 and December 31, 2010, are as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Inter-company transactions		
Sales	₩ 1,016,950	₩ 947,937
Purchases	4,052,168	3,230,917
Receivables and Payables		
Receivables	191,592	183,812
Payables	874,703	816,473

2) Joint ventures

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

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

<i>(In millions of Korean Won)</i>	2011	2010
Inter-company transactions		
Sales	₩ 5,256	₩ 10,487
Purchases	2,362,816	2,291,750
Receivables and Payables		
Receivables	214	131
Payables	176,020	126,906

3) Other related parties

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

Transactions with other related parties for the nine-month ended September 30, 2011 and 2010, and the related receivables and payables as of September 30, 2011 and December 31, 2010, are as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Inter-company transactions		
Sales	₩ 59,502	₩ 570,935
Purchases	460,264	335,124
Receivables and Payables		
Receivables	238,444	233,649
Payables	141,064	109,875

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4) Key management compensation

Key management includes directors (registered directors), members of the Executive Committee. The compensation paid or payable to key management for employee services for the periods ended September 30, 2011 and 2010 is shown below:

<i>(In millions of Korean Won)</i>	2011	2010
Salaries and other short-term benefits	₩ 14,191	₩ 5,402
Termination benefits	522	1,974
Other long-term benefits	3,822	2,863

25. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk and market risk. Market risk arises from currency risk, interest rate risk and fair value risk associated with investments. The Company has a risk management program in place to monitor and actively manage such risks. Also, financial risk management officers are dispatched to the regional headquarters of each area including United States of America, England, Singapore, China, Japan, and Brazil to run and operate a local financial center for global financial risk management.

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

(1) Market risk

(a) Foreign exchange risk

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

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

(b) Price risk

The Company's investment portfolio consists of direct and indirect investments in listed and non-listed securities. The market values for the Company's equity investments as of September 30, 2011 and December 31, 2010 are ₩2,308,251 million and ₩2,990,441 million respectively. (Note 5)

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If there is change in price of equity investment held as of September 30, 2011 and December 31, 2010 by 1%, the amount of other comprehensive income changes are ₩16,471 million and ₩26,641 million, respectively.

(c) Interest rate risk

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

(2) Credit risk

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

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

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

The top five customers account for approximately occupies 14.7% (₩3,191,317 million) and 14.3% (₩2,734,014 million) as of September 30, 2011 and December 31, 2010, respectively, while the top three credit exposures by country amounted to 16.9%, 13.3% and 12.6% as of September 30, 2011 (December 31, 2010: 15.6%, 12.0% and 11.0%), respectively.

(3) Liquidity risk

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

(4) Capital structure management

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

In 2011, the Company's strategy was to maintain a reliable credit rating. The Company has maintained an A

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credit rating for long term debt from S&P and A1 from Moody's, respectively throughout the period. The gearing ratios at September 30, 2011 and December 31, 2010 were as follows:

<i>(In millions of Korean Won)</i>	2011	2010
Total liabilities	₩ 49,501,637	₩ 44,939,653
Total equity	98,664,248	89,349,091
Gearing ratio	50.2%	50.3%

26. Business Combination

(1) Merger of Samsung Gwangju Electronics

The Company acquired Samsung Gwangju Electronics with a closing date of January 1, 2011. The approval of the Board of Directors of the Company replaces shareholders' meeting approval of the acquisition, as the acquisition of Samsung Gwangju Electronics is a small and simple merger as defined in the commercial law.

1) Overview of the acquired company

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

2) Terms of the business combination

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

(2) Acquisition of Prosonic

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

1) Overview of the acquired company

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

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2) Purchase price allocation

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

(3) Acquisition of Samsung Medison

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

1) Overview of the acquired company

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

2) Purchase price allocation

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

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

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

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

(4) Acquisition of Grandis

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

1) Overview of the acquired company

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

2) Purchase price allocation

Classification	Amount (in millions of KRW)
I. Considerations transferred	₩ 81,050
II. Identifiable assets and liabilities	
Cash and cash equivalents	269
Trade and other receivables	367
Property, plant, and equipment	2,129
Intangible assets	57,682
Other assets	83
Trade and other payables	(527)
Total	₩ 60,003
III. Goodwill	₩ 21,047