



Samsung Electronics (UK) Limited

Annual Report for the year ended 31 December 2012

Registered Number 3086621



THESE GROUP ACCOUNTS FORM
PART OF THE ACCOUNTS OF
COMPANY 3086621

Samsung Electronics (UK) Limited

Annual report for the year ended 31 December 2012

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Samsung Electronics (UK) Limited

Directors and advisers for the year ended 31 December 2012

Directors and advisers

Directors

A R Griffiths
I G Hong
J H Hong
J Y Kim
S P Kim
G C Song

Company secretary

G C Song

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Registered office

Samsung House
1000 Hillswood Drive
Chertsey
Surrey
KT16 0PS

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2012

The directors present their annual report and audited financial statements of Samsung Electronics (UK) Limited, for the year ended 31 December 2012

Principal activities

During the year the company's (the 'company', being Samsung Electronics (UK) Limited), principal activities were as follows

- Importers and distributors of electronic and electrical goods
- European head office
- Purchase and sale of components and capital equipment
- Provision of research & development services to the ultimate parent company (as defined in note 24)
- Importers and distributors of telecommunication systems

All of the above operations are UK based with the exception of a small research and development facility in Israel and a sales office in Ireland

Review of the business and future developments

KPI	Definition and method of calculation	2012	2011
Growth in turnover (%)	Year on year total turnover growth expressed as a percentage (1)	49.8%	8.5%
Operating margin (%)	The ratio of total operating profit to total turnover expressed as a percentage (2)	1.9%	1.9%
Net profit margin (%)	Net profit after tax expressed as a percentage of turnover (3)	1.3%	1.3%
Liquidity	Total current assets less stock expressed as a ratio of total current liabilities (4)	1.8	2.3

Supporting analysis

- (1) See review of the business below
- (2) The operating margin is comparable with the prior year, operating costs have been keenly managed to prevent any erosion in 2012
- (3) Net profit margin is also comparable to the prior year. Higher finance charges, driven by a strategy to maintain a consistent cash flow whilst growing turnover, have been offset by a decrease in the effective tax rate and consequent lower tax charge for the year
- (4) Despite a fall in the ratio, the company's liquidity remains strong with an effective net receivable in excess of £100 million as part of a group zero balance cash pooling arrangement as at 31 December 2012

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2012

Review of the business and future developments (continued)

The directors consider that the financial position of the company remains satisfactory. In the light of the UK's continued economic recovery and consequent low consumer confidence, the company faced generally tough trading conditions during the year. Despite this challenging environment it increased its market share and turnover in some target products, and traded profitably. The directors are confident that the company will continue to trade effectively in 2013 and expect turnover as a whole to increase.

Turnover for the year was £3,208,259,000 an increase of 49.8% (2011: 8.5%) on that generated in 2011 (£2,142,251,000).

The principal driver for the growth in turnover has been the performance of the company's Mobile Phone division. Its broadened and improved Galaxy smartphone range of products has been well received by the market and consumers alike, with the company enjoying over 75% of the overall UK Android market by the end of the year. The company is looking to build on this dominant position in the coming trading period with its next generation of devices.

In the TV product group the company maintained its leading position in the UK although this market as a whole shrank in 2012. The company focused on premium products, a strategy which will continue in 2013.

A stagnant housing market in the UK had an adverse knock on effect on the performance of the company's Home Appliances division. However it has maintained its market share and is also focused on premium products in the coming year.

In the Note PC sector the company has increased its market share by value from 12.6% to 14.3%, placing them 3rd in the overall market. Again the strategy has been to focus on higher end products in this sector, and this will continue in 2013. Results in other areas of its IT product portfolio, Display and Faxes & Printers, have also been positive, driven largely by the company's strengthened B2B proposition.

The increase in the net asset position at the year end is reflective of the continued profits generated by the company.

The corporate strategy is to form close business relationships with suppliers and customers. In the case of purchases, most supplies by value are from fellow subsidiaries of the ultimate parent company. The ultimate parent operates a structure which integrates and co-ordinates the manufacture of products and their shipment to overseas subsidiaries which include the company.

Risks

Review of principal risks and uncertainties facing the group

The directors believe that the company's principal risks and uncertainties are

- Risk of product obsolescence - The main risk facing the trade of the company is the continued need for its products to be desirable to consumers. In the company's markets the product range must continue to improve over time in performance and functionality otherwise consumers will prefer the products of competitors who continue to innovate their own products.
- Risk of technological change - The directors believe that the company has exposure to the risk of not being able to adapt to changes in technology requirements of its customers and to stock obsolescence. To mitigate this risk, the ultimate parent company has a policy of being a market leader in technology through investment in research and development.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2012

Dividends

No dividends were paid in the year and none are proposed (2011 £nil)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk, liquidity risk and interest rate risk. The company has in place a programme that seeks to limit the adverse effects on financial performance by monitoring levels of debt finance and the related financial costs.

The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually. Furthermore, the company mitigates this risk by taking out credit insurance against customer insolvency. The company also recognises it is exposed to the risk of financial institutions becoming insolvent. To reduce this risk, deposits are only made with financial institutions which have been credit scored and whose global rating is appropriate.

Liquidity risk

The company actively maintains short term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions.

Foreign currency risk

The company transacts in a number of different foreign currencies. To mitigate its exposure to the risk of foreign currency exchange rate fluctuation, the company periodically enters into forward contracts to buy or sell foreign currency.

Interest rate cash flow risk

The company has both short term interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at fixed and variable rates. As such assets and liabilities are only held short term, the directors consider that interest rate cash flow risk is minimal at the current time. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were

S P Kim
A R Griffiths (appointed 3 February 2012)
J Y Kim (appointed 3 February 2012)
G C Song (appointed 3 February 2012)
I G Hong (resigned 14 December 2012)
J H Hong (appointed 28 January 2013)

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2012

Creditor payment policy

The company's policy is to use its purchasing power fairly and to pay suppliers promptly and under the agreed terms. A variety of payment terms exist with suppliers. Terms for payment under major contracts, both in the United Kingdom and overseas, are specified within the contracts negotiated with individual suppliers. Payments for other purchases are made 30 days from the invoice date (full approval of purchased services and/or goods permitting). Terms of payment are communicated on the company's standard purchase order or, where appropriate, on the individual contracts agreed with suppliers. In respect of some or all of its suppliers, it is the company's policy to settle the terms of payment with those suppliers when agreeing the terms of each transaction and to ensure that these suppliers are made aware of the terms of the payment and to abide by the terms of payment.

The company's average creditor payment period at 31 December 2012 was 28 days (2011: 32 days).

Charitable donations

The company's social contribution activities focus on supporting good health and education of children and youth. Committed to being a good corporate citizen, the company has invested in youth, education, art and culture, and sport programmes.

The contribution made by the company to UK charities during the year for charitable purposes was £25,082 (2011: £29,400). Included within this amount were the following individual donations:

- £13,000 – Korean Resident Society in United Kingdom. Their purpose is to promote friendship between members, promote prosperity of society, and improve goodwill between the UK and Korea.
- £6,466 – Keeping Kids Company. Their purpose is to enhance the emotional health of young people through counselling, support and therapeutic use of arts.
- £2,000 – Korea Sports Council in UK. Their purpose is the promotion of community participation in health recreation for the benefit of the inhabitants of Surrey and the surrounding area by the provision of facilities for playing football, tennis and badminton.

Employees

The company's policy is to consult and discuss with employees at meetings, matters likely to affect their interests.

Information on the company's performance factors is made available to its employees through the normal channels where appropriate.

The company's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applications for employment from disabled people where they have the appropriate skills and abilities to perform the job.

All necessary training and assistance is given to enable disabled employees to perform their duties. If employees become disabled during the course of their employment, consideration will be given to retraining and redeployment. It is the policy of the company that the training, career development and promotion of a disabled person should, just as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through in-house newsletters and access to the annual report.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2012

Environmental policy

The company's ultimate holding company, Samsung Electronics Co , Limited has been making continued efforts to promote sustainable management under the business philosophy of "devoting our human resources and technology to creating superior products and services, thereby contributing to a better global society "

Samsung Electronics (UK) Limited contributes to the holding company's commitment to proactively communicate performance on sustainability by measuring, managing and reporting against a number of key environmental performance indicators (e g GHG emissions, waste, etc)

As a major producer of electrical goods the company is obligated to finance the collection, treatment and recycling of waste electrical, packaging and battery waste The company works closely with registered compliance schemes to ensure that it recovers and recycles this waste responsibly, and is also a member of the UK government sponsored Distributor Take Back Scheme (DTS) The company has made a financial contribution to the DTS, which is used to assist in the development of WEEE collection facilities throughout the UK

Each year Samsung Electronics Co , Limited publishes a sustainability report detailing its social economic and environmental performance The publically available report is compiled according to the Global Reporting Initiatives G3 1 Sustainability Reporting Guidelines and receives a statement of assurance from an independent verification organisation

Research and development

Research and development activities during the year have been focused around development of mobile handset software and next generation mobile telecommunications, as well as digital television software development The charge to the profit and loss account in respect of research and development costs amounted to £40,697,000 (2011 £43,463,000), and all relates to current year expenditure The costs are incurred by the company and recharged to the ultimate holding company (see note 24)

Disclosure of information to auditors

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware The directors have taken all of the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2012

Statement of directors' responsibilities

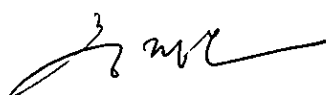
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



J H Hong
Director
22 August 2013

Samsung Electronics (UK) Limited

Independent auditors' report to the members of Samsung Electronics (UK) Limited for the year ended 31 December 2012

We have audited the financial statements of Samsung Electronics (UK) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities (set out on page 6) the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

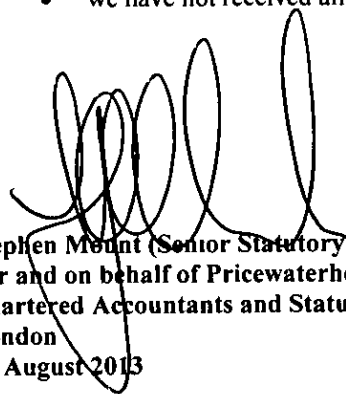
Samsung Electronics (UK) Limited

Independent auditors' report to the members of Samsung Electronics (UK) Limited for the year ended 31 December 2012

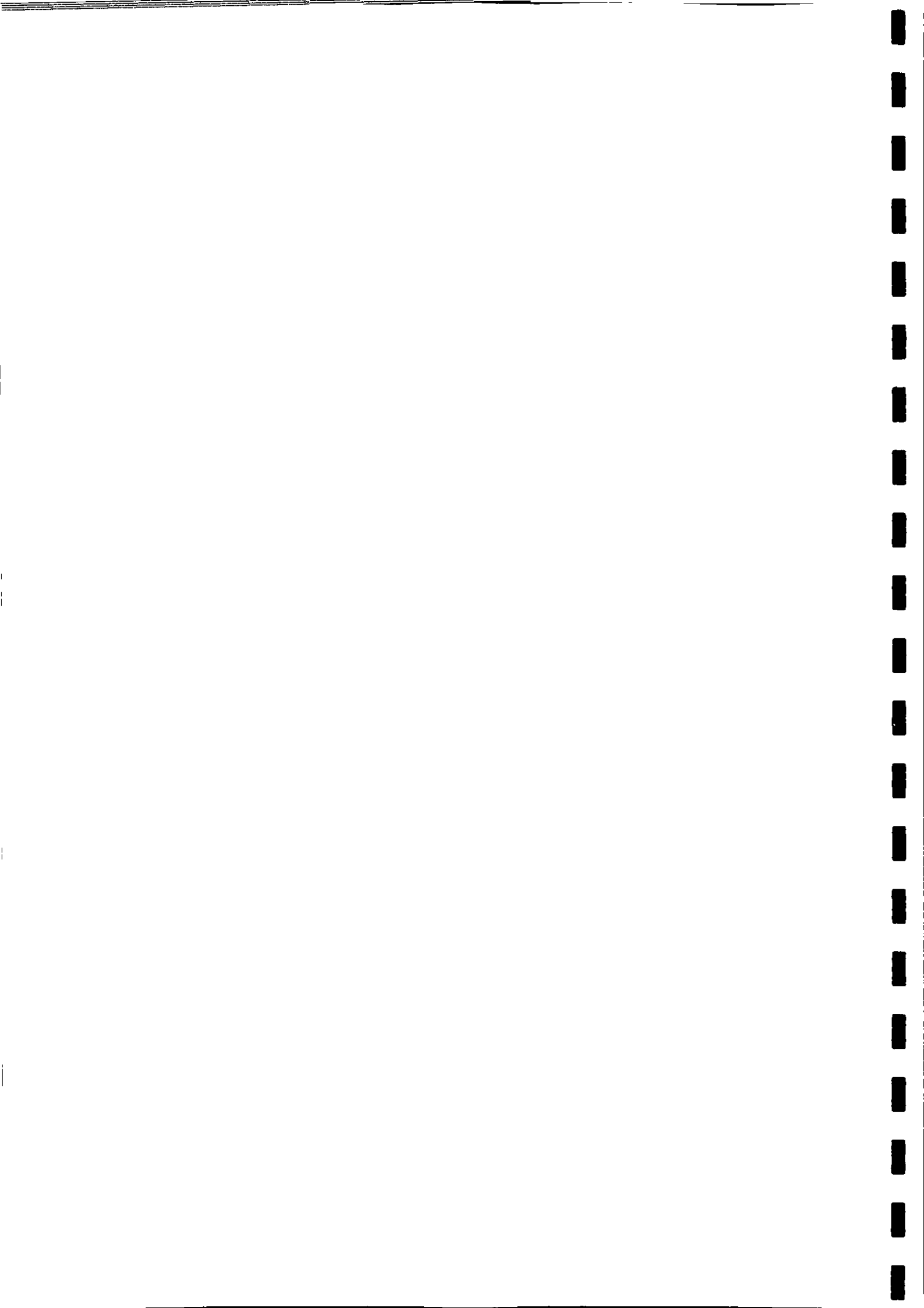
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Stephen Mount (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 August 2013



Samsung Electronics (UK) Limited

Profit and Loss Account for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	3,208,259	2,142,251
Cost of sales		(2,710,169)	(1,799,582)
Gross profit		498,090	342,669
Distribution costs		(23,974)	(24,801)
Marketing & administrative expenses		(416,904)	(279,085)
Other operating income		3,004	1,336
Operating profit	3	60,216	40,119
Other finance costs		(253)	(522)
Interest receivable and similar income	4	788	646
Interest payable and similar charges	5	(3,815)	(303)
Profit on ordinary activities before taxation		56,936	39,940
Tax on profit on ordinary activities	8	(15,218)	(12,191)
Profit for the financial year		41,718	27,749

All amounts relate to continuing activities

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above, and their historical cost equivalents

Samsung Electronics (UK) Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit for the financial year		41,718	27,749
Actuarial net (loss)/ gain on pension schemes	20	(8,180)	593
Movement on deferred tax relating to net pension liability	20	1,683	(154)
Total recognised gains relating to the year		35,221	28,188

Samsung Electronics (UK) Limited
Registered number 3086621
Balance Sheet
as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	6,408	5,001
Intangible assets	10	141	515
Investments	11	18,000	18,000
		<u>24,549</u>	<u>23,516</u>
Current assets			
Stocks	12	103,648	81,826
Debtors	13	585,189	391,523
Cash at bank and in hand		31,242	35,491
		<u>720,079</u>	<u>508,840</u>
Creditors amounts falling due within one year	14	(348,225)	(186,104)
Net current assets		<u>371,854</u>	<u>322,736</u>
Total assets less current liabilities		<u>396,403</u>	<u>346,252</u>
Provisions for liabilities and charges	16	(46,038)	(37,605)
Net assets excluding pension (liability)/asset		<u>350,365</u>	<u>308,647</u>
Pension scheme with a net surplus	21	1,067	3,232
Pension scheme with a net deficit	21	(12,457)	(8,125)
Net assets including pension (liability)/asset		<u>338,975</u>	<u>303,754</u>
Capital and reserves			
Called up share capital	18	109,546	109,546
Profit and loss account	19	229,429	194,208
Total shareholders' funds	20	<u>338,975</u>	<u>303,754</u>

The financial statements on pages 10 to 42 were approved by the board of directors on 22 August 2013 and were signed on its behalf by



J H Hong
Director

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

These financial statements are prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies are set out below and have been applied consistently throughout the year, and from year to year

Basis of accounting

The preparation of financial statements requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenditure during the reporting period. Actual results could differ from these estimates. Estimates are used principally in the provision for bad debts, obsolete, slow moving and defective stocks, and warranty claims

Consolidation exemption

The financial statements contain information about Samsung Electronics (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Samsung Electronics Co., Limited

Cash flow statement and related party disclosures

In accordance with FRS 1 the company has not prepared a statement of cash flows for the current year as it is a wholly owned subsidiary of Samsung Electronics Co., Limited, a company incorporated in Korea whose financial statements are publicly available and is included in the consolidated financial statements. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with wholly owned entities that are part of the Samsung Electronics Co., Limited group. For details of other related party transactions see note 22

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation

Provision is made where necessary for obsolete, slow moving and defective stocks. Goods in transit are valued at actual cost

After sales warranty

The company estimates its warranty costs based on historical warranty claim experience. The warranty provision includes costs for limited warranties and extended warranty coverage. Future costs for warranties applicable to revenue recognised in the current period are charged to administrative expenses which comprise administrative costs and the cost of service or replacement parts to the extent not recoverable from suppliers. The warranty provision is reviewed quarterly to verify that it properly reflects the remaining obligation based on the anticipated expenditures over the balance of the obligation period. Adjustments are made when actual warranty claim experience differs from estimates

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies (continued)

Deferred income

The company provides end customers of some of its electrical and electronic products with the option of purchasing an extended warranty to provide service cover beyond the standard manufacturer's warranty period. This revenue is recognised on a straight line basis starting at the expiration of the manufacturer's warranty until the end of the extended warranty period.

Cash management

The company participates in an agreement with an affiliated company, Samsung Electronics Europe Holdings B V. Substantially all of the company's cash balances are transferred to this entity on a daily basis. Cash balances are effectively reclassified into loans receivable from affiliated companies. As part of the agreement funds may also be borrowed from this entity.

Revenue recognition

Revenue represents the invoiced value of goods and services supplied, including trade discounts, expected returns and rebates, and excludes value added tax. Revenue is recognised when the products have been delivered to the customer based on agreed contractual terms and the risks and rewards of ownership have passed to the customer.

For certain activities the company is deemed to be acting as an agent rather than as a principal in accordance with criteria set out in UK GAAP. These activities include the company's role in procuring materials to order on behalf of other Samsung companies, for which the agent commission is recognised within turnover. The total value of materials purchased and resold in the year was £992,709,000 (2011 £581,436,000). The total value of materials sold has not been recognised as turnover in the profit and loss account.

Accrued income

The company undertakes a number of projects and European based operations on behalf of the ultimate parent company, Samsung Electronics Co., Limited, and fellow affiliates. Charges incurred in their regard are recharged to the beneficiary entities on a cost plus mark-up basis, either monthly or quarterly in arrears. Between being recognised and recharged these amounts are recorded as accrued income.

Other operating income

Other operating income principally comprises this mark-up on the recharges described above under "Accrued income".

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

Freehold land & buildings	0 – 2%
Leasehold improvements	20%
Fixtures and fittings	15% - 33%
Motor vehicles	25%
Plant & machinery	14-50%

Intangible fixed assets and amortisation

Intangible fixed assets are stated at historic purchase cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Intangible assets are amortised on a straight line based over the expected economic useful lives. Amortisation rates for categories of intangible assets are

Distributor rights	20%
Externally purchased software	25%

Foreign currencies

Transactions during the year have been converted at the daily rate of exchange. Monetary assets and liabilities together with goods in transit are converted at the closing rate of exchange. Differences on exchange are taken directly to the profit and loss account.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies (continued)

Operating leases

Operating lease payments are charged to the profit and loss account on a straight line basis over the lease term

Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate

Research and development costs

Research and development costs are charged to the profit and loss account in the year in which they are incurred

Pensions

Defined benefit

Pension costs are assessed in accordance with the advice of qualified independent actuaries using the projected unit method, with actuarial valuations being carried out at each balance sheet date. Current service cost is recognised in operating costs in the period in which the defined benefit obligation increases as a result of employee services. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of total recognised gains and losses. The retirement benefit obligations recognised in the balance sheet represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets. The expected return on scheme assets and the unwinding of the discount on defined benefit obligations are recognised within other finance costs.

The company is the principal employer of the schemes and has the overwhelming majority of scheme members. As a result the company discloses the entire scheme assets and liabilities information as it is most likely to benefit or suffer any surplus or deficit in the scheme as a whole. There is insufficient evidence to split the scheme among participating employers.

The company also participates in defined contribution schemes. The employer contributions under these schemes are charged to the profit and loss account as they are incurred.

Financial instruments

The company periodically entered into forward rate agreements to reduce its exposure in currencies other than its functional currency (sterling). The forward foreign exchange contracts are used in a fair value hedge to translate the foreign currency monetary liability at the spot (closing rate) at the balance sheet date, with exchange differences taken to the profit and loss account.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

2 Segmental information

All turnover, profits and net assets of the company originate in the United Kingdom and Ireland and result from the principal activities listed in the directors' report

The geographical analysis of company turnover by destination is

	2012 £'000	2011 £'000
UK & Ireland	3,162,246	2,093,001
Continental Europe	4,634	8,566
Rest of world	41,379	40,684
	<u>3,208,259</u>	<u>2,142,251</u>

No additional segmental information has been provided as, in the opinion of the directors, this would be seriously prejudicial to the interests of the company

The company has branches outside the United Kingdom in Ireland and Israel

3 Operating Profit

Operating profit is stated after charging/ (crediting)

	2012 £'000	2011 £'000
Staff costs:		
Wages and salaries	69,689	63,038
Social security costs	6,407	5,459
Other pension costs	3,785	3,302
	<u>79,881</u>	<u>71,799</u>

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

3 Operating Profit (continued)

	2012 £'000	2011 £'000
Loss on disposal of fixed assets	67	34
Loss on foreign exchange	476	1,409
Depreciation charge for the year		
- Tangible owned fixed assets	1,006	1,148
Amortisation charge for the year		
- Intangible owned fixed assets	432	436
Operating lease charges		
- Vehicles, plant and machinery	1,346	1,085
- Land and buildings	3,473	3,604
Mark-up on recharges to the parent company and fellow affiliates	(3,110)	(2,612)
Research and development expenditure contracted for	40,697	43,463

Services provided by the company's auditors

During the year the company obtained the following services from the company's auditor at costs as detailed below

	2012 £'000	2011 £'000
Fees payable to the company's auditor for the audit of the financial statements	192	183
Fees payable to the company's auditor for other services		
- Other audit services	71	71
- Taxation compliance services	-	5
- Other taxation advisory services	58	212
- Other services	73	36
	<u>394</u>	<u>507</u>

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

4 Interest receivable and similar income

	2012 £'000	2011 £'000
On loans provided to affiliated companies	732	377
On bank and other deposits	56	269
	<u>788</u>	<u>646</u>

The company participates in an agreement with an affiliated company, Samsung Electronics Europe Holdings B V , where substantially all of the company's cash balances are transferred to this entity on a daily basis. Cash balances are effectively reclassified into loans receivable from affiliated companies, these loans are interest bearing. As part of this agreement funds may also be borrowed from this entity, interest payable on such borrowings have been netted against this interest receivable.

5 Interest payable and similar charges

	2012 £'000	2011 £'000
On bank and other borrowings:		
Interest on bank loans and overdrafts	176	147
Interest, fees and charges on asset backed securitisation facility and trade debtor factoring	3,537	69
Other interest	102	87
	<u>3,815</u>	<u>303</u>

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

6 Directors' emoluments

Particulars of directors' emoluments are as follows

	2012 £'000	2011 £'000
Directors' remuneration		
Aggregate emoluments	<u>2,427</u>	<u>3,263</u>
Highest paid director		
Aggregate emoluments	<u>1,122</u>	<u>1,003</u>

None of the directors are accruing retirement benefits from the company (2011 none) The company does not provide or fund long term incentive schemes in operation and none of the directors own any shares or share options in it

7 Employee information

The monthly average number of persons (including executive directors) employed during the year was

	2012 Number	2011 Number
Administration	281	245
Sales and distribution	522	481
Research, development & quality assurance	202	191
	<u>1,005</u>	<u>917</u>

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

8 Tax on profit on ordinary activities

a) Analysis of charge in year

	2012 £'000	2011 £'000
<i>Current tax</i>		
UK Corporation tax in respect of the current year	15,305	11,595
Adjustments in respect of previous periods	(725)	-
Foreign tax – adjustments in respect of the year	201	-
Foreign tax – adjustments in respect of previous periods	81	72
Tax on profit before deferred tax charge (Note 8(b))	14,862	11,667
<i>Deferred tax</i>		
Deferred tax charge	356	-
Origination and reversal of timing differences	-	(73)
Adjustments in respect of previous periods	-	442
Impact of change in tax rate	-	155
Tax on profit on ordinary activities	15,218	12,191

b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation in the UK of 24.5% (2011 26.5%)

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	56,936	39,940
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 24.5% (2011 26.5%)	13,949	10,584
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,450	1,320
Depreciation in excess of capital allowances	83	305
Other timing differences	11	(58)
Other differences	14	(42)
Adjustments in respect of previous periods	(645)	(442)
Current tax charge for the year	14,862	11,667

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

8 Tax on profit on ordinary activities (continued)

c) Factors that may affect future tax charges

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2013 UK Budget Statement. The main rate of corporation tax is to be reduced to 23% from 1 April 2013, as stated in The Finance Act 2012. This change has been substantively enacted as at the balance sheet date and therefore has been included in these financial statements.

Further reductions to the main rate to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015 have effect under the Finance Act 2013. These changes had not been substantively enacted at the balance sheet date and therefore have not been included in these financial statements.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

9 Tangible assets

	Freehold land & buildings	Leasehold improvements	Fixtures & fittings	Motor vehicles	Plant & machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2012	4,060	1,379	5,671	99	7,989	19,198
Additions	-	2	1,327	-	1,208	2,537
Disposals	-	(271)	(508)	(49)	(618)	(1,446)
At 31 December 2012	4,060	1,110	6,490	50	8,579	20,289
Accumulated depreciation						
At 1 January 2012	973	920	5,203	54	7,047	14,197
Charge for year	69	197	333	18	389	1,006
Disposals	-	(245)	(487)	(35)	(555)	(1,322)
At 31 December 2012	1,042	872	5,049	37	6,881	13,881
Net Book Value						
At 31 December 2012	3,018	238	1,441	13	1,698	6,408
Net Book Value						
At 31 December 2011	3,087	459	468	45	942	5,001

The cost of freehold land included within land and buildings is £585,000 (2011 £585,000)



Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

10 Intangible assets

	Distributor rights	Externally purchased software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2012	2,000	1,824	3,824
Additions	-	58	58
At 31 December 2012	2,000	1,882	3,882
Accumulated amortisation			
At 1 January 2012	1,533	1,776	3,309
Charge for year	400	32	432
At 31 December 2012	1,933	1,808	3,741
Net Book Value			
At 31 December 2012	67	74	141
Net Book Value			
At 31 December 2011	467	48	515

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

11 Investments

Investment in subsidiaries:

<u>Name of undertaking</u>	<u>Country of Incorporation</u>	<u>Proportion of nominal value of issued ordinary shares and voting rights directly held at 31 December 2012 and 2011</u>
Samsung Semiconductor Europe Limited	England & Wales	100%
Samsung Telecoms (UK) Limited*	England & Wales	100%

* non-trading since 31 March 2005

The principal business activity of Samsung Semiconductor Europe Limited is the import and distribution of semiconductor and TFT products

	2012 £'000	2011 £'000
Cost and net book value at 1 January & 31 December	18,000	18,000

The directors believe that the carrying value of the investments is supported by their underlying net assets

12 Stocks

	2012 £'000	2011 £'000
Finished goods	70,730	45,656
Goods in transit	32,918	36,170
	<u>103,648</u>	<u>81,826</u>

The directors do not consider that there is a material difference between the value of the stock included in the financial statements and the value of stock at replacement cost

Included within the inventory balance is a provision for stock obsolescence for the company of £825,816 (2011 £940,968)

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

13 Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Trade debtors	340,788	231,598
Amounts owed by ultimate parent and fellow affiliates	97,900	61,513
Amounts owed by subsidiary undertakings	3	4
Amounts owed by related parties	822	463
Loans receivable from affiliated companies	120,772	72,353
Other debtors	1,453	8,468
Corporation tax recoverable	289	250
Indirect taxes	4,113	1,065
Prepayments and accrued income	17,553	13,957
	583,693	389,671
Amounts falling due after more than one year:		
Deferred taxation recoverable (see note 17)	1,496	1,852
	585,189	391,523

Amounts owed by the ultimate parent, fellow affiliates, subsidiary undertakings and related parties are unsecured and interest free

On 1 April 2011 the company entered into a new cash management agreement with an affiliated company, Samsung Electronics Europe Holdings B V. Under this arrangement substantially all of the company's cash balance is transferred to this entity on a daily basis. Consequently the company's cash balances are effectively reclassified into loans receivable from affiliated companies, which are interest bearing. A presentational change has been made to the comparatives to reflect this classification.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

14 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans and overdrafts	32	179
Trade creditors	79,418	61,034
Amounts owed to ultimate parent and fellow affiliates	156,633	35,312
Amounts owed to related parties	4,483	1,400
Loans owed to fellow affiliates	4,582	-
Other creditors	6,847	14,351
Corporation tax payable	8,318	5,872
Other taxes and social security	22,999	13,741
Accruals and deferred income	64,913	54,215
	<u>348,225</u>	<u>186,104</u>

All bank loans and overdrafts are repayable in one year or less, or on demand. A summary of the interest rates applicable to bank loans and overdrafts held is given below.

	2012 £'000	2011 £'000
Amounts borrowed at 4.7300%	-	2
Amounts borrowed at 0.4700%	29	-
Amounts borrowed at 0.4600%	-	77
Amounts borrowed at 0.1700%	3	-
Amounts borrowed at 0.1500%	-	100
	<u>32</u>	<u>179</u>

Amounts owed to the ultimate parent, fellow affiliates and related parties are unsecured and interest free.

On 1 April 2011 the company entered into a new cash management agreement with an affiliated company, Samsung Electronics Europe Holdings B.V. Under this arrangement substantially all of the company's cash balance is transferred to this entity on a daily basis. As part of the agreement funds (in various currencies), may be borrowed from this entity. Interest at a rate of 0.1680% is payable on loans owed to fellow affiliates at 31 December 2012 (2011: £nil).

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

15 Financial commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases expiring as follows

	2012 £'000	2011 £'000
Land and buildings		
Within 1 year	49	111
Within 2 to 5 years	728	2,116
After 5 years	3,315	1 173
	4,092	3,400
Vehicles, plant and machinery		
Within 1 year	6	21
Within 2 to 5 years	1,303	1,106
	1,309	1,127

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

16 Provisions for liabilities

	At 1 January 2012	Charged/ (released) to the profit and loss account	Utilised During the year	At 31 December 2012
	£'000	£'000	£'000	£'000
Sales warranty	33,065	44,448	(34,205)	43,308
Provision for costs relating to the closure of the ECC operation	291	(291)	-	-
Provision for the cost of electronic equipment disposal under the European Commission's WEEE* directive	4,249	10,521	(12,040)	2,730
Total	37,605	54,678	(46,245)	46,038

* "Waste Electrical and Electronic Equipment"

Sales warranty provision

The sales warranty provision relates to the estimated cost of repairing products sold by the company that require repair due to a manufacturing fault within the warranty period

Provision for costs relating to the closure of the ECC operation

The European Customer Care ("ECC") operation formerly based at Telford, closed in 2006. All obligations relating to this closure have now crystallised.

Provision for the cost of electronic equipment disposal under the European Commission's WEEE directive

The European Commission issued the WEEE directive in February 2003 and this came into force in the UK on 1 July 2007. This requires electronics producers to be responsible for organising a scheme for collection, treatment, recovery and safe disposal of waste products.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

17 Deferred taxation

Provision for deferred tax has been included in the financial statements in accordance with FRS 19. The aggregate timing differences result in a net deferred tax asset which has been recognised by the company

Deferred tax asset	2012 £'000	2011 £'000
Accelerated capital allowances	1,157	1,752
Short term timing differences	339	100
Deferred tax excluding that relating to pension (surpluses)/deficits	1,496	1,852
Deferred tax relating to pension (surpluses)/deficits	3,402	1,719
Net deferred tax asset	4,898	3,571
Analysed as		
Total deferred tax asset	5,217	4,707
Total deferred tax liability	(319)	(1,136)
Movement in deferred tax assets		
Deferred tax asset at 1 January	4,707	
Deferred tax liability at 1 January	(1,136)	
Prior year movement	261	
Rate change	(214)	
Current year movement	(403)	
Movement in deferred tax relating to pension scheme (surpluses)/ deficits	1,683	
	1,327	
Deferred tax asset at 31 December	4,898	
Classified as		
Debtors due after more than one year	5,217	
Provisions for liabilities	(319)	

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

17 Deferred taxation (continued)

Of the deferred tax asset (excluding that relating to pension (surpluses)/deficit) recognised at 31 December 2012, £1,496,000 (2011 £1,852,000) is expected to be recovered after one year. Based on forecasted performance, the directors expect that there will be sufficient taxable profit in the future against which the deferred asset can be recovered.

Movement in deferred tax relating to pension scheme (surpluses)/ deficits

The deferred tax relating to pension scheme (surpluses)/ deficits is shown as part of reserves. Movements are as follows:

	2012 £'000
At 1 January	1,719
Deferred tax credited/(charged) to the statement of total recognised gains and losses	
- on actuarial loss	1,881
- change in tax rate	(198)
At 31 December	<u>3,402</u>
Classified as	
Debtors due after more than one year	<u>3,721</u>
Provisions for liabilities	<u>(319)</u>

The deferred tax asset has been deducted in arriving at the net pension deficit on the balance sheet.

The deferred tax liability has been deducted in arriving at the net pension surplus on the balance sheet.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

18 Called up share capital

	2012 £'000	2011 £'000
Authorised		
150,000,000 Ordinary shares at £1 each	150,000	150,000
Allotted, issued and fully paid		
109,546,000 Ordinary shares of £1 each	109,546	109,546

19 Profit and loss account

	2012 £'000	2011 £'000
At 1 January as previously reported	194,208	166,020
Retained profit for the financial year	41,718	27,749
Net actuarial (loss)/ gain on pension schemes	(8,180)	593
Movement in deferred tax relating to pension schemes	1,683	(154)
At 31 December	229,429	194,208

20 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Retained profit for the financial year	41,718	27,749
Actuarial (loss)/ gain on pension schemes	(8,180)	593
Movement on deferred tax relating to pension schemes	1,683	(154)
Net addition to shareholders' funds	35,221	28,188
Opening shareholders' funds	303,754	275,566
Closing shareholders' funds	338,975	303,754

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

21 Pension commitments

Samsung Pension Scheme

Prior to 1 April 2006 the company's employees were entitled to join Samsung pension schemes which provide pension benefits based on final pensionable pay (defined benefit scheme), to employees within the Samsung group of companies. From 1 April 2006 employees may join defined contribution schemes. The assets of each scheme are held in separate trustee administered funds. The 'defined benefit schemes' funds are valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by agreement between the Trustees and Employer. In the intervening years the actuary provides an actuarial report outlining any material developments in the scheme's funding position.

Participating members of the Samsung Pension Scheme, a defined benefit scheme, are Samsung Electronics (UK) Limited, Samsung Semiconductor Europe Limited, and Samsung SDS Europe Limited. The scheme is valued every three years, in the intervening years, the actuary provides an actuarial report outlining any material developments in the scheme's funding position. This scheme's liabilities were last valued on 1st March 2012 in accordance with FRS17. The principal assumptions adopted in the valuation of the scheme were: investment returns of 5.9% per annum, salary increases averaging 4.0% per annum, RPI inflation of 3.1% per annum and CPI inflation of 2.4%, annuities for retiring members will be purchased at a yield of 4.5% per annum and present and future pensions once in payment increase at 2.9% where they are linked to inflation.

At the date of the last actuarial valuation the market value of the assets of the scheme was £46,864,000 and the actuarial value of the assets were sufficient to cover 92.5% of the benefits that had accrued to members after allowing for expected increases in earnings.

A deficit repayment plan has been agreed by the scheme's Board of Trustees with the participating members of the scheme. A one off payment of £1,104,000 was paid to the fund in June 2013, and a monthly sum of £92,000 is also being contributed over the agreed deficit repayment period.

Based on advice within the latest actuarial valuation report, the participating members have also increased their employer monthly contribution rate to 24.3% with effect from May 2013 and this will remain until the next actuarial valuation when all deficit repayment plans will be reviewed.

Under the projected unit method, the current service cost will increase as members of the scheme approach retirement.

SEMUK Pension and Life Assurance Scheme

With effect from 30 November 2004, Samsung Electronics Manufacturing (UK) Limited ceased to be the principal employer of its own defined benefit pension scheme when a deed of substitution of principal employer was executed with the new principal employer being Samsung Electronics (UK) Limited. The future commitments and operating costs of the scheme will be met by the principal employer.

The latest independent actuarial valuation of the scheme was carried out as at 5th April 2012 by JLT Benefit Solutions Limited (formerly Aegon Trustee Solutions). The principal assumptions adopted in the valuation of the scheme were: investment return of 3.8% per annum, revaluation of pension in deferment of 3.2% per annum and pension increases in payment of 2.8% or 3.2% per annum (where applicable).

At the date of the above actuarial valuations, the market value of the assets of the scheme was £18,333,000 which was sufficient to cover 91.2% of the scheme liabilities.

Under the projected unit method, the current service cost will increase as members of the scheme approach retirement. The agreed contribution rate to the scheme for each active member by the company for future years is £500 and for deferred members will be £294,000 in total per annum from 2013 onwards based on the Recovery Plan agreed on 10th June 2013.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

21 Pension commitments (continued)

	Samsung Pension Scheme 2012	Samsung Pension Scheme 2011	Samsung Pension Scheme 2010	SEMUK Pension and Life Assurance Scheme 2012	SEMUK Pension and Life Assurance Scheme 2011	SEMUK Pension and Life Assurance Scheme 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Major actuarial assumptions at 31 December						
Discount rate	4.10%	4.80%	5.60%	4.10%	4.80%	5.60%
Rate of increase in salaries	4.10%	4.20%	4.70%	n/a	n/a	n/a
Rate of increases for pensions in payment and deferred pension	3.10%	3.20%	3.30%	3.10%	3.20%	3.30%
Rate of increase of inflation	3.10%	3.20%	3.70%	3.10%	3.20%	3.70%
Expected rate of return on assets at 31 December						
Equities	6.80%	8.00%	8.20%	-	-	-
Property	4.80%	5.50%	6.20%	-	-	-
Fixed interest bonds	2.80%	2.90%	4.40%	2.80%	2.90%	-
AAA rated corporate bonds	4.10%	4.80%	5.60%	4.10%	4.80%	5.60%
Cash / Other	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Assets in the scheme						
Equities	20,825	18,519	19,270	-	-	-
Property	596	632	172	-	-	-
Fixed interest bonds	2,589	533	798	14,555	14,411	-
Corporate bonds	22,939	20,436	16,354	3,916	3,604	2,833
PALMS fund	-	-	-	-	-	11,210
Cash / Other	2,275	1,654	3,064	87	240	102
Insured pensioners	1,816	1,585	1,565	-	-	-
Total market value of assets	51,040	43,359	41,163	18,558	18,255	14,145
Present value of plan liabilities	(67,218)	(54,339)	(48,234)	(17,172)	(13,887)	(13,656)
(Deficit)/Surplus	(16,178)	(10,980)	(7,071)	1,386	4,368	489
Related deferred tax asset/ (liability)	3,721	2,855	1,980	(319)	(1,136)	(137)
Net pension (liability)/ asset	(12,457)	(8,125)	(5,091)	1,067	3,232	352

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

21 Pension commitments (continued)

The mortality assumptions used were as follows

	Samsung Pension Scheme 2012 Years	Samsung Pension Scheme 2011 Years	SEMUK Pension and Life Assurance Scheme 2012 Years	SEMUK Pension and Life Assurance Scheme 2011 Years
Longevity at age 65 for current pensioners				
- Male	22.2	22.1	21.0	20.8
- Female	24.4	24.3	22.7	22.6
Longevity at age 65 for future pensioners currently aged 45				
- Male	23.5	23.4	22.7	22.6
- Female	25.9	25.9	23.8	23.8

Reconciliation of present value of defined benefit obligation

	Samsung Pension Scheme 2012 £'000	Samsung Pension Scheme 2011 £'000	SEMUK Pension and Life Assurance Scheme 2012 £'000	SEMUK Pension and Life Assurance Scheme 2011 £'000
At 1 January	(54,339)	(48,234)	(13,887)	(13,656)
Current service cost	(2,385)	(2,316)	(70)	-
Past service cost	-	-	-	-
Interest cost	(2,705)	(2,787)	(664)	(789)
Loss on change in assumptions	(8,615)	(2,211)	(2,463)	(635)
Experience (loss)/gain	161	587	(263)	1,193
Benefits paid	583	534	105	-
Charges paid	82	88	70	-
At 31 December	(67,218)	(54,339)	(17,172)	(13,887)

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

21 Pension commitments (continued)

Changes in the value of scheme assets

	Samsung Pension Scheme 2012 £'000	Samsung Pension Scheme 2011 £'000	SEMUK Pension and Life Assurance Scheme 2012 £'000	SEMUK Pension and Life Assurance Scheme 2011 £'000
At 1 January	43,359	41,163	18,255	14,145
Expected return on assets	2,556	2,548	559	590
Actuarial gains	3,625	(2,045)	(359)	3,242
Member contributions	503	622	-	-
Employer contributions	1,662	1,693	278	278
Benefits paid	(583)	(534)	(105)	-
Charges paid	(82)	(88)	(70)	-
At 31 December	51,040	43,359	18,558	18,255

Scheme assets do not include any assets in the company or any property occupied by any group company

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets for the Samsung Pension Scheme in 2012 was £6,181,000 (2011 £503,000). For the SEMUK scheme the actual return on assets was £200,000 (2011 £3,832,000).

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

21 Pension commitments (continued)

	Samsung Pension Scheme 2012 £'000	Samsung Pension Scheme 2011 £'000	Samsung Pension Scheme 2010 £'000	SEMUK Pension and Life Assurance Scheme 2012 £'000	SEMUK Pension and Life Assurance Scheme 2011 £'000	SEMUK Pension and Life Assurance Scheme 2010 £'000
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Analysis of the amount that would be charged to operating profit:

Current service cost	(1,882)	(1,694)	(1,760)	(70)	-	-
Past service cost	-	-	-	-	-	(66)

Analysis of the amount that would be credited to other finance income:

Expected return on pension scheme assets	2,556	2,548	2,181	559	590	564
Interest on pension scheme liabilities	(2,705)	(2,787)	(2,663)	(664)	(789)	(724)
Net finance (costs)/income	(149)	(239)	(482)	(105)	(199)	(160)

Analysis of amount that would be recognised in the statement of total recognised gains and losses (STRGL):

Actual return less expected return on pension scheme assets	3,625	(2,045)	1,229	(359)	3,242	1,197
Experience gains and losses arising on the scheme liabilities	161	587	-	(263)	1,193	-
Changes in assumptions underlying the present value of scheme liabilities	(8,615)	(2,211)	850	(2,463)	(635)	(394)
Actuarial gain/(loss) recognised in the STRGL	(4,829)	(3,669)	2,079	(3,085)	3,800	803

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

21 Pension commitments (continued)

	Samsung Pension Scheme 2012 £'000	Samsung Pension Scheme 2011 £'000	Samsung Pension Scheme 2010 £'000	Samsung Pension Scheme 2009 £'000	Samsung Pension Scheme 2008 £'000
Amounts for current and previous four years					
Defined benefit obligation	(67,218)	(54,339)	(48,234)	(44,680)	(29,609)
Plan assets	51,040	43,309	41,163	6,007	28,154
Deficit	(16,178)	(10,980)	(7,071)	(8,873)	(1,455)
Experience adjustment on plan assets					
- Amount	3,625	(2,045)	1,229	2,932	(7,325)
Experience adjustment on plan liabilities					
- Amount	7,724	(1,624)	850	(10,583)	5,746
Total amount recognised in the STRGL	(4,829)	(3,669)	2,079	(7,651)	(1,579)

	SEMU Pension and Life Assurance Scheme 2012	SEMU Pension and Life Assurance Scheme 2011	SEMU Pension and Life Assurance Scheme 2010	SEMU Pension and Life Assurance Scheme 2009	SEMU Pension and Life Assurance Scheme 2008
Amounts for current and previous years					
Defined benefit obligation	(17,172)	(13,887)	(13,656)	(12,703)	(8,302)
Plan assets	18,558	18,255	14,145	12,326	13,547
Surplus/ (deficit)	1,386	4,368	489	(377)	5,245
Experience adjustment on plan assets					
- Amount	(359)	3,242	1,197	(1,674)	1,609
Experience adjustment on plan liabilities					
- Amount	(4,112)	558	(394)	(4,019)	1,501
Total amount recognised in the STRGL	(3,085)	3,800	803	(5,693)	3,110

The aggregate cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £10,980,000

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

22 Related party transactions

In accordance with FRS 8 the company is exempt from disclosing transactions with entities that are part of the group, or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements

During the year the company had transactions with

- Cheil Communications America Inc
- Cheil Communications Germany GmbH
- Cheil Europe Limited
- Samsung SDS Co , Limited
- Samsung SDS Europe Limited
- Samsung UK Limited
- Samsung Electro-Mechanics GmbH
- Samsung Fire & Marine Insurance Co , Limited
- Samsung Techwin Europe Limited
- Samsung Thales Co , Limited
- Samsung Venture Investment Co , Limited
- Shilla Hotel Co , Limited
- Tianjin Samsung LED Co , Limited
- Tianjin Samsung Opto-Electronics Co , Limited

These companies are deemed a related party due to common influence, but not included within the Samsung Electronics Co , Limited consolidation

The directors have reviewed the requirements of FRS 8 (para 20) Having considered materiality in terms of both the influence on the interpretation of these financial statements and the nature of the relationship between the company and the other entity, only details of transactions and outstanding balances with the following related parties is considered appropriate

	2012 £'000	2011 £'000
Cheil Europe Limited ("Cheil"):		
Year end debtor balance	28	40
Year end creditor balance	(3,923)	(683)
Purchases of marketing services from Cheil	93,244	44,809
Product sales to Cheil	(259)	(4)
Recharges made for support services to Cheil	(317)	(423)

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

22 Related party transactions (continued)

	2012 £'000	2011 £'000
Samsung SDS Europe Limited ("SDSE"):		
Year end debtor balance	47	-
Year end creditor balance	(560)	(635)
Purchases of IT services from SDSE	7,930	7,336
Product sales to SDSE	(121)	(165)
Recharges made for support services to SDSE	(43)	(43)
Samsung Thales Co., Limited ("Thales")		
Year end debtor balance	138	8
Material sales to Thales	(1,825)	(1,328)
Tianjin Samsung Opto-Electronics Co., Limited ("Tianjin")		
Year end debtor balance	555	24
Material sales to Tianjin	(6,449)	(275)
Recharges made for support services to Tianjin	(6)	-

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

23 Contingent liabilities

The company has given guarantees in respect of various Samsung affiliates' bank facilities as follows

	2012 £'000	2011 £'000
Total guarantee	-	298,508
Total drawn down	-	114,369

In the prior year the company participated in a pooling arrangement with other Samsung affiliates whereby each company was jointly and severally liable for overdrafts of fellow affiliates. This arrangement ceased on 30 November 2011.

On 4 May 2009, Tom Tom International B V, Tom Tom Software Limited and Teleatlas B V, issued proceedings out of the Chancery Division of High Court of Justice in London against 4 named defendants who are all part of the Samsung Electronics group. These included the company. The claimants are seeking damages for losses of profit incurred as a result of anti-competitive practices within the European LCD and digital mapping market. The value of the claims are unspecified. This case is ongoing with no significant changes to date.

On 8 September 2011, the company (and its parent company), issued proceedings against Apple Inc ("Apple"), for a declaration of non-infringement in respect of a European design right held by Apple. The company was seeking a declaration and costs (not damages). Apple counterclaimed for design right infringement and sought an injunction and damages. After the first hearing, the company's parent company was removed from the claim. An expedited hearing date was granted, and the claims went to trial mid June 2012. The company won at High Court. Apple appealed but SEUK were also successful on appeal to the UK Court of Appeal. No further proceedings are likely.

On 12 September 2011, Apple commenced proceedings for patent infringement against the company. Apple sought an injunction and damages. The proceedings have been stayed and are effectively dormant, nothing will happen unless either Apple or Samsung applies to the court to recommence the proceedings.

The company has not recorded any provision for these lawsuits as the outcome of them is uncertain and the ultimate financial impact cannot be estimated as of the date of this report. The directors of the company do not believe that the outcome of the lawsuits will have a materially adverse effect on its financial position, however, as is inherent in legal proceedings, there is a risk of an unfavourable outcome to the company.

Samsung Electronics (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

24 Ultimate holding company

The immediate parent undertaking is Samsung Electronics Co , Limited

The ultimate parent undertaking and controlling party is Samsung Electronics Co , Limited, a company incorporated in Republic of Korea

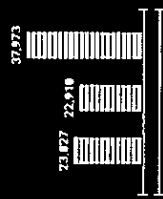
Samsung Electronics Co , Limited, is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2012, and is the only undertaking to consolidate the financial statements of the company The consolidated financial statements of Samsung Electronics Co , Limited, are available from Samsung Electronics, 1320-10 Seocho-2Dong, Seocho-Gu, Seoul, Republic of Korea, 137-857

SAMSUNG

2012
SAMSUNG ELECTRONICS
ANNUAL REPORT

2012 Financial Summary

Samsung Electronics and Consolidated Subsidiaries



2012
201,104
29,049
23,845

181,072
59,591
121,480

37,973
(31,322)
(1,865)

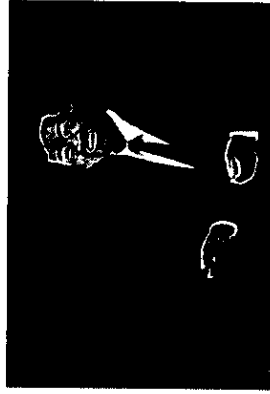
Net Sales
Operating Profit
Net Profit

Net Sales
Operating Profit
Net Profit

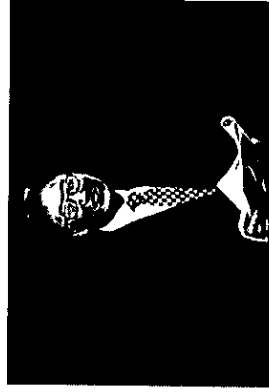
DISCOVERY INNOVATION POSSIBILITY

In a world of amazing imagination,
our reality is filled with possibilities.
On the path where no one ventures
Samsung Electronics is striding
toward new goals. Discover with
us the happiness of new lives
powered by creativity. Our constant
innovation and desire for positive
change brings surprising possibilities
into everyday life.

The trust and dedication of our customers, shareholders and society drives change and innovation at Samsung Electronics



Vice Chairman & CEO Oh-Hyun Kwon



President & CEO Boo-Kaun Yoon



President & CEO Jong-Kyun Shin

Dear Samsung Electronics Stakeholder

In 2012, the company achieved steady growth thanks to your continued trust and dedication. Despite intensifying competition, we recorded historic sales revenue and operating profit that strengthened our leadership in the global electronics industry. Based on consolidated financial statements, we realized sales revenue of KRW 201 trillion, operating profit of KRW 29 trillion and net income of KRW 24 trillion, double the previous year. We also maintained a robust financial structure with a 49.1 percent liability ratio and 79.5 percent capital adequacy ratio.

Expanding the market leadership of core businesses

Last year, Samsung Electronics expanded its market leadership in core businesses, including smartphones and TVs. We achieved remarkable results in our mobile business, ranking No. 1 in both sales and market share in smartphones and all mobile phones. In the TV business, we again achieved No. 1 market share for the seventh year in a row, also earning the highest profitability in the industry. We further strengthened the market power of our Memory business, outpacing competitors with our unmatched technology, dominant cost savings and advanced process technology development. In our developing businesses, OLED greatly improved its profitability, led by differentiated competitiveness. The System LSI business also showed outstanding growth in the mobile device market, led by the AP and CIS sensor segments.

In 2013, we will sharpen our market leadership across core areas and accelerate developing businesses to maintain our strong performance. With our newly reorganized structure of three divisions, we will aggressively respond to rapidly changing business environments as we steer new technology initiatives, pioneer new markets and identify business opportunities.

Securing our core competitiveness and brand momentum

To reinforce competitiveness, Samsung Electronics is focusing on attracting outstanding talent. We are consistently recruiting experts in software and R&D and nurturing our patent capabilities by collaborating with outside research institutes and partners. That strategy has paid off. In 2012, we registered 5,081 patents in the U.S.

Our differentiated capabilities and technology earned worldwide recognition, including four awards from the European Imaging and Sound Association 2012 (EISA), the most prestigious in the region's video and audio industry, and 27 Innovation awards

at CES 2013, the world's largest consumer electronics show. We also advanced high profile and consistent global brand marketing by sponsoring a range of international sports events, including the London 2012 Summer Olympics. As a result of such efforts, we attained the No. 9 ranking on Interbrand's Best 100 Global Brands 2012 list, with an estimated brand value of USD 32.9 billion.

Corporate citizenship that's committed to social improvement

Samsung Electronics is committed to transmitting its positive energy to society and to creating shared social value. We comply with all laws and ethical standards that safeguard markets around the world, including those for fair competition, personal data protection and anti-corruption, even as these turn more rigorous. We are increasing our social responsibility programs. In addition, we are boosting support for our worldwide partner companies to promote their global competitiveness as we expand the win-win partnerships that sustain growth.

The power to keep growing is directly fueled by the trust and dedication of our customers, shareholders and society. Looking ahead in 2013, Samsung Electronics will continue to work toward the change and innovation that inspires the world and shapes new futures.

Thank you

Oh-Hyun Kwon

Vice Chairman & CEO
Oh-Hyun Kwon

Boo-Kaun Yoon

President & CEO
Boo-Kaun Yoon

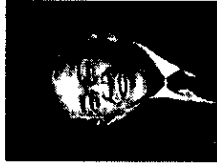
Jong-Kyun Shin

President & CEO
Jong-Kyun Shin

Our board of directors conducts transparent and responsible management based on advanced, board-centered corporate governance

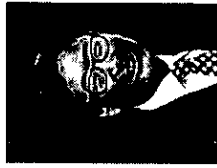
At Samsung Electronics, our board consists of nine members, including five outside directors. In 2012, we convened 11 board meetings and proposed and addressed 47 motions. Our Management Committee established to ensure professionalism and efficiency in management performance hosted 21 meetings that deliberated and resolved the delegated issues.

Comprised of three outside directors appointed to monitor and support the company's operations through checks and balances, the Audit Committee had five meetings in 2012. The Internal Transaction Committee established to enhance transparency in management has three outside directors and had nine meetings in 2012. Ensuring fairness and independence, two of the three members of the Outside Director Candidate Recommendation Committee are outside directors. With three outside directors, the Compensation Committee also ensures objectivity and transparency in determining director remuneration.



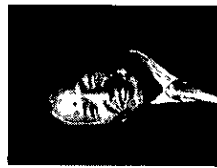
Oh-Hyun Kwon

- Vice Chairman & CEO of Samsung Electronics (2011-Present)
- Vice Chairman & Head Device Solutions (Samsung Electronics) (2011-Present)
- President of Samsung Electronics (2009-2011)
- President of Samsung Electronics (2007-2009)
- President of Samsung Electronics (2005-2007)
- President of Samsung Electronics (2003-2005)
- President of Samsung Electronics (2001-2003)
- President of Samsung Electronics (1998-2001)



Boo-Keun Yoon

- President & CEO of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2012-Present)
- Head of Samsung Electronics Division (2011-2012)
- Head of Samsung Electronics Division (2011-2012)
- Head of Samsung Electronics Division (2011-2012)
- Head of Samsung Electronics Division (2011-2012)
- Head of Samsung Electronics Division (2011-2012)
- Head of Samsung Electronics Division (2011-2012)



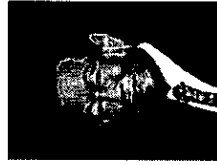
Jong-Kyun Shin

- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)



Sang-Hoon Lee

- President & CEO of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)



In-Ho Lee

- President & CEO of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)



Han-Joong Kim

- President & CEO of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)



Kwang-Soo Song

- President & CEO of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)



Byeong-Gi Lee

- President & CEO of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
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- President of Samsung Electronics (2011-Present)



Eun-Mee Kim

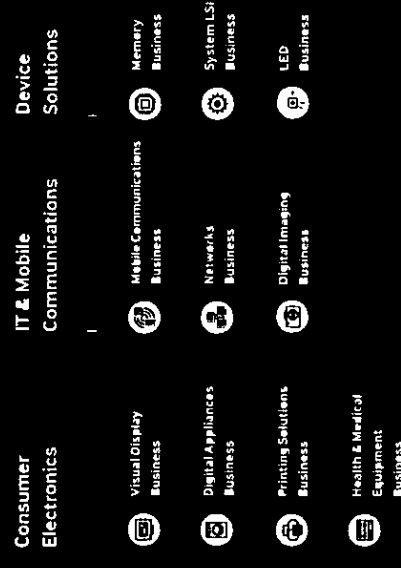
- President & CEO of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
- President of Samsung Electronics (2011-Present)
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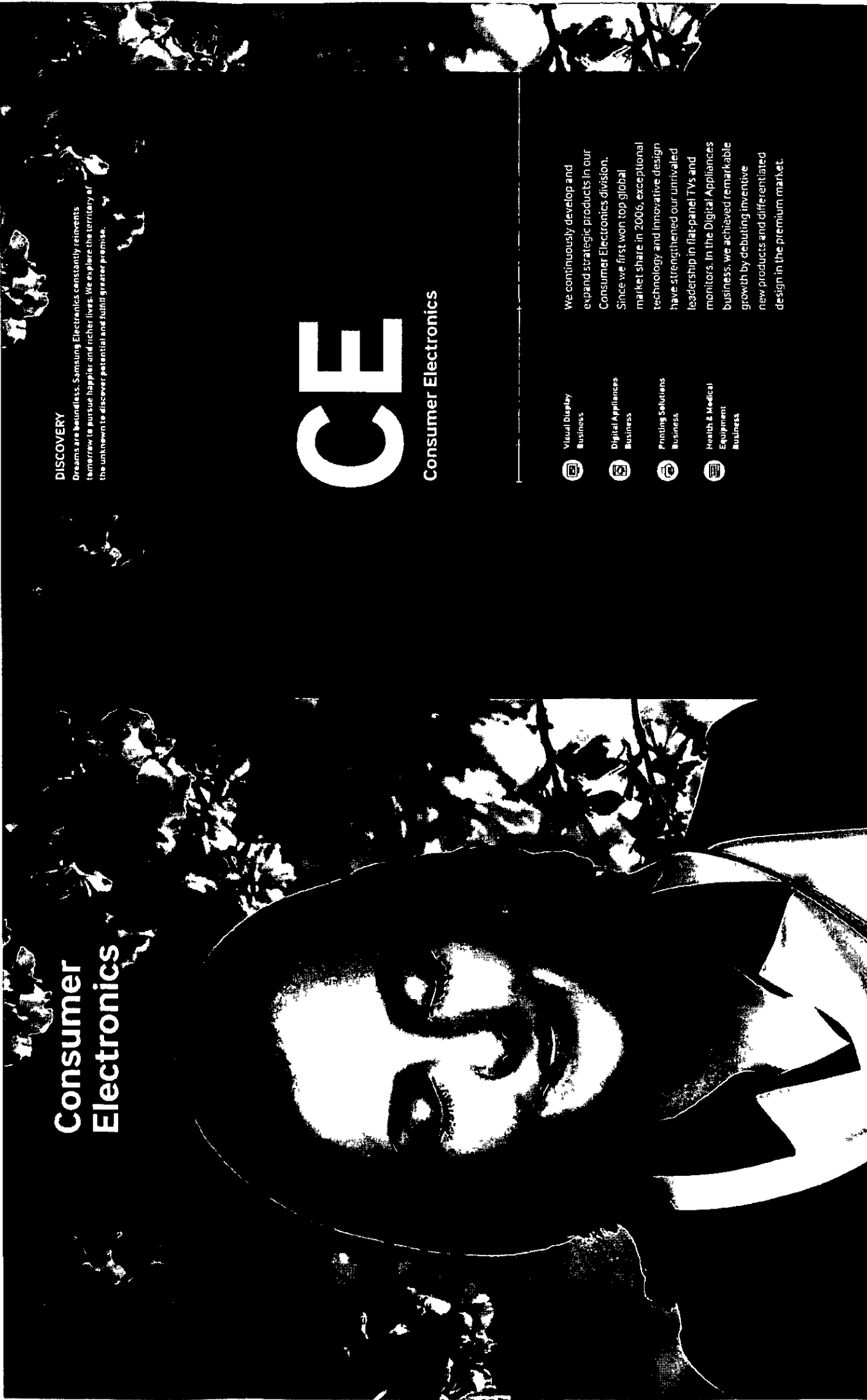
Despite the global economic recession and rapidly changing business environment in 2012, Samsung Electronics recorded historic sales and profit. Our corporate and brand values also increased significantly.

But we're hardly resting on laurels. We expect to strengthen competitiveness in our core businesses, bolstering our No. 1 status in mobile phones, TVs and memory products.

We plan to fortify key capabilities and structures in our emerging businesses, such as digital appliances, printers, cameras and system LSI.

We also intend to secure the base for our new business areas in health and medical equipment. We are preparing for the future.





Consumer Electronics

DISCOVERY

Dreams are boundless. Samsung Electronics constantly reinvents tomorrow to pursue happier and richer lives. We explore the territory of the unknown to discover potential and build greater promise.

CE

Consumer Electronics



Visual Display
Business



Digital Appliances
Business



Printing Solutions
Business



Health & Medical
Equipment
Business

We continuously develop and expand strategic products in our Consumer Electronics division. Since we first won top global market share in 2006, exceptional technology and innovative design have strengthened our unrivaled leadership in flat-panel TVs and monitors. In the Digital Appliances business, we achieved remarkable growth by debuting inventive new products and differentiated design in the premium market.

Consumer Electronics

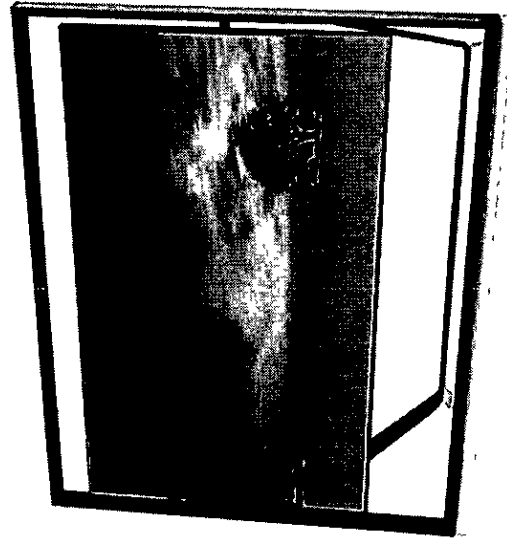
DISCOVERY

Dreams are boundless. Samsung Electronics constantly reinvents tomorrow to pursue happier and richer lives. We explore the territory of the unknown to discover potential and fulfill greater promise.

BUSINESS OVERVIEW

VISUAL DISPLAY BUSINESS

Our astute strategy for the evolutionary Smart TV and premium ultra large size TVs will solidify the No. 1 global leadership for eight consecutive years

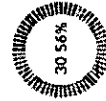


01 UHD TV 8559

The 85-inch UHD TV with 1-metre gallery design and splendid sound features 8-megapixel picture quality four times more vivid than Full HD and the world's largest 2.14-metre screen



01



Top Global Flat Panel TV Market Share in 2012



Top Global Smart TV Market Share in 2012

Source: GfK, IBC, based on sales revenue

Samsung Electronics has earned No. 1 global market share across all TV categories every year from 2006 through 2012, including for flat panel TVs and LCD TVs. Despite the depressed TV market, we maintained our dominant position by extending our sales lead over competitors in advanced North American and European markets, as well as in emerging markets like Asia, Africa and Latin America. That, striking performance was built on ultra large size premium Smart TV models, such as the ES9000 and ES8000, with innovative and differentiated picture quality and design.

Last year, after systematic market research, we implemented our premium TV marketing and differentiated strategy by regions. In 2013, we will reinforce our ultra large size premium TV lineups and enhance the premium brand image by highlighting innovative Smart TV features.

Continuing our innovation in the AV business, last year we launched the world's first wireless audio dock with a built-in vacuum tube. In 2013, we employed a vacuum tube and wireless connection to TV to sound bar speakers AirTrack HW F750, ensuring our lead in the global AV market with our new audio system.



02

02 Smart TV F8000

Offers the full range of Smart TV features. S Recommendation to recommend customized content. Smart Hub redesigned to easily find content with interactive UI. Smart Interaction to recognize voice and gestures and Evolution Kit to update to the latest Smart TV



03

03 AirTrack HW F750

New concept in premium audio systems finds the best sound and links to your TV via Bluetooth connection. HW F750 provides warm and rich sound by combining analog and digital produced sounds

Consumer Electronics

DISCOVERY

Dreams are boundless. Samsung Electronics constantly reinvents tomorrow to pursue happier and richer lives. We explore the territory of the unknown to discover potential and fulfill greater promise.

BUSINESS OVERVIEW

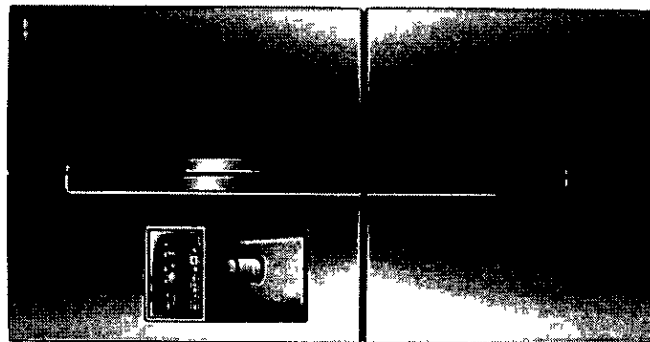
DIGITAL APPLIANCES BUSINESS

Primed for home innovation, with premium lifestyle technology and harmonious design

01 T9000 LCD Refrigerator RF22FSD0SR
French doors and 32 cubic foot capacity refrigerator. Unique Triple Cooling System display, two compartments and three evaporators to ensure commercial grade humidity that keeps food and produce fresh longer.

02 EcoBubble™ Washer WF80FSE
Premium Crystal Glass design, advanced technology for power and energy efficiency that gently washes delicate loads while fighting stains and protecting fabrics.

03 Smart Oven MC22F606
Smart sensor technology, quality cooking performance and sleek design allows for quick meal preparation with less fat, fresher ingredients and more efficiency including pre-programmed recipes.



01



02



03

Samsung Electronics works to satisfy differing consumer needs in diverse cultures around the world. We operate five Lifestyle Research Centers to support development of products that will bring more comfort and convenience to customers' lives. We also respond to consumers' emotional satisfaction by providing luxuriously designed products that offer new experiences.

In 2012, the technical excellence of our premium T9000 refrigerator made it a worldwide hit with consumers. The T9000's wide top refrigerated section and bottom freezer drawers allow customers to store food easily and safely according to individual habits and menus.

In our Digital Appliances business, Samsung is committed to developing eco-friendly technologies and smart products for the home. Our premium EcoBubble™ washer offers significant energy savings and superior cleaning that's still gentle on clothes. The new Samsung Smart Oven provides convenience and a superlative experience for busy households, allowing consumers to save time and effort while preparing healthy, great-tasting meals.

In 2013, Samsung Electronics will continue its efforts to develop inventive products that offer true value to customers and help them live happily and comfortably.

Consumer Electronics

DISCOVERY

Dreams are boundless. Samsung Electronics constantly reinvents tomorrow to pursue happier and richer lives. We explore the territory of the unknown to discover potential and fulfill greater promise.

BUSINESS OVERVIEW

PRINTING SOLUTIONS BUSINESS

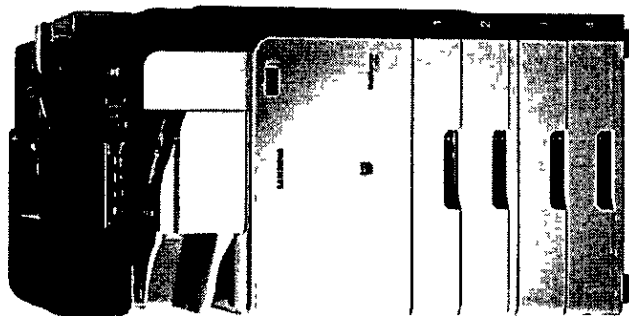
Providing total printing solutions with first-class products and technology

After entering the A4 laser printer market in 1991, Samsung Electronics now provides a full lineup of A4 laser products. In 2012, we launched seven models of A4 color laser printers and multifunction printers. We also successfully cleared the tough market barrier for A3 multifunction printers with the worldwide launch of our second generation product. Samsung's exclusive world's first 1GHz dual core processor bolstered our results by improving printer durability, performance and document processing times. In addition, we added a color touch screen with intuitive smartphone UI to

our A3 multifunction printers to improve ease of use and create a more intuitive experience.

Our solution for upgrading user convenience shaped another innovation. Our open platform XDA (eXtensible Open Architecture) supports Samsung solutions as well as more than fifty global top tier ISV (Independent Software Vendor) solutions, ensuring that we meet the varying needs of global corporate clients.

In 2013, we will expand our hardware product line-ups, solutions and services for the B2B market so we grow business for our partners and corporate clients together.



2nd in Global A4 Laser Printer Market Share in 2012
Source: ITC



02



03

01 MultiXpress C9301 Series
A3 color MFPs with 1GHz dual core processor improves document processing by up to 1.5 times. Unique image improvement technology, ReCP (Reinforce the Engine for Clean Pages), delivers smooth images and clean text.

02 CLP 415/CLX 419S Series
The laser printing industry's first. F-Design Award 2013 Gold Winner. These Color Laser printer and MFPs also offers fast speed, durability and high quality.

03 MultiXpress C9352 Series
A3 color MFPs with expanded paper handling features and latest technology. 1GHz dual core processor, ReCP, polymerized toner and all in one build for business document use.

Consumer Electronics

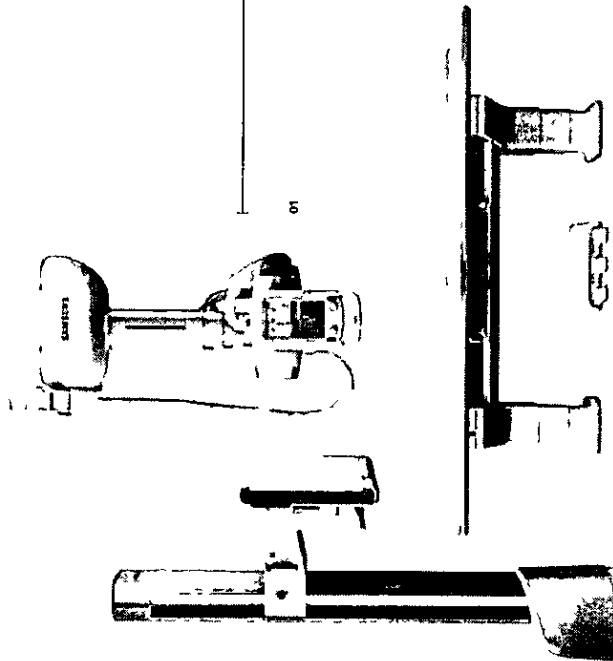
DISCOVERY

Dreams are boundless. Samsung Electronics constantly reinvents tomorrow to pursue happier and richer lives. We explore the territory of the unknown to discover potential and fulfill greater promise.

BUSINESS OVERVIEW

HEALTH & MEDICAL EQUIPMENT BUSINESS

Developing new and advanced healthcare and medical equipment for faster and more accurate diagnosis



01

01 XGEO GC80
Digital X-ray for large hospital, with soft handling function using robotic technology along with outstanding image processing technologies

02 UGEO H60
Ultrasonic diagnosis device that shows clear intra-ventral images through a built-in 18.5 inch LCD monitor with a slim and compact design

03 LABGED PT10
Chemical analyzer that provides accurate test results within minutes from small blood sample (less than 7µL) for 16 examination categories including liver function, blood sugar level, kidney function and more



8 Award Winners

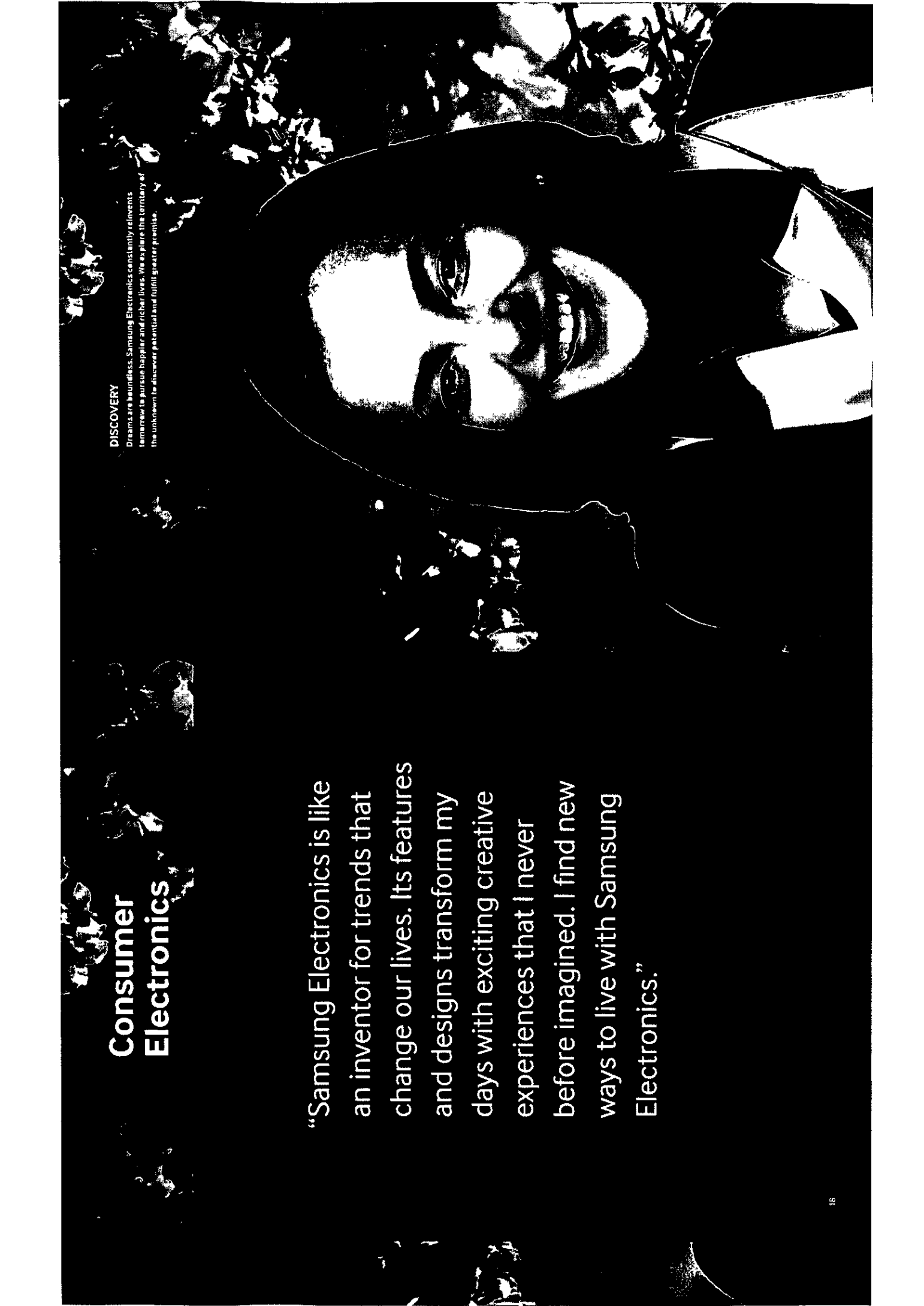
IF Design Award 2012
In 5 Categories
XGEO GC80 (CON.D)
XGEO G40E LABGED PT10
UGEO H60 LA-XGEO HCT10
XGEO GC
IDEA 2012 Award
In 3 Categories
UGEO GC80 (CON.D)
UGEO G40E (CON.D)
UGEO G40E (CON.D)

Samsung Electronics has created a world class cutting-edge technologies across industries, including in IT, semiconductor, telecommunications and imaging. Building on those technologies, we are developing and launching differentiated diagnostic equipment to support a new and innovative medical environment.

Our state-of-the-art ultrasound, digital X-ray and in-vitro diagnostics help medical professionals provide fast and accurate diagnosis in more than 110 countries. In 2012, we launched a high-performance flat-panel

detector and four digital X-ray products including the XGEO GC80, GU60 and GR40, all with outstanding image processing technology. We also released two ultrasound systems as well as three in-vitro diagnostics including the UGEO H60, which provides high-resolution image presentations in slim profile.

Looking forward, we will harness the technological expertise of our Consumer Electronics and IT businesses to realize sophisticated digital convergences. Samsung will strive to develop innovative medical devices for both medical professionals and patients.



Consumer Electronics

DISCOVERY

Dreams are boundless. Samsung Electronics constantly reinvents tomorrow to pursue happier and richer lives. We explore the territory of the unknown to discover potential and fulfill greater promise.

"Samsung Electronics is like an inventor for trends that change our lives. Its features and designs transform my days with exciting creative experiences that I never before imagined. I find new ways to live with Samsung Electronics."

IT & Mobile Communications

INNOVATION

Samsung Electronics is creating a culture of infinite possibilities that enriches lives and amazes the world. The deep trust and commitment of our customers drives our continuous efforts to lead change and innovation.



IT & Mobile Communications



Mobile Communications
Business



Networks
Business



Digital Imaging
Business

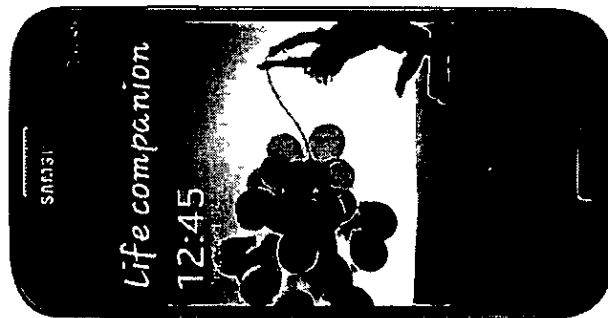
Technological innovation at Samsung Electronics accounts for our growth and stellar performance. That's proven by annual sales of more than 400 million mobile devices worldwide, fueled by our amazing smartphone technology. Our telecommunications equipment and solutions power the global expansion of 4G. And our digital imaging technology enriches people's lives, not only by capturing special moments but also by allowing memories to be shared instantly, anytime, anywhere.

IT & Mobile Communications

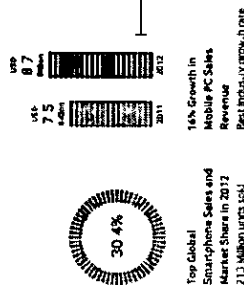
BUSINESS
OVERVIEW

MOBILE COMMUNICATIONS BUSINESS

Focused on People Inspired innovation,
we always aim to deepen value and convenience
for our customers



01



Top Global Smartphone Sales and Market Share in 2012
213 Million units sold

Source: Strategy Analytics, IDC

01 GALAXY S4
Drove people to redefine the way we live the next-generation smartphone makes every moment of life meaningful with highly crafted larger screen and battery, thin bezel slim chassis and eye voice and motion recognition. The GALAXY S4 gets you closer to what matters in life.

02 GALAXY Note II
The ultimate mariphone for on the go creativity. The GALAXY Note II enables unique experiences in personalized and expressive content creation. Advanced S Pen interface and Air View give users more options and allow content previews without opening email or applications.

03 ATIV Book 9 Notebook
Designed for mobility, the premium notebook is built with the same material as advanced aircraft, making it twice as strong as aluminum yet ultra light with fast, powerful performance.

INNOVATION

Samsung Electronics is creating a culture of infinite possibilities that enriches lives and amazes the world. The deep trust and commitment of our customers drives our continuous efforts to lead change and innovation.

As digital devices evolve the way of mobile communications is rapidly shifting from simple voice calls and text messaging to image-based interactions.

Ushering in a new era of image communications and a new category in the digital camera market, Samsung Electronics pioneered the world's first SMART camera. In 2012, anticipating rising interest in enjoying, editing and instant sharing of images after shooting, we released the GALAXY Camera, an innovative camera that features Android OS 3G/LTE network capabilities and a generous 4.8 inch HD display. The camera was hailed for originating new trends in digital imaging devices.

We also launched three NX series cameras, including

NX20 with 20.3 megapixel APS-C CMOS sensor developed by Samsung to provide high-quality images with rich color and details in 3-inch AMOLED display.

In addition, we garnered top reviews for our unique compact camera MY900T with a rotating flip-up touch screen and for the QF20-Wi-Fi camcorder with a switch grip feature that permits shooting with either hand.

In 2013, we will build on our advances in digital imaging by launching new products with excellent picture quality, great optical performance and convenient user interfaces to reinforce our leadership in SMART camera market, including new NX and GALAXY Camera series.



02



03

IT & Mobile Communications

INNOVATION

Samsung Electronics is creating a culture of infinite possibilities that enriches lives and amazes the world. The deep trust and commitment of our customers drives our continuous efforts to lead change and innovation.

BUSINESS OVERVIEW

NETWORKS BUSINESS

Providing next-generation network infrastructure and solutions with outstanding technology and successful experience



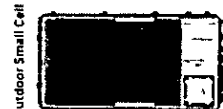
Smart Scheduler™



Indoor Small Cell



Macrocell



Outdoor Small Cell



CPU



Top Ratio of Contributions to Global LTE Patents in 2012
Contributions for 117* LTE patents
Source: Samsung 2014

Samsung Electronics is a trailblazing provider of telecommunications infrastructure, including wireless and enterprise network systems. In 2012, we made giant strides in the market for LTE (Long-Term Evolution) infrastructure with large-scale commercial LTE network deployments in the most active LTE markets. We contributed to building a nationwide LTE network in Korea, deployed LTE service commercialization in the U.S. and Japan, and established the world's first commercial TD-LTE network in Saudi Arabia. In addition, we achieved recognition in the GSM-based EU market by earning

the contract to provide a LTE service network for the United Kingdom.

In 2013, we expect the commercialization of LTE service to be expanded to Europe, South America and Asia. We are actively identifying new markets based on successful LTE commercialization in advanced markets, such as the U.S., Japan and Korea. We also plan to develop and provide solutions in established markets to generate value for telecommunications providers and subscribers, including with such services as VoLTE (Voice over LTE) for high quality voice calling and Carrier Aggregation to double speeds for data transmission.

01 Smart LTE Networks™

The LTE base station handles large capacity mobile data traffic more efficiently by flexible use of resources depending on network conditions.

02 Wireless Enterprise Solutions

An integrated solution to create a more comfortable and efficient office environment with Wireless LAN communications systems for enterprise customers.



02

IT & Mobile Communications

INNOVATION

Samsung Electronics is creating a culture of infinite possibilities that enriches lives and amazes the world. The deep trust and commitment of our customers drives our continuous efforts to lead change and innovation.

DIGITAL IMAGING BUSINESS

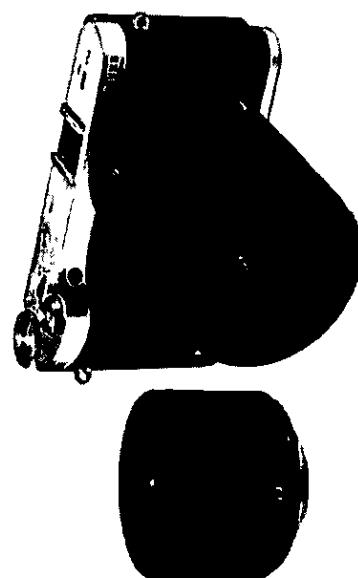
Introducing the next big thing in digital imaging and the innovative SMART cameras that lead the trends

As digital devices evolve, the way of mobile communication is rapidly shifting from simple voice calls and text messaging to image-based interactions. Ushering in a new era of image communications and a new category in the digital camera market, Samsung Electronics pioneered the world's first SMART camera in 2012, anticipating rising interest in enjoying, editing and instant sharing of images after shooting. We released GALAXY Camera, GALAXY Camera is an innovative camera that features Android OS, 3G/LTE network capabilities and a generous 4.8-inch HD display; the camera was hailed for originating new trends in digital imaging devices.

We also launched three NX series cameras, including NX20 with 20.3-megapixel APS-C CMOS sensor, developed by Samsung to provide high-quality images with rich color and details in 3-inch AMOLED display.

In addition, we garnered top reviews for our unique compact MV900 Mirror Pop camera with a rotating flip-up touch screen and for the QZ20 Wi-Fi camcorder with a switch-grip feature that permits shooting with either hand.

In 2013, we will build on our advances in digital imaging by launching new products with excellent picture quality, great optical performance and convenient user interfaces to reinforce our leadership in SMART camera market, including new NX and GALAXY Camera series.

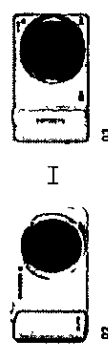


01
NX300

An interchangeable lens SMART Compact System camera with 20.3-megapixel APS-C CMOS sensor, Fast Hybrid AF, a Focus Lock system and AutoShare, which can simultaneously shoot and send photos to other digital devices.



Source: ITR Research, Q4 2012 sales revenue



02
GC100

GALAXY Camera features 21x optical zoom, 16.3-megapixel BSI CMOS sensor, 4.8-inch HD display, Android OS platform and 3G/LTE network.

03
WB250F

24mm wide-angle lens with 18x optical zoom and upgraded SMART Camera 2.0 features, including Remote Viewfinder and AutoShare to connect with smartphone or tablet and automatically back up images and videos.

IT & Mobile Communications

"Passion gives us essential energy for life. With passion, we're not so excited by success or frustrated by difficulties. The thing we must fear most is not failure after doing our best but the unwillingness to begin at all."

INNOVATION

Samsung Electronics is creating a culture of infinite possibilities that enriches lives and amazes the world. The deep trust and commitment of our customers drives our continuous efforts to lead change and innovation.



Device Solutions

POSSIBILITY

Our future is yet to be determined. We can't assume tomorrow's premise. We must shape it with our vision and effort. Samsung Electronics proposes the possibility of a positive future for us all.

DS

Device Solutions



Memory
Business



System LSI
Business



LED
Business

Samsung Electronics is expanding its market leadership in the memory business by demonstrating superior technology and dramatic cost savings. That is generating exciting prospects. We are expanding our highly profitable differentiated products, mainly for mobile devices, and accelerating process conversion while also focusing on developing next-generation products. Supported by increased demand for AP and CIS sensors, our System LSI business showed strong growth and cost leadership, allowing us to launch next-generation products more quickly.

Device Solutions

POSSIBILITY

Our future is yet to be determined. We can't assume tomorrow's premise. We must shape it with our vision and effort. Samsung Electronics prepares the possibility of a positive future for us all.

BUSINESS
OVERVIEW

MEMORY BUSINESS

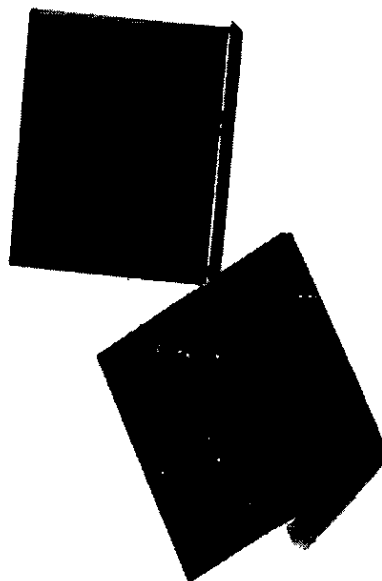
Creating an easier world through cutting-edge green memory with the world's highest performance

The undisputed leader in advanced memory technology since 1993, Samsung Electronics pioneered the green IT market throughout the computer and mobile era. From the 40 nanometer class green DDR3 in 2009 to the 20-nanometer class green DDR3 and green SSD, Solid State Drive in 2012, we have been launching differentiated green memory products and solutions every year.

Based on our green memory products with outstanding energy efficiency, on-time introduction of green IT systems resulted in significant achievements helping global companies improve their IT investment efficiency, expanding the premium memory market and

consistently increasing global market share. As we continue to lead the trends in the rapidly developing IT industry in 2013, Samsung will expand markets for both high-efficiency green memory with ultimate performance and smart memory tailored to maximize customer convenience, utilizing our optimized systems, solutions and software, or "3S Innovation Technology."

With increasingly convenient and eco-friendly next generation memory products and solutions, Samsung Electronics will pioneer the green IT era by creating deeper customer value and conserving our environment.



01 2GB LPDDR3 DRAM 128GB eMMC
Mobile DRAM and memory storage suitable for cutting-edge mobile devices with the world's highest performance and largest capacity.



Global DRAM
Market Share



Global NAND Flash Memory
Market Share

*Source: IHS iSuppli and Samsung Electronics



02

02 800GB SSD 44GB DDR3 DRAM
Highly efficient enterprise SSD and server DRAM with the world's highest performance and large capacity.



03

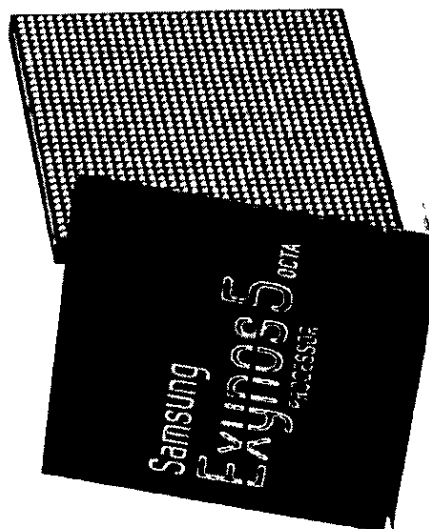
03 SSD 840 Series
High quality computer SSD with the world's highest performance and stability.

Device Solutions

BUSINESS
OVERVIEW

SYSTEM LSI BUSINESS

Leading innovation in electronic devices
with competitive R&D and trailblazing
process technology



01
Exynos 5 Octa
Industry's first eight core mobile AP that consists of four high performance ARM Cortex™ A15 cores and four low power ARM Cortex™ M4 cores

POSSIBILITY

Our future is yet to be determined. We can't assume tomorrow's premise. We must shape it with our vision and effort. Samsung Electronics progresses the possibility of a positive future for us all.

02
13 Megapixel CMOS Image Sensor

112 micron pixel
LED image sensor for
mobile phones that
represents sharp
images in low light
environments

03
14 Nanometer FinFET Process

Cutting edge process
technology that enhances
performance and reduces
power consumption
utilizing three-dimensional
cell structures



Source: Strategy Analytics, "Global Mobile AP Market Share in 2012" and "Global Mobile CMOS Market Share in 2012"

Source: Strategy Analytics, "Global Mobile AP Market Share in 2012"

Owing to continual R&D and reinforced competitiveness, Samsung Electronics is ranked No. 1 in market share for standalone mobile APs for smartphones. CMOS image sensors for mobile cameras, display driver ICs and smart card ICs. With increasing demand for mobile devices, we have been recording an average annual sales growth of 30 percent since 2009, solidifying our leading position in the system semiconductor business.

We pioneered component innovation in mobile APs with the development of Exynos 5 Octa that supports the optimal computing environment by combining ultimate processing power and energy efficiency. We also successfully acquired Nanoradio and CSR

strengthening technological competitiveness of the Exynos family and laying the groundwork to enter the wireless connectivity market. In addition, we established a sound ecosystem with our EDA partners and IP companies to strengthen leadership of our process technology to build an infrastructure for cutting-edge 14 nanometer FinFET process.

In 2013, we plan to increase sales of our core products and expand our high value product lineups to secure our position in the mobile industry. As a global system semiconductor company with product leadership and process technology prowess, we will continue to grow alongside our customers.

Device Solutions

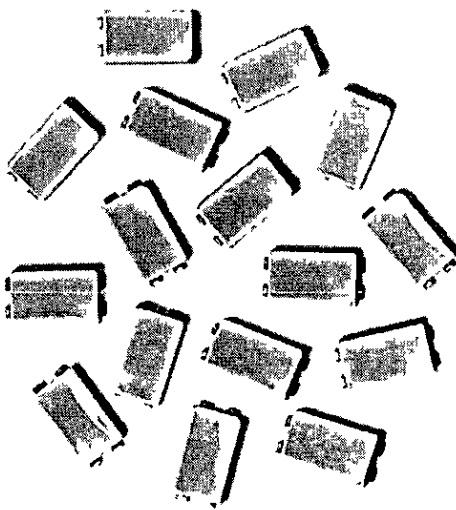
POSSIBILITY

Our future is yet to be determined. We can't assume tomorrow's premise. We must shape it with our vision and effort. Samsung Electronics prepares the possibility of a positive future for us all.

BUSINESS OVERVIEW

LED BUSINESS

Continuous eco-friendly, next-generation technology excellence and leadership in light sources in the LED industry



01
LM531B

The most advanced middle power LED package that is the best solution for most LED lighting applications. Features the industry's highest light efficacy of 160lm/W (5000K CCT) and a color rating of over 80 CRI.



2nd in Global LED Package Market Share in 2013
Source: Strategy Analytics

01

Harnessing the past three decades of know-how in semiconductor technology and manufacturing excellence, Samsung Electronics has developed the world's best eco-friendly LED lighting solutions that include LED packages, LED display modules, LED light engines and LED retrofit lamps. We launched a new series of product portfolios that offer a range of energy savings, brightness levels and price points to meet the needs of all consumers who desire energy-efficient lighting, from the most performance-oriented to the most value-conscious. In addition to their high performance, our LED products have also been recognized for their brilliant design. We have received prestigious awards for our LED lamp and package

designs including the Japan Institute of Design Promotion's Good Design Award 2012 and the iF Design Award 2013 in Germany.

Worldwide environmental regulation is becoming more exacting as concerns regarding the environment and energy consumption rise, and the rapidly growing LED lighting market reflects this trend. In 2013, we will focus our efforts to satisfy the expanding market needs and increasing consumer demand by launching additional new product lineups, including LED packages and lighting solutions. While retaining our leadership in LED light sources in the display industry, we will strengthen our product competitiveness in LED lighting to become the most preferred LED solutions provider.



03



02

03
FH411A

Ultra-integrated flip LED which enables high-quality photos to be taken under low-light environments and features intense light output, high efficacy and excellent color rendering.

02
LM351A

A 3-watt class high-power LED package with high efficiency, high brightness and superior heat radiation, which is suitable for LED lighting applications that require high light output.

Device Solutions

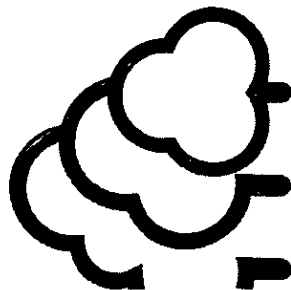
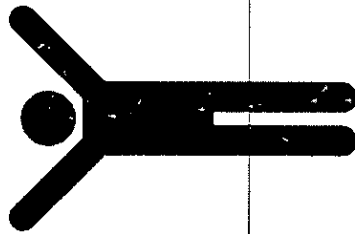
"You help me to dream
and brighten my every
possibility. You recognize
who I am and understand
what I want now and
where I want to go next.
I think that must be love."

POSSIBILITY

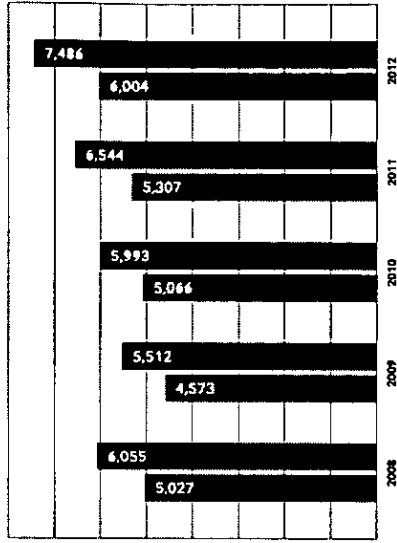
Our future is yet to be determined. We can't assume tomorrow's promise.
We must shape it with our vision and effort. Samsung Electronics proposes
the possibility of a positive future for us all.



Protecting the
global environment
continues to be
our top priority for
sustainable growth



Greenhouse Gas Emissions
Unit: 1,000 mt CO₂-eq



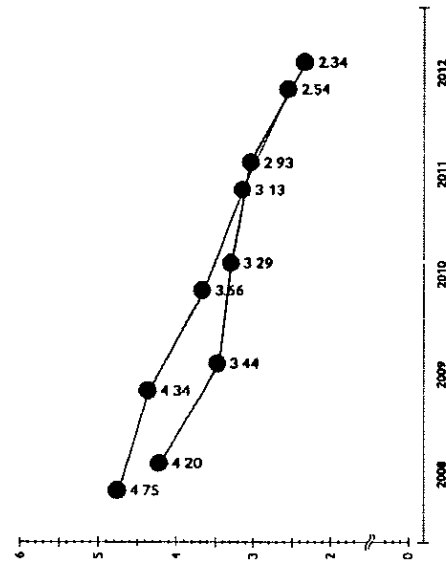
Emissions for 2011 have been revised due to the impact of the LCD business and merger of Samsung LED in 2012.

Samsung Electronics is committed to PlanetFirst, which sums up our mindset and fundamental approach to balancing cutting edge technology and a greener way of life. At the Green Management Initiative in 2009, we announced Eco-Management 2013 to establish green management goals for significantly reducing greenhouse gases and launching eco-friendly products.

We are creating new value through Eco-Innovation and green management throughout our entire product lifecycle, from production to consumption. In 2012, we reduced greenhouse gas emissions by up to 44% over 2008, based on sales by adopting greenhouse gas reduction systems and energy savings at our global complexes. In product development, we improved energy efficiency by an average 30% over 2008 in our refrigerators, washers, air conditioners, TVs, monitors, printers, mobile phones and more. As a result, we reduced greenhouse gas emissions for product usage by as much as an accumulated 58.34 million tons from 2009 through 2012.

Looking forward, we will continue our efforts to respect the planet and build the future we all envision by creating new value with our eco-friendly innovations.

Greenhouse Gas Emissions Intensity
Unit: Tons CO₂-eq / \$RW 100 million (Reflecting Price Index)



We remain thankful and grateful for the innovative technology that helps us discover and share the joy of each day. We are unleashing the passion and energy that generates new possibilities for the future. That's how we nurture the next generation. Samsung Electronics will never cease to take on challenges -- for all of us here today and for all those who will come tomorrow. We are dedicated to creating value that society shares. By experiencing the rich opportunities of today and the limitless possibilities of tomorrow, we all become part of the Samsung Electronics story.

Financial Statements

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company") which comprise the consolidated statements of financial position as of December 31, 2012, December 31, 2011, and January 1, 2011, the related consolidated statements of income, comprehensive income, changes in equity and cash flow for the years ended December 31, 2012 and 2011, and the related notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain subsidiaries, whose financial statements represent 7.2% and 7.6% of the consolidated total assets as of December 31, 2012 and 2011, respectively, and 22.1% and 20.4% of the consolidated total sales for the year then ended, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Samsung Electronics Co., Ltd. and its subsidiaries as of December 31, 2012, December 31, 2011, and January 1, 2011, and their financial performance and cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea.

Samil PricewaterhouseCoopers
Seoul, Korea
February 1, 2013

This report is effective as of February 1, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Samsung Electronics Co., Ltd. and its subsidiaries

	Notes	In millions of Korean won, in thousands of U.S. dollars (Note 2, 200)			
		December 31, 2012	December 31, 2011	December 31, 2011	January 1, 2011
		KRW	KRW	USD	USD
Assets					
Current Assets					
Cash and cash equivalents	4, 6, 7	18,791,460	14,691,761	17,544,016	13,716,517
Short-term financial instruments	5, 6, 7	17,897,937	11,519,905	16,243,056	10,764,546
Available-for-sale financial assets	6, 9	1,258,874	655,969	1,175,309	617,426
Trade and other receivables	6, 7, 10	26,674,596	24,153,028	24,903,927	22,549,741
Advances		1,674,428	1,438,288	1,563,779	1,340,947
Prepaid expenses		2,262,224	2,279,463	2,112,066	2,174,822
Inventories	11	17,747,413	15,716,715	13,864,524	14,673,434
Other current assets	6	1,462,075	988,934	1,365,923	923,288
Total current assets		87,269,017	71,502,063	81,476,069	66,758,731
Non-current assets					
Available-for-sale financial assets	6, 9	5,229,175	3,223,598	3,040,206	3,009,614
Associates and joint ventures	12	8,785,489	9,204,169	8,325,290	8,202,305
Property, plant and equipment	13	68,484,743	62,040,951	52,864,594	63,938,701
Intangible assets	14	3,729,705	3,353,256	2,779,439	3,482,726
Deposits	6	814,693	791,863	655,662	760,613
Long-term prepaid expenses		3,515,479	3,454,205	3,344,572	3,282,120
Deferred income tax assets	29	2,516,080	1,783,086	1,144,068	2,340,062
Other non-current assets	6	727,185	442,092	442,393	679,919
Total assets		181,071,570	153,800,263	169,051,975	145,458,186

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

	Notes	In millions of Korean won, in thousands of U.S. dollars (Note 2, 200)			
		December 31, 2012	December 31, 2011	December 31, 2011	January 1, 2011
		KRW	KRW	USD	USD
Liabilities and Equity					
Current Liabilities					
Trade and other payables	6	16,889,350	18,509,490	15,768,229	17,280,823
Short-term borrowings	1, 6, 15	8,443,752	9,653,722	8,429,721	9,013,904
Advances received		1,517,672	1,450,733	883,585	1,354,433
Withholdings		966,374	1,715,070	1,093,555	1,601,223
Accrued expenses	6	9,495,156	7,823,728	7,702,427	8,854,864
Income tax payable		3,222,934	1,762,798	2,051,482	3,008,994
Current portion of long-term borrowings and debentures	1, 6, 15, 16	999,010	30,292	1,123,934	932,695
Provisions	1, 18	5,054,853	3,514,516	2,917,919	4,719,310
Other current liabilities	6	340,951	358,645	333,328	321,120
Total current liabilities		46,933,052	44,319,014	39,944,721	43,817,619
Non-current liabilities					
Long-term trade and other payables	6	1,162,881	1,024,804	1,072,601	1,088,489
Debentures	6, 16	1,829,374	1,280,124	387,338	1,707,940
Long-term borrowings	6, 15	3,623,028	3,682,472	634,381	3,382,530
Retirement benefit liabilities	17	1,729,939	1,119,188	823,486	1,015,105
Deferred income tax liabilities	29	3,429,467	2,333,442	1,619,523	3,201,818
Provisions	1, 18	408,539	363,223	295,357	381,411
Other non-current liabilities	6	472,094	364,366	154,700	440,757
Total liabilities		59,591,244	54,486,623	45,131,167	55,635,649
Equity attributable to owners of the parent					
Preferred stock	20	119,467	119,467	119,467	111,537
Common stock	20	778,047	778,047	778,047	726,400
Share premium	20	4,403,893	4,403,893	4,403,893	4,111,561
Retained earnings	21	119,985,689	97,622,872	85,071,444	112,020,996
Other components of equity	23	(8,193,046)	(5,832,890)	(4,931,290)	(7,649,183)
Non-controlling interests		4,384,154	4,223,267	3,738,075	3,494,997
Total equity		121,480,206	109,313,640	89,177,636	113,416,306
Total liabilities and equity		181,071,570	153,800,263	169,051,975	145,458,186

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

CONSOLIDATED STATEMENTS OF INCOME

Samsung Electronics Co., Ltd. and its subsidiaries

Notes	For the year ended December 31			
	2012	2011	2012	2011
	KRW	KRW	USD	USD
Revenue	201,102,613	165,001,771	187,154,263	154,048,895
Cost of sales	126,451,891	112,143,120	118,244,730	104,700,887
Gross profit	74,650,722	52,858,651	69,909,533	49,348,008
Selling, general and administrative expenses	45,402,344	37,212,260	42,888,570	34,742,191
Operating profit	29,248,378	15,646,391	27,020,963	14,605,817
Other non-operating income	1,532,969	2,251,019	1,449,907	2,107,596
Other non-operating expense	1,574,075	1,612,090	1,471,408	1,505,639
Share of profit or loss of associates and joint ventures	986,611	1,399,184	921,119	1,300,315
Finance income	7,836,554	7,403,525	7,316,361	6,912,076
Finance expense	7,934,450	7,893,421	7,407,758	7,369,453
Profit before income tax	29,913,017	17,161,818	27,929,248	16,050,712
Income tax expense	6,069,732	3,432,875	5,606,872	3,204,999
Profit for the year	23,843,285	13,728,943	22,322,376	12,845,713
Profit attributable to owners of the parent	23,843,285	13,728,943	22,322,376	12,845,713
Profit attributable to non-controlling interests	559,910	376,308	516,104	351,413
Earnings per share for profit attributable to the owners of the parent				
Basic (in Korean won and US dollars)	154,070	69,229	143,80	83,31
Diluted (in Korean won and US dollars)	153,950	69,146	143,73	83,22

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Samsung Electronics Co., Ltd. and its subsidiaries

Notes	For the year ended December 31			
	2012	2011	2012	2011
	KRW	KRW	USD	USD
Profit for the year	23,843,285	13,728,943	22,322,376	12,845,713
Items not to be reclassified subsequently to profit or loss				
Remeasurement effect of employee benefit, net of tax	(504,120)	(385,214)	(470,650)	(359,643)
Items to be reclassified subsequently to profit or loss				
Changes in value of available-for-sale financial assets, net of tax	962,184	(572,078)	898,314	(534,057)
Share of associates and joint ventures, net of tax	(350,493)	(113,898)	(327,220)	(106,337)
Foreign currency translation, net of tax	(1,824,633)	183,655	(1,703,572)	171,463
Consolidated comprehensive income	22,128,205	12,871,558	20,649,327	12,817,189
Consolidated comprehensive income attributable to owners of the parent	21,993,343	12,439,116	20,072,209	11,613,403
Non-controlling interests	628,862	432,442	587,118	403,786

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Samsung Electronics Co., Ltd. and its subsidiaries

2011 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other attributable reserves to owners of the parent	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	(4,726,308)	85,589,559	3,759,532	89,349,091
Cumulative effect of change in accounting policy	2	-	-	-	56,894	(304,892)	(247,998)	(23,457)	(171,453)
Revised balance at January 1, 2011		119,467	778,047	4,403,893	85,071,444	(4,931,200)	85,441,361	3,736,075	89,177,636
Profit for the year		-	-	-	13,382,645	-	13,382,645	376,399	13,759,044
Available-for-sale financial assets, net of tax	9, 23	-	-	-	-	(567,180)	(567,180)	(4,842)	(572,022)
Share of associates and joint ventures, net of tax	12	-	-	-	(113,898)	(113,898)	-	(113,898)	-
Foreign currency translation, net of tax	-	-	-	-	122,434	122,434	60,221	183,655	-
Remeasurement effect of employee benefit, net of tax	17	-	-	-	(385,879)	(385,879)	645	(385,234)	-
Total comprehensive income		-	-	-	13,382,645	(843,299)	12,439,346	432,442	12,871,558
Dividends	22	-	-	-	(824,478)	-	(824,478)	(156,386)	(980,864)
Capital transaction under common control	-	-	-	-	(108,840)	(108,840)	78,155	(30,685)	-
Effect of business combination	-	-	-	-	288,773	288,773	131,564	420,337	-
Disposal of treasury stock	23	-	-	-	-	-	-	-	-
Stock option activities	24	-	-	-	(71,000)	(71,000)	(71,000)	(71,000)	-
Others	-	-	-	-	(6,739)	(6,739)	(77,741)	1,399	(77,342)
Total transactions with owners		-	-	-	(831,217)	40,923	(796,294)	54,730	(735,560)
Balance at December 31, 2011		119,467	778,047	4,403,893	97,122,872	(5,833,894)	97,090,383	4,222,247	101,313,630

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

2011 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other attributable reserves to owners of the parent	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2011		111,537	726,400	4,111,561	79,271,254	(4,412,658)	79,908,094	3,559,972	83,418,068
Cumulative effect of change in accounting policy	2	-	-	-	53,117	(191,291)	(138,174)	(21,909)	(146,074)
Revised balance at January 1, 2011		111,537	726,400	4,111,561	79,324,371	(4,603,949)	79,769,920	3,488,072	83,257,992
Profit for the year		-	-	-	12,494,300	-	12,494,300	351,413	12,845,713
Available-for-sale financial assets, net of tax	9, 23	-	-	-	-	(529,536)	(529,536)	(4,521)	(534,057)
Share of associates and joint ventures, net of tax	12	-	-	-	(106,337)	(106,337)	-	(106,337)	-
Foreign currency translation, net of tax	-	-	-	-	115,240	115,240	56,224	171,464	-
Remeasurement effect of employee benefit, net of tax	17	-	-	-	(380,764)	(380,764)	621	(379,643)	-
Total comprehensive income		-	-	-	12,494,300	(880,897)	11,613,403	403,787	12,017,190
Dividends	22	-	-	-	(769,749)	-	(769,749)	(146,007)	(915,756)
Capital transaction under common control	-	-	-	-	(101,615)	(101,615)	72,967	(28,648)	-
Effect of business combination	-	-	-	-	269,604	269,604	269,604	269,604	-
Disposal of treasury stock	23	-	-	-	-	-	-	-	-
Stock option activities	24	-	-	-	(68,162)	(68,162)	(68,162)	(68,162)	-
Others	-	-	-	-	(6,292)	(6,292)	(67,912)	1,306	(66,608)
Total transactions with owners		-	-	-	(778,041)	38,207	(737,834)	51,097	(684,737)
Balance at December 31, 2011		111,537	726,400	4,111,561	91,142,690	(5,444,590)	90,445,889	3,942,906	94,388,395

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

CONSOLIDATE STATEMENTS OF CASH FLOWS

Samsung Electronics Co., Ltd. and its subsidiaries

	Notes	For the year ended December 31		
		2012	2011	2010
		KRW	KRW	USD
Cash flows from operating activities				
Profit for the year		22,845,785	13,759,043	22,282,426
Adjustments	31	22,759,559	16,450,029	15,358,630
Changes in operating assets and liabilities	31	(5,777,940)	4,057,343	(5,394,400)
Cash flows from operating activities		40,827,404	28,152,327	24,416,716
Interest received		789,397	755,859	705,685
Interest paid		(576,379)	(641,442)	(598,842)
Dividends received		1,112,940	828,835	1,009,603
Income tax paid		(4,180,049)	3,977,400	(3,717,383)
Net cash generated from operating activities		37,973,400	22,917,800	21,386,403
Cash flows from investing activities				
Net decrease (increase) in short-term financial instruments		(5,945,012)	75,666	(5,569,032)
Net decrease (increase) in short-term available-for-sale financial assets		(609,072)	518,479	(549,659)
Proceeds from disposal of long-term available-for-sale financial assets		106,208	415,096	99,158
Acquisition of long-term available-for-sale financial assets		(8,920,489)	(419,678)	(8,814,482)
Proceeds from disposal of associates and joint ventures		41,091	300,804	38,363
Acquisition of associates and joint ventures		(279,023)	(403,538)	(260,500)
Disposal of property and equipment		64,632	319,878	401,309
Purchases of property and equipment		(2,965,271)	(21,965,678)	(21,440,638)
Disposal of intangible assets		61,497	9,703	9,659
Purchases of intangible assets		(650,884)	663,678	(607,678)
Proceeds from deposits		313,043	461,454	292,263
Payment for deposits		(247,740)	(534,067)	(234,662)
Cash outflows from business combination		(644,279)	(522,740)	(433,460)
Cash inflows from disposal of business		-	925,454	864,022
Others		(355,370)	364,281	(331,733)
Net cash used in investing activities		(31,321,554)	(21,112,544)	(29,242,418)
Cash flows from financing activities				
Net (payment) proceeds from short-term borrowings		(800,579)	977,315	(747,438)
Disposal of treasury stock		88,373	160,827	82,600
Proceeds from long-term borrowings and securities		1,862,356	3,931,408	1,738,338
Repayment of long-term borrowings and debentures		(527,899)	(1,145,167)	(448,189)
Payment of dividends		(1,265,137)	(974,608)	(1,181,157)
Net increase (decrease) in non-controlling interests		(1,200,134)	363,417	(1,120,468)
Others		(25,488)	(27,743)	(27,713)
Net cash provided by (used in) financing activities		(1,844,500)	3,109,729	(1,740,741)
Effect of exchange rate changes on cash and cash equivalents		(387,048)	(14,724)	(341,442)
Net increase (decrease) in cash and cash equivalents		4,098,499	4,900,342	3,827,559
Cash and cash equivalents		-	-	-
Beginning of the year		14,691,761	9,791,419	13,716,537
End of the year		18,791,460	14,691,761	17,544,076

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

(In millions of Korean won)

2012 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other attributable reserves to owners of the parent	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2012		119,487	778,047	4,403,893	97,622,872	5,833,490	97,090,383	4,223,247	101,313,630
Profit for the year		-	-	-	23,185,375	659,910	659,910	23,843,285	
Available-for-sale financial assets, net of tax	9, 23	-	-	-	940,688	960,688	1,496	942,184	
Share of associates and joint ventures, net of tax	12	-	-	-	(340,091)	(350,491)	-	(350,491)	
Foreign currency translation, net of tax	-	-	-	-	(1,789,877)	Q4 770	(1,824,653)		
Remeasurement effect of employee benefit	17	-	-	-	(506,351)	(506,351)	2,231	(504,120)	
Total comprehensive income		-	-	-	23,185,375	(1,646,001)	21,499,344	628,841	22,128,205
Dividends	22	-	-	-	(827,501)	(827,501)	(827,501)	(827,501)	
Capital transaction under common control		-	-	-	(1,089,833)	(1,089,833)	(1,089,833)	(1,089,833)	
Effect of business combination		-	-	-	12,844	12,844	12,844	12,844	
Disposal of treasury stock	23	-	-	-	455,377	455,377	455,377	455,377	
Stock option activities	24	-	-	-	(3,070)	(3,070)	(3,070)	(3,070)	
Others		-	-	-	4,943	5,980	(645)	(771)	
Total transactions with owners		-	-	-	(822,550)	(822,550)	(822,550)	(822,550)	
Balance at December 31, 2012		119,487	778,047	4,403,893	119,985,487	117,094,032	4,388,154	121,480,206	

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

(In thousands of U.S. dollars) (Note 2.28)

2012 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other attributable reserves to owners of the parent	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance at January 1, 2012		111,537	726,400	4,111,561	91,142,630	5,446,039	90,645,489	3,942,906	94,588,395
Profit for the year		-	-	-	21,646,222	616,104	616,104	22,262,426	
Available-for-sale financial assets, net of tax	9, 23	-	-	-	896,917	896,917	1,397	898,314	
Share of associates and joint ventures, net of tax	12	-	-	-	(327,723)	(327,723)	-	(327,723)	
Foreign currency translation, net of tax	-	-	-	-	(1,671,064)	(1,671,064)	(2,440)	(1,703,532)	
Remeasurement effect of employee benefit	17	-	-	-	(472,739)	(472,739)	2,083	(470,656)	
Total comprehensive income		-	-	-	21,646,222	(1,574,115)	587,116	20,659,227	
Dividends	22	-	-	-	(772,571)	(772,571)	(772,571)	(772,571)	
Capital transaction under common control		-	-	-	(1,017,491)	(1,017,491)	(7,460)	(1,114,952)	
Effect of business combination		-	-	-	11,991	11,991	11,991	11,991	
Disposal of treasury stock	23	-	-	-	425,149	425,149	425,149	425,149	
Stock option activities	24	-	-	-	(3,070)	(3,070)	(3,070)	(3,070)	
Others		-	-	-	4,615	5,210	(602)	(720)	
Total transactions with owners		-	-	-	(717,856)	(717,856)	(1,394,381)	(1,394,381)	
Balance at December 31, 2012		111,537	726,400	4,111,561	119,200,916	119,221,309	4,094,997	112,410,306	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Samsung Electronics Co., Ltd. and Subsidiaries

1 General Information

1.1 Company Overview

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

SECC 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 IT (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 businesses. 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. SECC, as the controlling company, consolidates its 165 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.

Area	Subsidiaries	Industry	Percentage of ownership (%)
Domestic	World Cyber Games	Cyber games match making	99.9
	High Pioneer Private Investment Trust #1	Technology business venture capital investments	100.0
	Samsung Display (SDO)	Manufacture and sales of LCD	84.8
	SU Materials	Manufacture of electronic devices	50.0
	STECO	Manufacture of semiconductor components	51.0
	SEMES	Manufacture of semiconductor/FPD	90.3
	SECCON	Semiconductor equipments	93.1
	Samsung Electronics Service	Repair service for electronic devices	99.3
	Living Plaza	Sale of consumer electronics	100.0
	Samsung Electronics Logistics	General logistics agency	100.0
	Samsung Electronics Football Club	Sponsoring of sports team and games	100.0
	GES	Semiconductor equipments	100.0
	Samsung Medison	Medical equipments	68.5
	Ray	Dental CT	68.1
	Samsung Venture Capital Union #6	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #14	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #20	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #21	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #22	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #23	Technology business venture capital investments	99.0

(*) Ownership represents the Company's ownership of the voting right in each entity

Area	Subsidiaries	Industry	Percentage of ownership (%)
America	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	NeuroRx Merid	Medical equipments	100.0
	Samsung Bioelectronics (SBO)	Credit managements	100.0
	Samsung Semiconductor (SSD)	Sale of electronic devices	100.0
	Samsung Electronics Canada (SECA)	Sale of electronic devices	100.0
	Samsung Information Systems America (SISA)	R&D	100.0
	Grands	R&D	100.0
	Insight	Software	100.0
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0
	Samsung International (SID)	Manufacture of CTV	100.0
	Samsung Telecommunications America (STA)	Sales of communication equipment	100.0
	Samsung Austin Semiconductor (SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico (SEM)	Manufacture and sales of electronic devices	100.0
	SEMES America (SEMEAS)	Semiconductor equipments	100.0
	Samsung Electronics Corporate (SEC)	Consulting	95.2
	Samsung Electronics Digital Appliance Mexico (SEDAM)	Consulting	95.2
	Samsung Electronics Latinoamérica Miami (SEMI)	Sale of electronic devices	100.0
	Nivelo	Software	100.0
	Neuron Sub	Medical equipments	100.0
	Samsung Medison America (SMAS)	Medical equipments	100.0
America	Samsung Electronics Latinoamérica (SEL)	Sale of electronic devices	100.0
	Samsung Electronics Venezuela (SEVEN)	Marketing and services	100.0
	Samsung Electronics Colombia (SAMCO)	Sale of electronic devices	100.0
	Samsung Electronics Panama (SEPN)	Consulting	100.0
	Samsung Electronics de Argentina (SEDA)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics Argentina (SEASA)	Marketing and services	100.0
	Samsung Electronics Chile (SECH)	Sale of electronic devices	100.0
	Samsung Electronics Peru (SEPP)	Sale of electronic devices	100.0
	Samsung Medison Brasil (GMBR)	Medical equipments	100.0
	Delapoint Cardiac Diagnostics (Delapoint)	Medical equipments	100.0

(*) Ownership represents the Company's ownership of the voting right in each entity

Area	Subsidiaries	Industry	Percentage of ownership (%)
Europe	Samsung Electronics (UK) (SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding (SEPH)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH (SESD)	Sale of semiconductor and LCD	100.0
	Samsung Electronics GmbH (SEGA)	Sale of electronic devices	100.0
	Samsung Electronics Iberia (SEIA)	Sale of electronic devices	100.0
	Samsung Electronics France (SEF)	Sale and marketing of electronic devices	100.0
	Samsung Electronics Hungary (SEH)	Manufacture and sales of electronic devices	100.0
	Samsung Electronics Czech and Slovak (SECS)	Sale of electronic devices	100.0
	Samsung Electronics Italia (SEI)	Sale of electronic devices	100.0
	Samsung Electronics Europe Logistics (SEEL)	Logistics	100.0
	Samsung Electronics Benelux (SEBN)	Sale of electronic devices	100.0
	Samsung Display Slovakia (SDSK)	Full processing of LCD	100.0
	Samsung Electronics Romania (SEROM)	Sale of electronic devices	100.0
	Samsung Electronics Overseas (SEOV)	Sale of electronic devices	100.0
	Samsung Electronics Polska (SEPOL)	Sale of electronic devices	100.0
	Samsung Electronics Portugal (SEPT)	Sale of electronic devices	100.0
	Samsung Electronics Nordic (SENA)	Sale of electronic devices	100.0
	Samsung Semiconductor Europe (SESE)	Sale of semiconductor and LCD	100.0
	Samsung Electronics Austria (SEAO)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia (SESK)	Manufacture of TV/monitor	100.0
	Samsung Electronics European Holding (SEEH)	Holding Company	100.0
	Samsung Electronics Poland Manufacturing (SEPM)	Manufacture of home appliances	100.0
	Samsung Electronics Greece (SEGR)	Sale of electronic devices	100.0
	Samsung LCD Netherlands B&D Center (SLNB)	R&D	100.0

(*) Ownership represents the Company's ownership of the voting right in each entity

Area	Subsidiaries	Industry	Percentage of ownership (%)
Europe (Cont.)	Samsung LCD Netherlands R&D Center UK (SLNR UK)	R&D	100.0
	Samsung Netherlands Design Center (SND)	R&D	100.0
	Nationaldo Hellas	R&D	100.0
	General IP Modules	R&D	100.0
	Sonolize Deutschland GmbH	Medical equipments	100.0
	Samsung Medison Italia (SMIT)	Medical equipments	100.0
	Samsung Medison France (SMFR)	Medical equipments	100.0
	Samsung Medison Europe (SMLE)	Medical equipments	100.0
	Managor Biocommunications (Managor)	Medical equipments	60.0
	Samsung Electronics Rus OJSC	Marketing	100.0
	Samsung Electronics Rus Company (SERC)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine (SEU)	Marketing	100.0
	Samsung Electronics Belarus (SEB)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine Company (SEUC)	Sale of electronic devices	100.0
	Samsung Moscow Research Center (SMRC)	R&D	100.0
	Samsung Electronics Kazakhstan (SEN)	Marketing	100.0
	Samsung Electronics KZ and Central Asia (SEKZ)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga (SEKR)	Manufacture of CTV	100.0
	Samsung Russia Service Center (SRSC)	Services	100.0
	Samsung Oseto-Electronics GmbH (SOEG)	Sale of electronic devices	100.0
	Samsung Electronics Limited (SEL)	Holding Company	100.0
	Samsung Telecoms UK (STUK)	Sale of electronic devices	100.0
	Samsung Denmark Research Center (SDRC)	R&D	100.0
	Samsung France Research Center (SFRC)	R&D	100.0
	Samsung Cambridge Solution Centre (SCSC)	R&D	100.0
	Samsung Electronics West Africa (SEWA)	Marketing	100.0
	Samsung Electronics East Africa (SEEA)	Marketing	100.0
	Samsung Gulf Electronics (SGE)	Sale of electronic devices	100.0
	Samsung Electronics Egypt (SEEG)	Manufacture of CTV Monitor	100.0
	Samsung Electronics Israel (SEIL)	Marketing	100.0
Middle East and Africa	Samsung Electronics Tunisia (SETN)	Marketing	100.0
	Samsung Electronics Pakistan (SEPM)	Marketing	100.0
	Samsung Electronics South Africa (SESA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale and Marketing of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0
	Samsung Electronics Morocco (SEMR)	Sale of electronic devices	100.0

(*) Ownership represents the Company's ownership of the voting right in each entity

Area	Subsidiaries	Industry	Percentage of ownership (%)
China	Samsung Display Dongguan (SDDG)	Manufacture of TFT-LCD	100.0
	Samsung Display Tianjin (SDTP)	Manufacture of TFT-LCD	95.0
	Samsung Electronics Hong Kong (SEHK)	Sale of electronic devices	100.0
	Suzhou Samsung Electronics (SSEZ)	Manufacture of home appliances	81.3
	Samsung Suzhou Electronics Export (SSECE)	Manufacture of home appliances	100.0
	Samsung (China) Investment (SCLC)	Sale of electronic devices	100.0
	Samsung Guangdong Mobile R&D Center (SGMC)	R&D	100.0
	Samsung Tianjin Mobile R&D (TJMC)	R&D	100.0
	Samsung Electronics Suzhou Semiconductor (SESZ)	Toil processing of semiconductor	100.0
	Samsung Electronics Shandong Digital Printing (SSDP)	Manufacture of printer	100.0
	Samsung Electronics Huizhou (SEHZ)	Manufacture of electronic devices	99.8
	Tianjin Samsung Electronics (TJSEC)	Manufacture of electronic devices	91.3
	Samsung Electronics Taiwan (SET)	Sale of electronic devices	100.0
	Beijing Samsung Telecom R&D Center (BST)	R&D	100.0
	Tianjin Samsung Telecom Technology (TSTC)	Manufacture of communication devices	90.0
	Shanghai Samsung Semiconductor (SSSD)	Sale of semiconductor and LCD	100.0
	Samsung Electronics Suzhou Computer (SESC)	Manufacture of electronic devices	100.0
	Samsung Display Suzhou (SDSZ)	Toil processing of TFT-LCD	100.0
	Samsung Suzhou LCD (SSL)	Manufacture of TFT-LCD	60.0
	Shenzhen Samsung Mobile Telecommunication Technology (SSMT)	Manufacture of communication devices	60.0
	Samsung Electronics Shanghai Telecommunication (SSTC)	Sale of mobile communication and network equipment	100.0
	Samsung LCD Netherlands R&D Center HK (SNRCHK)	R&D	100.0
	Samsung Semiconductor (China) R&D (SSCR)	R&D	100.0
	Samsung Electronics China R&D Center (SERC)	R&D	100.0
	Samsung (China) Semiconductor (SCS)	Manufacture of electronic devices	100.0
	Samsung Electronics Harbin Therapeutics (SEHT)	Manufacture of optical fiber cable	100.0
	Samsung Electronics Beijing Service (SBS)	Services	100.0
	Medison Shanghai (SMSC)	Medical equipments	98.2
	Samsung Medison Shanghai Medical Instrument (SMST)	Medical equipments	100.0
	Medison Medical Equipment Shanghai (MMS)	Medical equipments	100.0
	Tianjin Samsung LED (TSLD)	Manufacture of LED	100.0
	Tianjin Samsung Opto-Electronics (TSOE)	Manufacture of camera and camcorder	90.0

() Ownership represents the Company's ownership of the voting right in each entity

Area	Subsidiaries	Industry	Percentage of ownership (%)
Rest of Asia	Samsung Japan (SJG)	Sale of electronic devices	100.0
	Samsung Vietnam Research Institute (SVRI)	R&D	100.0
	Samsung Electronics Japan (SEJ)	Sale and services of communication equipments	100.0
	The Small/Medium Size & Venture Enterprises Growth Promotion Investment Limited Partnership (TSMVLP)	Technology business investment	97.0
	Samsung Electronics Display (M) (SDMA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics (M) (SEMA)	Manufacture of home appliances	100.0
	Samsung Vina Electronics (SAVINA)	Manufacture and sale of electronic devices	90.0
	Samsung Asia Phone (SAPH)	Sale of electronic devices	100.0
	Samsung India Electronics (SEI)	Manufacture and sale of electronic devices	100.0
	Samsung India Software Operations (SSIO)	R&D	100.0
	Samsung Electronics Australia (SEAU)	Sale of electronic devices	100.0
	Samsung Electronics Indonesia (SEIN)	Manufacture and sale of electronic devices	100.0
	Samsung Telecommunications Indonesia (STIN)	Sale and services of communication equipments	99.0
	The Samsung Electronics (TSE)	Manufacture and sale of electronic devices	91.8
	Samsung Electronics Philippines (SEPC)	Sale of electronic devices	100.0
	Buero Realty Corporation (BRC) (*)	Management of real estate	39.8
	Samsung Malaysia Electronics (SME)	Sale of electronic devices	100.0
	Samsung Bangladesh R&D (SBRD)	R&D	100.0
	Samsung Electronics Vietnam (SEV)	Manufacture of electronic devices	100.0
	Samsung Telecommunications Malaysia (STM)	Communication system service	100.0
	Samsung Medison India (SMID)	Medical equipments	100.0
	Medison Medical Systems (DMS) (M)	Medical equipments	100.0

(*) Ownership represents the Company's ownership of the voting right in each entity

(*) Although the Company owns less than 50% of the voting rights of BRC as at December 31, 2017, 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 obtained most of the benefits from BRC's operation

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

(1) 2012

	2012			
	Assets	Liabilities	Sales	Net Income
Samsung Display (SDC)	33,791,814	9,122,941	22,304,545	2,079,916
Samsung Electronics America (SEA)	11,432,490	6,598,643	12,430,205	201,790
Samsung Austin Semiconductor (SAS)	6,778,024	3,819,196	3,063,343	88,615
Samsung Semiconductor (SSC)	5,502,929	2,136,789	17,225,669	20,797
Samsung (China) Investment (SCI)	5,407,272	4,519,921	13,796,151	264,269
Samsung Telecommunications America (STA)	5,009,772	4,516,706	15,308,222	109,896
Samsung Electronics European Holding (SEEH)	4,377,597	3,068,900	—	7,856
Samsung Electronics Vietnam (SEV)	3,416,148	1,408,575	14,596,505	854,250
Samsung Electronics Huizhou (SEH-Z)	3,275,716	1,496,513	15,343,968	700,425
Samsung Electronics de Antares (SEDA)	2,553,334	1,564,590	6,145,530	198,532
Taijin Samsung Telecom Technology (TSTC)	2,234,437	1,227,917	10,697,834	551,682
Samsung Electronics Taiwan (SET)	2,117,243	1,885,749	4,997,564	38,398
Shanghai Samsung Semiconductor (SSS)	1,998,989	1,824,247	12,584,108	60,991
Samsung Electronics Rus Company (SERC)	1,703,109	1,267,484	6,712,179	21,802
Samsung Electronics Slovakia (SESLO)	1,696,474	426,980	5,778,531	147,665
Samsung Japan (SJC)	1,370,232	1,281,927	6,021,986	26,503
Samsung Semiconductor Europe GmbH (SSECE)	1,369,684	1,556,757	5,191,270	0
Samsung Electronics Europe Logistics (SELLO)	1,329,851	1,443,264	12,873,583	29,372
Samsung India Electronics (SIEL)	1,449,983	964,580	5,089,445	316,994
The Samsung Electronics (TSE)	1,447,777	463,908	4,798,886	295,594
Samsung Electronics (UK) (SEUK)	1,349,828	763,081	5,722,969	74,279
Samsung Electronics Hungary (SEH-H)	1,301,842	416,616	3,542,522	153,961
Samsung Electronics Rus Kaluga (SEK)	1,206,147	465,344	2,348,160	194,159
Samsung Electronics Mexico (SEM)	1,294,472	1,047,647	2,262,833	83,950
Samsung Electronics Mexico Computer (SEMCO)	1,291,398	1,053,329	2,814,961	37,902

(2) 2011

	2011			
	Assets	Liabilities	Sales	Net Income
Samsung Electronics America (SEA)	9,816,371	4,913,504	10,873,623	11,220
Samsung Austin Semiconductor (SAS)	6,952,894	3,731,834	2,521,060	19,796
Samsung Semiconductor (SSC)	5,974,863	2,490,812	16,762,084	42,593
Samsung (China) Investment (SCI)	3,323,258	2,652,717	9,117,657	124,892
Samsung Telecommunications America (STA)	2,235,101	1,818,412	10,059,797	46,184
Samsung Electronics European Holding (SEEH)	3,796,327	3,592,183	—	5,227
Samsung Electronics Vietnam (SEV)	2,217,392	1,043,130	6,810,279	905,239
Samsung Electronics Huizhou (SEH-Z)	2,984,592	1,816,087	8,380,668	398,015
Samsung Electronics de Antares (SEDA)	2,424,259	1,482,344	5,448,043	143,400
Taijin Samsung Telecom Technology (TSTC)	1,644,989	907,083	7,022,353	327,549
Samsung Electronics Taiwan (SET)	1,794,858	1,582,616	5,294,569	18,497
Shanghai Samsung Semiconductor (SSS)	2,024,403	1,901,188	10,919,636	48,248
Samsung Electronics Rus Company (SERC)	1,509,756	1,199,211	5,725,681	32,313
Samsung Electronics Slovakia (SESLO)	2,241,719	1,174,327	4,893,947	255,072
Samsung Japan (SJC)	2,856,471	2,197,847	7,840,230	36,929
Samsung Semiconductor Europe GmbH (SSECE)	1,338,671	1,325,034	5,198,900	483
Samsung Electronics Europe Logistics (SELLO)	1,368,673	1,283,617	10,759,828	12,116
Samsung India Electronics (SIEL)	1,090,390	876,886	4,177,987	62,590
The Samsung Electronics (TSE)	1,169,778	443,187	3,543,691	189,320
Samsung Electronics (UK) (SEUK)	996,860	457,017	3,809,041	49,564
Samsung Electronics Hungary (SEH-H)	1,318,553	592,167	4,322,195	191,329
Samsung Electronics Rus Kaluga (SEK)	1,125,145	470,867	2,177,423	291,158
Samsung Electronics Mexico (SEM)	1,155,606	998,115	1,522,892	23,104
Samsung Electronics Mexico Computer (SEMCO)	1,094,270	955,227	2,444,660	5,125
Samsung Electronics Rus Computer (SESC)	1,411,249	1,018,670	6,092,471	156,469

(D) Changes in scope of consolidation

Area		Subsidiaries		Description		In millions of Korean won	
Domestic		Subsidiaries		Description		In millions of Korean won	
Domestic	Samsung Display (SDC)	Samsung Venture Capital Union #23	mSpot	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
America	Samsung LED America (SLA)	Samsung Electronics America (SEA)	Samsung Electronics America (SEA)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Europe	Samsung LED Europe (SLE)	Samsung LED Europe GmbH (SLE)	Samsung LED Europe GmbH (SLE)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Middle East and Africa	Samsung Electronics India (SEI)	Samsung Electronics India (SEI)	Samsung Electronics India (SEI)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
China	Samsung LED China (SLC)	Samsung LED China (SLC)	Samsung LED China (SLC)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Asia	Samsung LED Asia (SLA)	Samsung LED Asia (SLA)	Samsung LED Asia (SLA)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188

(*) Samsung Asia Private not yet set up 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 first adopted International Financial Reporting Standards as adopted by the Republic of Korea (K-IFRS) from January 1, 2010. International Financial Reporting Standards (IFRS) have been adopted by the Korean Accounting Standards Board as Korean IFRS based on standards and interpretations published by the International Accounting Standards Board.

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 judgment 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. Discontinued 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 included from operating income. As a result, operating income has increased by ₩23,036 million for the current financial year and decreased by ₩638,719 million for the prior financial year, 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 1010, Employee Benefits

The main impact 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 impact of the amendment on the financial statements are as follows.

(1) Impacts on Financial Position

Area		Subsidiaries		Description		In millions of Korean won	
Domestic		Subsidiaries		Description		In millions of Korean won	
Domestic	Samsung Display (SDC)	Samsung Venture Capital Union #23	mSpot	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
America	Samsung LED America (SLA)	Samsung Electronics America (SEA)	Samsung Electronics America (SEA)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Europe	Samsung LED Europe (SLE)	Samsung LED Europe GmbH (SLE)	Samsung LED Europe GmbH (SLE)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Middle East and Africa	Samsung Electronics India (SEI)	Samsung Electronics India (SEI)	Samsung Electronics India (SEI)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
China	Samsung LED China (SLC)	Samsung LED China (SLC)	Samsung LED China (SLC)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Asia	Samsung LED Asia (SLA)	Samsung LED Asia (SLA)	Samsung LED Asia (SLA)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188

(C) Impacts on Business Performance

Area		Subsidiaries		Description		In millions of Korean won	
Domestic		Subsidiaries		Description		In millions of Korean won	
Domestic	Samsung Display (SDC)	Samsung Venture Capital Union #23	mSpot	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
America	Samsung LED America (SLA)	Samsung Electronics America (SEA)	Samsung Electronics America (SEA)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Europe	Samsung LED Europe (SLE)	Samsung LED Europe GmbH (SLE)	Samsung LED Europe GmbH (SLE)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Middle East and Africa	Samsung Electronics India (SEI)	Samsung Electronics India (SEI)	Samsung Electronics India (SEI)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
China	Samsung LED China (SLC)	Samsung LED China (SLC)	Samsung LED China (SLC)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188
Asia	Samsung LED Asia (SLA)	Samsung LED Asia (SLA)	Samsung LED Asia (SLA)	Acquisition of shares	Acquisition of shares	1,119,188	1,119,188

(*) Operating incomes are calculated by retroactively applying the changes in the calculation method of operating income and expenses.

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.

(D) 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-IPS 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 IPS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where it is already required or permitted by other standards within IPS or US GAAP. The Company is in the process of assessing the impact of the amendment on the consolidated financial statements and intends to adopt K-IPS 1113 no later than the accounting period beginning January 1, 2013.

K-IPS 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-IPS 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 (the 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 (the 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-IPS 1111.30. Joint contracts (Introduction).

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-IPS 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 accompanied by a shareholding of more than one half of the voting rights. The essence 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-IPS 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 when 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 intangible assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's interest in 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-IPS 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 disposal 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 interest 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 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 US dollar, which is SEC's functional and presentation currency.

(B) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate 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-sale, are included in other comprehensive income.

(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 the 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 transferred 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 disposal 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 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

2.6.1 Classification

The Company classifies its financial assets in the following categories, at fair value through profit or loss, loans and receivables, available-for-sale, and held-to-maturity investments. The classification depends on the terms of the instruments and the 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 categorized as held for trading. Assets in this category are classified as current assets.

2.6.2 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.

2.6.3 Available-for-sale financial assets

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

2.6.4 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 fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss, 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.

2.6.5 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.

2.6.6 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

2.7.1 Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment loss is 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 in the event of loss event for 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; a breach of contract; or a significant increase in the credit risk of the issuer or obligor.

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 reorganization.

The disappearance of an active market for the 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 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 compared 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.

2.7.2 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. Financial assets 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 as 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 in the normal operating cycle of the Company, 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 direct costs, fair materials, direct labor, other direct costs and relative production overheads. Based on normal operating capacity, it excludes cost 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 disposal 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.

	Estimated useful lives	Estimated useful lives
Buildings and auxiliary facilities	15-30 years	5 years
Structures	15 years	5 years
Machinery and equipment	5 years	

2.12 Intangible Assets

(A) Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets of the acquired subsidiary. Goodwill is the difference between the cost of an acquisition and the fair value of the identifiable intangible assets of the acquired subsidiary. 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.

UBO Capitalized development costs

(10) Other intangible assets

99

2.13 Impairment of Non Financial Assets

2.14 Financial Liabilities

EB Financial liabilities measured at amortized cost

2.15 Trade Payables

2.16 Borrowings

2.17 Provisions

2.18 Defined Benefit Pensions

A defined benefits plan is a pension plan that is not a defined contribution plan.

219 Financial Guarantee Contract

2.20 Income Tax Expense and Deferred Taxes

an entity that recognizes 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, associates, and interests in joint ventures, to the extent that the entity is able to control the reversal of the temporary difference and taxable profits will be available against which the temporary difference can be utilized.

3

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 tax 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 liability of 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 repurchase 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.

(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 contributing management 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 transferred, 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. If any income is recognized on an accrual 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 (see footnote 3.3). 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 \$), 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 23, 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 service to be performed. Revenues and earnings are subject to significant change affected by early steps in a long-term project, 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.

(C) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using a variety of methods and assumptions that are mainly based on market conditions existing at the end of each reporting period.

(D) Pension benefits

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.

(E) Estimated impairment of goodwill

The Company tests at the end of each reporting period whether goodwill has

suffered any impairment in accordance with the accounting policy described in Note 2.12. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations are based on estimates.

(F) Income taxes

The operating activities of SEC span across various countries in the world. Hence, 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:

	2012	2011
	₩12,900	₩16,042
Cash on hand		
Bank deposits, etc.	₩18,773,560	₩14,673,719
Total	₩18,786,460	₩14,689,761

5 Financial Assets Subject to Withdrawal Restrictions

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

	2012	2011
	₩44,469	₩39,770
Short-term financial instruments		
Other non-current assets		
Long-term financial instruments	29	21

6 Financial Instruments by Category

(A) Financial instruments by category consist of the following

(1) As of December 31, 2012

(In millions of Korean won)					
Assets	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total	
Cash and cash equivalents	W	W13,791,460	W	W13,791,460	
Short-term financial instruments		17,397,937		17,397,937	
Short-term available-for-sale financial assets			1,258,874	1,258,874	
Trade and other receivables		26,674,396		26,674,396	
Long-term available-for-sale financial assets			5,229,175	5,229,175	
Deposits		814,602		814,602	
Others	41,227	2,056,988		2,104,215	
Total	W47,227	W65,735,674	W6,488,049	W73,270,950	
Liabilities	Liabilities at fair value through the profit and loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total	
Trade and other payables	W	W16,889,350	W	W16,889,350	
Short-term borrowings		4,115,249	4,328,503	8,443,752	
Debentures		1,829,174		1,829,174	
Long-term borrowings		3,623,028		3,623,028	
Long-term other payables		1,165,881		1,165,881	
Others	79,212	10,788,823		10,868,035	
Total	W79,212	W28,411,705	W4,328,503	W42,819,420	

(2) As of December 31, 2011

(In millions of Korean won)					
Assets	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total	
Cash and cash equivalents	W	W14,691,761	W	W14,691,761	
Short-term financial instruments		11,529,905		11,529,905	
Short-term available-for-sale financial assets			655,969	655,969	
Trade and other receivables		24,153,028		24,153,028	
Long-term available-for-sale financial assets			3,223,598	3,223,598	
Deposits		791,863		791,863	
Others	1,300,57	1,389,447		1,419,504	
Total	W1,300,537	W2,556,004	W3,879,567	W7,736,111	
Liabilities	Liabilities at fair value through the profit and loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total	
Trade and other payables	W	W18,509,490	W	W18,509,490	
Short-term borrowings		4,752,339		4,752,339	
Debentures		1,280,124		1,280,124	
Long-term borrowings		3,482,472		3,482,472	
Long-term other payables		1,024,804		1,024,804	
Others	40,912	7,818,742		7,859,654	
Total	W40,932	W27,090,971	W4,878,333	W42,010,236	

(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

Financial Assets	In millions of Korean won			
	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total
Gain on valuation (Other comprehensive gain)	W	W	W1185,256	W1185,256
Gain (Loss) on valuation/disposal	(74,609)	28,915	105,192	59,498
Gain on disposal (Reclassification)			23,072	23,072
Interest income		840,150	5,281	845,431
Foreign exchange differences (Financial income)		2,713,693		2,713,693
Foreign exchange differences (Financial expense)		(2,569,682)		(2,569,682)
Dividend income			106,181	106,181
Impairment/Reversal (Profit or loss)			(94,460)	(94,460)
Total				W1175,553
Loss on valuation/disposal (Profit or loss)	W(125,553)	277,512	321,494	599,006
Interest expense		4,037,004	43,909	4,080,913
Foreign exchange differences (Financial income)		(4,018,046)		(4,018,046)
Foreign exchange differences (Financial expense)				

(2) As of December 31, 2011

Financial Assets	In millions of Korean won			
	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total
Loss on valuation (Other comprehensive loss)	W	W	W(559,831)	W(559,831)
Gain on valuation/disposal	113,401		102,350	215,751
Gain on disposal (Reclassification)			134,202	134,202
Interest income		702,198	3,455	705,653
Foreign exchange differences (Financial income)		4,075,356		4,075,356
Foreign exchange differences (Financial expense)		(4,481,568)		(4,481,568)
Dividend income			34,423	34,423
Impairment/Reversal (Profit or loss)			(39)	(39)
Total				W(1,865)
Loss on valuation/disposal (Profit or loss)	W(1,865)	270,929	373,204	644,133
Interest expense		2,056,604		2,056,604
Foreign exchange differences (Financial income)		(2,286,844)		(2,286,844)
Foreign exchange differences (Financial expense)				

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-Aaa (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: Baa (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	In millions of Korean won	
	2012	2011
Counterparties with external credit rating		
Superior ability to repay	W1,818,159	W1,983,246
Strong ability to repay	3,742,515	3,913,989
Acceptable ability to repay	3,217,653	2,981,747
Currently having the ability to repay	3,834,957	2,857,491
Counterparties without external credit rating	W1,243,299	W1,638,473
Group 1	8,680,397	8,658,198
Group 2	50,160	57,456
Total	W8,730,557	W8,725,654
	W1,243,299	W1,243,299

(B) Cash equivalents and short-term financial instruments

	In millions of Korean won	
	2012	2011
Superior ability to repay	2,850,476	1,378,015
Strong ability to repay	32,675,712	24,448,843
Acceptable ability to repay	505,631	278,216
Currently having the ability to repay	12,696	15,397
Others (*)	131,782	85,153
Total	W38,176,497	W26,205,624

(*) 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 for discount and factoring of trade receivables do not meet the requirements for asset discontinuation 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:

	In millions of Korean won	
	December 31, 2012	December 31, 2011
Carrying amount of the discounted trade receivables (*)	W4,328,503	W4,878,383
Carrying amount of the related borrowing	W4,328,503	W4,878,383

(*) The discounted trade receivables include intercompany balances.

9 Available-for-Sale Financial Assets

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

	2012	2011
Balance as of January 1	₩ 3,879,567	₩ 4,199,358
Acquisitions	2,630,247	2,309,143
Disposals	(1,171,663)	(2,004,296)
Changes in value, net of tax	1,185,256	(539,831)
Impairment losses	(28,009)	(319)
Termination and exchange difference	(19,202)	1,007
Others	11,956	(65,770)
Balance as of December 31	₩ 6,488,049	₩ 3,877,547
A1 Current portion	1,258,874	655,949
B Non-current portion	5,229,175	3,221,598

(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

	2012	2011
National bonds	₩ 1	₩
Beneficiary certificates (*)	1,258,874	655,949
	₩ 1,258,874	₩ 655,949

(*) Beneficiary certificates as of December 31, 2012 and 2011 consist of follows:

	2012	2011
Bonds	₩ 1,159,290	₩ 647,379
Time deposits	238	715
Call loan	85,300	
Others	14,145	7,859
	₩ 1,258,873	₩ 655,949

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

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

	2012			2011		
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Value	Book Value	Book Value
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩ 1,568,046	₩ 1,134,850	
Samsung Fine Chemicals	2,164,970	8.4	45,678	132,063	132,063	
Hotel Shilla	2,004,717	5.0	13,957	88,107	77,182	
Chell Worldwide	2,998,725	2.6	2,970	64,623	58,826	
Chell Korea	647,320	1.8	324	18,416	10,487	
A-Tech Solution	1,592,000	15.9	26,348	11,606	17,930	
SFA	1,822,000	10.2	38,262	85,998	111,142	
KT Skylife	240,000	0.5	3,000	8,028	6,576	
ASML	12,595,575	3.0	726,024	856,253		
CSR	9,925,000	4.9	59,612	54,765		
Rambus	4,788,175	4.3	92,682	24,976	41,692	
Sesgire Technology	45,239,490	12.0	788,454	1,174,032	855,665	
Others (*)			35,809	44,943	81,874	
			₩ 2,891,349	₩ 4,435,856	₩ 2,526,187	

(*) 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).

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:

	2012	2011
Balance at January 1	₩ 5,969	₩ 9,144
Fair value gains	8,873	5,569
Net gains transferred from equity	6,869	(9,144)
Balance at December 31	8,873	5,569
Deferred income tax and minority interest	(2,147)	(1,444)
	₩ 6,726	₩ 4,125

(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:

	2012	2011
Equity securities-Listed	(1) ₩ 4,435,856	₩ 2,526,187
Equity securities-Unlisted	(2) 687,225	633,239
Debt securities (*)	125,994	73,572
	₩ 4,629,075	₩ 3,232,998

(*) 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.

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:

	(In millions of Korean won)		
	2012	2011	
Receivables	Trade W24,168,427	Trade W22,132,741	Non-Trade W2,311,996
Less:			
Allowances for impairment	(276,787)	(214,597)	(378,330)
Trade receivables, net	W23,891,640	W21,918,144	W1,933,666
Less: Non-current portion	(20,400)	(19,271)	(2,682)
Current portion	W23,871,240	W21,898,873	W1,931,000

The Company transferred receivable balances to financial institutions in exchange for cash. The outstanding balances of transferred receivable balances amounting to W1,378,503 million and W4,878,380 million have been accounted for as borrowings as of December 31, 2012 and 2011 (Note 13).

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

	(In millions of Korean won)		
	2012	2011	
Balance on January 1	Trade W(214,597)	Trade W(185,758)	Non-Trade W(19,585)
Provision for receivables impairment	(181,751)	(120,351)	(11,478)
Receivables written off during the year as uncollectible	18,752	28,203	7,345
Unused amounts reversed	98,163	26,721	56,539
Others	2,646	665	(14,531)
Balance on December 31	W(276,787)	W(214,597)	W(378,330)

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

	(In millions of Korean won)	
	December 31, 2012	December 31, 2011
Receivables not past due	W24,151,060	22,467,108
Receivables past due, not impaired (*)		
Less than 31 days overdue	2,226,739	1,331,566
Bad debts (**)		
31 days to 90 days overdue	231,343	339,107
90 days overdue or more	393,452	287,956
Total	27,002,611	24,445,737

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

(**) The balance of allowance for doubtful debts as of December 31, 2012 amounts to W279,382 million (2011: W252,430 million).

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

(E) Equity securities-Related (Except for Associates and Joint ventures)
Unlisted equity securities as of December 31, 2012 and 2011 are as follows:

	(In millions of Korean won)			
	2012	2011		
	Number of Shares Owned	Percentage of Ownership (%)	Book Value	Book Value
Allyup Technology	1,000,000	17.2	W5,000	W5,000
Pusan Newport (*)	1,135,207	1.0	5,677	5,677
Samsung Venture	980,000	16.3	4,900	6,052
Samsung Petrochemical	514,172	13.0	8,040	84,427
Samsung General Chemicals	1,914,251	3.9	19,143	74,487
icobo Investment	40	16.2	4,000	4,000
Mellan Lighting	9,000	15.0	16,344	16,225
SX Telex	14,609	1.1	4,357	4,357
CSOT (**)	13,100,436	13.0	278,130	278,130
Nanovys	8,699,172	3.5	10,738	10,738
Voltera	7,785	5.8	13,671	13,671
Others (**)			157,934	146,699
			W545,995	W653,799

(*) 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 valuation of reasonable fair value estimates is not insignificant and the probabilities of the various estimates and applicable discount rate cannot be reasonably assessed (Note 22).

(*) Impairment losses on unlisted equity securities resulting from the decline in realizable value below the acquisition cost amounted to W2,235 million and W39 million for the year ended December 31, 2012 and 2011, respectively.

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

	(In millions of Korean won)	
	2012	2011
Balance at January 1	W1,367,331	W1,058,189
Fair value gains (losses)	1,176,383	956,900
Net gains (losses) transferred from equity	29,041	(125,058)
Balance at December 31	2,572,755	1,967,231
Deferred income tax and minority interest	(577,945)	(331,008)
Total	W1,994,810	W1,636,223

11 Inventories

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

	2012			2011		
	Gross Amount	Valuation Allowance	Book Value	Gross Amount	Valuation Allowance	Book Value
Finished goods	₩7,003,826	₩1,065,576	₩5,938,250	₩1,105,312	₩1,199,432	₩1,905,880
Work in Process	3,623,572	₩92,996	3,530,576	3,454,823	₩89,461	3,071,362
Raw materials and supplies	5,239,262	₩157,866	5,081,396	4,673,143	₩186,523	4,486,620
Materials-in-transit	2,598,191	-	2,598,191	2,252,853	-	2,252,853
	₩18,444,853	₩1,256,431	₩17,188,422	₩16,466,131	₩2,075,416	₩14,390,715

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: ₩35,377 million) is included.

12. Associates and Joint Ventures

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

	2012		2011	
		(In millions of Korean won)		(In millions of Korean won)
Balance at January 1	₩9,204,149	₩13,325,290		
Acquisition	279,022	403,538		
Disposal	₩1,891	₩98,379		
Share of profit	986,611	1,399,194		
Others (*)	₩1,462,422	₩2,543,408		
Balance at December 31	₩12,732,489	₩18,209,149		

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

(3) Major associates and joint ventures as of December 31, 2012, consist of the following:

Investee	Industry	Percentage of Ownership (%)	
		2012	2011
Samsung Card	Finance	37.5	37.5
Samsung Electro-Mechanics	Manufacture of electronic components, computers, videos, sound and communication equipments	23.7	23.7
Samsung SDI	Manufacture of electronic components, computers, videos, sound and communication equipments	20.4	20.4
Samsung SDS	Computer programming, system integration and management	21.7	21.7
Samsung Technwin	Manufacture of electronic components, computers, videos, sound and communication equipments	25.5	25.5

(*) The ownership represents the Company's ownership of the voting rights in the entity

(2) Joint ventures

Investee	Industry	Percentage of Ownership (%)	
		2012	2011
Samsung Corning Precision Materials	IT, LCD components manufacturing and retail	47.5	47.5
Samsung Corning Advanced Glass	Manufacture of other industrial glass devices	50.0	50.0

(*) The ownership represents the Company's ownership of the voting rights in the entity

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

Investee	Acquisition cost	Net asset value		Book value
		2012	2011	
Samsung Card	₩1,538,540	₩2,271,201	₩2,271,201	₩2,238,073
Samsung Electro-Mechanics	359,237	897,933	897,933	890,460
Samsung SDI	423,722	1,450,811	1,450,811	1,174,183
Samsung SDS	17,967	689,374	689,374	701,808
Samsung Technwin	174,531	401,146	401,146	360,739
Others	461,399	513,380	513,380	457,016
Total	₩2,975,596	₩6,165,745	₩6,165,745	₩5,822,279

(In millions of Korean won)

Investee	Acquisition cost	Net asset value		Book value
		2012	2011	
Samsung Card	₩1,538,540	₩2,167,986	₩2,167,986	₩2,184,855
Samsung Electro-Mechanics	359,237	883,680	883,680	799,792
Samsung SDI	423,722	1,742,699	1,742,699	1,185,509
Samsung SDS	17,967	643,578	643,578	632,593
Samsung Technwin	174,531	417,708	417,708	370,379
Samsung LCD	180,916	311,545	311,545	340,145
Others	269,787	354,602	354,602	371,909
Total	₩2,944,700	₩6,023,798	₩6,023,798	₩5,883,182

(2) Joint ventures

Investee	Acquisition cost	Net asset value		Book value	Percentage of Ownership (%)
		2012	2011		
Samsung Corning Precision Materials	₩297,165	₩2,825,104	₩2,794,617	₩2,794,617	47.5
Samsung Corning Advanced Glass	115,000	114,274	114,274	114,274	50.0
Others	419,461	54,319	54,319	54,319	47.5
Total	₩831,626	₩3,003,571	₩2,963,210	₩2,963,210	47.5

(D) Gain/loss on valuation of equity

(1) 2012

	Balance at January 1	Gain/loss on valuation	Other comprehensive gains	Others (*)	Balance on December 31
Samsung Card	₩184,855	₩264,689	₩(181,217)	₩(20,253)	₩2,238,071
Samsung Electro-Mechanics	799,792	102,946	11,689	₩(23,967)	890,460
Samsung SDI	1,185,509	31,256	₩(30,531)	₩(12,051)	1,174,183
Samsung SDS	632,939	89,151	₩(16,480)	₩(3,456)	701,808
Samsung Techno	370,379	39,356	₩(27,171)	₩(21,823)	360,739
Samsung LED	340,145	₩(2,519)	₩(712)	₩(316,914)	2,794,617
Samsung Corning Precision Materials	3,089,298	644,242	₩(10,300)	₩(28,623)	3,003,571
Samsung Corning Advanced Glass	601,598	₩(726)	₩(115,080)	₩(114,274)	2,208,052
Others	601,598	₩(161,709)	₩(95,761)	₩(167,207)	511,335
Total	₩9,204,169	₩986,611	₩(130,491)	₩(1,054,800)	₩8,785,489

() Others include acquisitions, disposals, dividends and changes in currency exchange rates.

(2) 2011

	Balance at January 1	Gain/loss on valuation	Other comprehensive gains	Others (*)	Balance on December 31
Samsung Card	₩2,201,154	₩(132,331)	₩(80,800)	₩(67,830)	₩2,184,855
Samsung Electro-Mechanics	793,932	78,179	₩(50,307)	₩(22,012)	799,792
Samsung SDI	1,172,130	63,242	₩(11,274)	₩(8,589)	1,185,509
Samsung SDS	569,678	74,382	₩(2,910)	₩(8,520)	632,593
Samsung Techno	269,360	65,684	₩(42,245)	₩(8,910)	370,379
Samsung LED	306,005	30,669	₩(3,471)	₩(677,243)	340,145
Samsung Corning Precision Materials	2,599,010	975,221	₩(7,580)	₩(116,417)	3,003,571
Others	474,021	₩(20,514)	₩(6,700)	₩(204,797)	601,598
Total	₩8,235,290	₩1,389,194	₩(113,898)	₩(1,116,417)	₩8,204,169

() Others include acquisitions, disposals, dividends and changes in currency exchange rates.

(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

Investee	2012				2011			
	Assets	Liabilities	Sales	Net Income	Assets	Liabilities	Sales	Net Income
Samsung Card	₩10,287,816	₩10,357,253	₩3,817,670	₩16,135,253	₩9,991,910	₩3,196,455	₩374,821	
Samsung Electro-Mechanics	6,891,464	2,825,816	7,912,830	440,803	7,455,731	3,579,943	7,624,023	349,473
Samsung SDI	10,895,087	3,330,606	5,771,185	1,171,502	6,527,411	2,712,884	5,443,883	300,109
Samsung SDS	4,465,407	1,220,467	6,105,858	395,805	4,037,597	1,057,695	4,765,178	324,767
Samsung Techno	3,240,938	1,643,263	2,834,702	131,324	3,223,454	1,562,808	3,171,332	241,014
Samsung LED	-	-	367,473	631,160	1,454,133	631,104	1,292,245	64,783

(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:

(In millions of Korean won)

	2012				Total
	Samsung Corning Precision Materials	Samsung Corning Advanced Glass	Others		
Current assets	₩1,457,132	₩93,842	₩179,238	₩1,730,212	
Non-current assets	1,585,496	25,874	336,801	1,948,171	
Total assets	3,042,628	119,716	516,039	3,578,383	
Current liabilities	183,321	5,331	153,440	342,112	
Non-current liabilities	34,205	51	298,406	332,662	
Net assets	2,825,104	114,274	64,193	3,003,571	
Sales	1,465,702	17,913	724,437	2,208,052	
Expense	889,924	18,439	788,540	1,697,103	
Net income	575,778	726	(64,103)	510,949	

(In millions of Korean won)

	2011				Total
	Samsung Corning Precision Materials	Siltronic Samsung Wafer	Others		
Current assets	₩1,759,181	₩100,952	₩176,899	₩1,937,032	
Non-current assets	1,742,956	343,751	40,346	2,127,053	
Total assets	3,502,137	444,703	217,245	4,164,085	
Current liabilities	251,287	76,972	138,217	466,476	
Non-current liabilities	59,773	300,929	-	360,702	
Net assets	3,191,077	66,802	79,028	3,336,947	
Total sales	2,066,427	157,084	749,809	2,973,320	
Total expense	1,086,094	194,764	740,522	2,021,380	
Net income	980,333	17,038	9,287	951,949	

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

(In millions of Korean won)

Investee	December 31, 2012		December 31, 2011	
	Number of shares held	Market value	Number of shares held	Market value
Samsung SDI	₩2,282,753	₩1,401,696	₩2,239,248	₩1,401,696
Samsung Electro-Mechanics	17,693,084	1,755,154	17,693,084	1,755,154
Samsung Card	43,383,170	1,583,851	43,383,170	1,583,851
Samsung Techno	13,526,925	807,558	13,526,925	807,558

13 Property Plant and Equipment

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

On million of Korean won

	2012						2011					
	Land	Buildings and Structures	Machinery and Equipment	Construction In Progress/ Machinery In Transit	Others	Total	Land	Buildings and Structures	Machinery and Equipment	Construction In Progress/ Machinery In Transit	Others	Total
Balance at January 1, 2012	₩7,214,734	₩12,778,769	₩3,453,720	₩6,982,473	₩1,614,764	₩23,044,351	₩7,214,734	₩12,778,769	₩3,453,720	₩6,982,473	₩1,614,764	₩23,044,351
Acquisition cost	7,214,734	18,472,952	9,618,176	8,982,473	4,683,845	133,972,080	7,214,734	18,472,952	9,618,176	8,982,473	4,683,845	133,972,080
Accumulated depreciation and impairment		(5,694,092)	(63,164,956)		(3,069,081)	(71,928,129)		(5,694,092)	(63,164,956)		(3,069,081)	(71,928,129)
Acquisition and capital expense (*)	54,960	1,681,106	18,302,895	1,854,111	956,723	22,849,795						
Business combinations			854,490	21,612	29,007	705,109						
Depreciation		(1,121,614)	(12,895,133)		(818,259)	(14,835,046)						
Salvage/Disposal	(76,724)	(100,854)	(604,989)	(2,213)	(114,292)	(919,072)						
Impairment		(3,992)				(3,992)						
Others	(40,829)	(224,567)	(653,080)			(1,298,477)						
Balance at December 31, 2012	₩7,152,441	₩13,008,839	₩3,044,776	₩6,982,473	₩1,784,702	₩23,973,225	₩7,152,441	₩13,008,839	₩3,044,776	₩6,982,473	₩1,784,702	₩23,973,225
Acquisition cost	7,152,441	19,624,030	110,034,355	8,492,885	5,011,914	150,315,725	7,152,441	19,624,030	110,034,355	8,492,885	5,011,914	150,315,725
Accumulated depreciation and impairment		(6,651,191)	(71,980,779)		(3,227,212)	(81,859,182)		(6,651,191)	(71,980,779)		(3,227,212)	(81,859,182)

(*) The capitalized borrowing costs are ₩16,129 million and the interest rate used to calculate the borrowing costs eligible for capitalization is 2.50%.

In millions of Korean won

	2011					
	Land	Buildings and Structures	Machinery and Equipment	Construction In Progress/ Machinery In Transit	Others	Total
Balance at January 1, 2011	₩6,631,392	₩10,312,216	₩2,474,573	₩2,432,827	₩1,202,086	₩22,053,094
Acquisition cost	6,631,392	15,055,715	8,145,534	8,243,827	4,147,859	115,535,327
Accumulated depreciation		(4,743,399)	(64,981,941)		(2,843,370)	(72,568,710)
Impairment						
Acquisition and capital expense (*)	553,098	3,443,087	18,596,927	966,240	1,046,373	22,615,725
Business combinations	53,771	35,605	5,522	451	8,470	123,969
Depreciation		(960,863)	(11,244,032)		(709,379)	(12,914,274)
Salvage/Disposal	(22,394)	(49,794)	(376,777)		(83,507)	(530,472)
Impairment		(4,928)	(81,641)		(53)	(86,619)
Others	(1,093)	3,332	78,598	(295,561)	50,226	(164,498)
Balance at December 31, 2011	₩7,214,734	₩12,778,769	₩3,453,720	₩6,982,473	₩1,614,764	₩23,044,351
Acquisition cost	7,214,734	18,472,952	9,618,176	8,982,473	4,683,845	133,972,080
Accumulated depreciation and impairment		(5,694,092)	(63,164,956)		(3,069,081)	(71,928,129)

(*) The capitalized borrowing costs are ₩46,885 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 item as of December 31, 2012 and 2011 are as follows.

	2012	2011
Cost of sales	₩11,665,700	₩11,945,495
Selling, general and administrative expenses	447,080	348,133
Research and development expenses	726,266	620,656
	₩12,839,046	₩12,914,274

14 Intangible Assets

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

	2012						2011					
	Intellectual property rights	Capitalized cost	Membership	Goodwill	Others	Total	Intellectual property rights	Capitalized cost	Membership	Goodwill	Others	Total
At January 1, 2012	₩983,802	₩473,024	₩197,957	₩523,409	₩1,177,044	₩3,355,236	₩983,802	₩472,024	₩197,957	₩523,409	₩1,177,044	₩3,355,236
Internally generated (development costs)		339,639				339,639						
External acquisition		227,538	9,520		64,832	301,890						
Business combinations	163,164		3,670	259,961	71,917	498,712	163,164		3,670	259,961	71,917	498,712
Amortization	(169,689)	(229,189)			(388,110)	(786,978)	(169,689)	(229,189)			(388,110)	(786,978)
Salvage/Disposal	(13,123)		(9,093)		(980)	(31,196)	(13,123)		(9,093)		(980)	(31,196)
Impairment	(126)	(1,203)			(10,717)	(12,046)	(126)	(1,203)			(10,717)	(12,046)
Others	(5,550)		(1,200)		(282,730)	(289,480)	(5,550)		(1,200)		(282,730)	(289,480)
Balance at December 31, 2012	₩1,186,003	₩402,374	₩170,843	₩573,845	₩1,194,710	₩3,355,236	₩1,186,003	₩402,374	₩170,843	₩573,845	₩1,194,710	₩3,355,236

	2011						2010					
	Intellectual property rights	Capitalized cost	Membership	Goodwill	Others	Total	Intellectual property rights	Capitalized cost	Membership	Goodwill	Others	Total
At January 1, 2011	₩ 601,882	₩ 324,617	₩ 191,431	₩ 571,412	₩ 1,080,097	₩ 2,779,439	₩ 601,882	₩ 324,617	₩ 191,431	₩ 571,412	₩ 1,080,097	₩ 2,779,439
Internally generated (development cost)	-	331,576	-	-	-	331,576	-	-	-	-	-	-
External acquisition	280,399	-	3,494	-	88,209	372,102	280,399	-	3,494	-	88,209	372,102
Business Combinations	234,644	-	-	135,118	181,455	551,217	234,644	-	-	135,118	181,455	551,217
Amortization	(125,636)	(193,169)	-	-	(338,953)	(657,768)	(125,636)	(193,169)	-	-	(338,953)	(657,768)
Salvage/Disposal	(18,927)	-	(93)	-	(5,109)	(24,129)	(18,927)	-	(93)	-	(5,109)	(24,129)
Impairment	(85)	-	-	(103,349)	(236)	(103,460)	(85)	-	-	(103,349)	(236)	(103,460)
Others	31,525	-	3,125	24	191,613	226,287	31,525	-	3,125	24	191,613	226,287
Balance at December 31, 2011	₩ 983,802	₩ 472,024	₩ 197,957	₩ 523,409	₩ 1,177,044	₩ 3,355,236	₩ 983,802	₩ 472,024	₩ 197,957	₩ 523,409	₩ 1,177,044	₩ 3,355,236

(B) Goodwill

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

	2012	2011
S, LSI business	₩112,723	₩112,723
Memory business	74,995	74,995
Healthcare business	89,799	89,799
Digital Imaging business	82,599	82,599
LCD business	80,799	80,799
LCD business	79,777	79,777
Others	54,694	54,694
Total	₩573,845	₩573,845

15 Borrowings

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

On millions of Korean won						
Financial Institutions		Annual Interest Rates (%) as of December 31, 2012		2012	2011	
Short-term Borrowings						
Collateralized borrowings (*)	Shinhan Bank, etc.	0.0-5.1		4,328,503 ¹	4,878,383	
Without collateralized borrowings	BOA, etc.	0.5-15.1		4,115,749	4,775,339	
Total				W8,443,752	W9,653,722	
Current Portion of Long-term Borrowings						
Bank borrowings	MZUHO Bank, etc.	1.6-4.6		489,567	10,820	
Financial lease liabilities (*)	APCL, etc.	2.2-15.7		13,793	13,936	
Total				W499,860	W24,756	
Long-term Borrowings						
Bank borrowings	SMBK, etc.	0.7-6.3		W1,321,257	W3,559,554	
Financial lease liabilities (*)	CSSD, etc.	2.2-15.7		101,771	122,918	
Total				W3,623,028	W3,682,472	

(*) Collateralized borrowings are secured by trade receivables (Note 8).

(*) Leased property, plant and equipment were pledged as collateral (Note 13).

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

	For the Year Ending December 31		Long-term borrowings in local currency	
	2013	2014	2015	2016
2013				
2014				
2015				
2016				
Thereafter				
Total				

(In millions of Korean won)

	For the Year Ending December 31		Long-term borrowings in local currency	
	2013	2014	2015	2016
2013				
2014				
2015				
2016				
Thereafter				
Total				

(In millions of Korean won)

	For the Year Ending December 31		Long-term borrowings in local currency	
	2013	2014	2015	2016
2013				
2014				
2015				
2016				
Thereafter				
Total				

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 follows:

Samsung Digital Imaging		2012	2011
Sales profit margin rate		0.9	2.3
Sales growth rate (*)		6.7	13.6
Perpetual growth rate (*)		0.4	2.1
Pre-tax discount rate (*)		15.6	13.6

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

(*) The projected growth rate beyond five years is consistent with industry estimates.

(*) 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 W204,600 million in 2012 and W183,145 million in 2011 and the amounts have been recognized as other non-operating expenses in the consolidated income statements.

(C) Amortization of intangible assets as of December 31, 2012 and 2011 is classified as follows.

Account	2012		2011	
	2012	2011	2012	2011
Cost of sales				
Selling general and administrative expenses				
Research and development expenses				
Total				

(In millions of Korean won)

Account	2012		2011	
	2012	2011	2012	2011
Cost of sales				
Selling general and administrative expenses				
Research and development expenses				
Total				

(In millions of Korean won)

Account	2012		2011	
	2012	2011	2012	2011
Cost of sales				
Selling general and administrative expenses				
Research and development expenses				
Total				

16 Debentures

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

	2012	2011
Korean won denominated debenture(A)	₩ 697,822	₩ 1,197,079
Foreign currency denominated debenture(B)	1,131,552	83,945
Total	₩ 1,829,374	₩ 1,281,024

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

	Issue Date	Due Date	Annual Interest Rate (%) as of December 31	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)	(2,927)
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:

	Issue Date	Due Date	Annual Interest Rate (%) as of December 31	2012	2011
US dollar denominated straight bonds (*)	1997.10.2	2027.10.1	7.7	80,333	92,284
				(US\$75 million)	(US\$80 million)
US dollar denominated unsecured bonds (**)	2012.4.10	2017.4.10	1.8	1,071,100	
				(US\$ 1,000 million)	
Less: Current portion				(5,150)	(5,516)
Less: Discounts				(14,731)	(3,683)
Total				₩ 1,127,552	₩ 85,085

(*) US dollar straight bonds are repaid for twenty years after a ten-year grace period from the date of issuance. Interest is paid semiannually.
(**) 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.

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

For the Year Ending December 31	Debentures
2013	₩ 505,356
2014	505,356
2015	536
2016	205,356
Thereafter	1,100,009
Total	₩ 2,361,423

17 Retirement Benefit Liabilities

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

	2012	2011
Present value of funded defined benefit obligation	₩ 4,393,284	₩ 3,383,639
Present value of unfunded defined benefit	76,183	258,711
Subtotal	4,469,467	3,642,350
Fair value of plan assets	(2,995,508)	(2,423,152)
Total	₩ 1,473,959	₩ 1,219,198

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

	2012	2011
Current service cost	₩ 670,120	₩ 508,958
Interest cost	58,591	39,803
The effect of any settlement or curtailment	8,003	11,941
	₩ 736,714	₩ 560,702

(C) The amounts recognized as cost of defined contribution plan for the years ended December 31, 2012 and 2011, are ₩ 31,675 million and ₩ 23,254 million, respectively.

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

	2012	2011
Remeasurement impact before income tax	₩ 657,804	₩ 508,928
Income tax effect	(153,684)	(173,714)
Remeasurement impact after income tax	₩ 504,120	₩ 335,214

(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:

	2012	2011
Cost of sales	₩ 201,355	₩ 247,908
Selling, general and administrative expenses	185,125	121,213
Research and development expenses	260,267	191,079
Total	₩ 646,747	₩ 560,100

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

	2012	2011
Balance at the beginning of the year	₩ 3,442,340	₩ 2,021,192
Current service cost	670,120	508,958
Interest cost	194,629	166,605
Remeasurement loss from change in demographic assumptions	81,587	
Loss from change in financial assumptions	473,488	291,546
Others	55,396	178,279
Benefits paid	(201,444)	(256,261)
Foreign exchange	(22,028)	(18,597)
Others	(4,628)	20,480
Balance at the end of the year	₩ 4,469,467	₩ 3,642,350

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

	2012	2011
Balance at the beginning of the year	₩ 2,423,152	₩ 1,797,706
Expected return on plan assets	136,004	120,704
Remeasurement factor of plan assets	(47,339)	(41,159)
Contributions by the employer	595,420	555,815
Benefits paid	(155,008)	(22,179)
Foreign exchange	8,812	970
Others	(3,523)	(6,251)
Balance at the end of the year	₩ 2,995,508	₩ 2,423,152
Expected contributions to retirement benefit plans for the year ending December 31, 2013	₩ 647,072 million	

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

	2012	2011
Discount rate	3.7-7.0	4.0-7.5
Future salary increases (excluding inflation)	2.5-9.0	2.6-9.9

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.

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

	2012	2011
Actual return on plan assets	₩88,370	₩83,553

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

	2012	2011
Equity investments	₩59,988	₩68,719
Debt instruments	2,897,415	2,323,392
Other	20,725	29,885
	₩2,978,128	₩2,422,006

(F) Plan assets are mostly invested in instruments which have a quoted price in active market.

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

	Change in value	Rate of change
Discount rate		
1% increases	₩4,201,001	90%
1% decreases	5,235,704	112%
Future salary increases		
1% increases	₩3,280,723	112%
1% decreases	4,203,970	90%

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Total
Pension benefits	₩250,111	₩256,194	₩1,081,159	₩2,957,285	₩4,544,849

18 Provisions

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

	Warranty (A)	Royalty expenses (B)	Long term incentives (C)	Others	Total
January 1, 2012	₩1,680,534	₩1,590,079	₩510,901	₩95,243	₩3,777,757
Increase	2,403,512	1,510,409	199,566	(9,936)	4,103,551
Decrease	(1,970,017)	(174,702)	(134,138)	-	(2,278,857)
Others (*)	(81,212)	(152,590)	-	(5,269)	(339,071)
December 31, 2012	₩2,032,817	₩2,773,196	₩576,229	₩81,040	₩5,463,282

(*) 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

	2012	2011
Guarantees of debt for housing rental (*)	₩151,817	₩153,089

(*) 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)

for up to USD 1,361 million and other 5 subsidiaries including SSC 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 ₩738,497 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.

	Number of shares of				₩ millions of Korean won
	Preferred stock (1)	Common stock (2)	Share premium	Share capital	Total
Balance at December 31, 2010	19,833,724	129,843,077	₩897,514	₩4,403,893	₩5,201,407
Shares issued	-	485,650	-	-	-
Disposal of treasury stock	-	57,996	-	-	-
Balance at December 31, 2011	19,833,724	130,386,723	₩897,514	₩4,403,893	₩5,201,407
Shares issued	-	191,209	-	-	-
Disposal of treasury stock	-	269,867	-	-	-
Balance at December 31, 2012	19,833,724	130,847,899	₩897,514	₩4,403,893	₩5,201,407

(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 depositary receipts, general public subscription, urgent financing with financial institutions, and strategic alliance.

SEC has issued global depositary receipts (GDRs) to overseas capital markets. The number of outstanding GDR as of December 31, 2012 and 2011, are as follows.

Outstanding GDR	2012		2011	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Share of Stock	3,233,283	7,569,671	3,092,581	7,316,976
Share of GDR	6,646,566	15,139,350	6,185,162	14,633,952

21 Retained Earnings

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

	2012		2011	
	2012	2011	2012	2011
Appropriated	₩87,915,275	₩78,713,318	₩87,915,275	₩78,713,318
Unappropriated	32,070,414	19,909,354	32,070,414	19,909,354
Total	₩119,985,689	₩97,622,672	₩119,985,689	₩97,622,672

(B) Lease

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

Finance leases

The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under finance lease agreements are included in property, plant and equipment with a net book value of ₩121,407 million (2011: ₩141,275 million). Depreciation expense for the finance lease assets amounted to ₩9,550 million for the year ended December 31, 2012 (2011: ₩16,430 million).

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

	2012		2011	
	Minimum lease payments	Present values	Minimum lease payments	Present values
Within one year	₩21,399	₩13,293	₩25,968	₩13,936
From one year to five years	70,210	40,216	81,970	49,486
More than five years	108,865	67,555	131,263	73,032
Total	₩200,574	₩119,064	₩239,201	₩136,454
Present value adjustment	(85,510)	-	(102,347)	-
Finance lease payables	₩115,064	₩119,064	₩136,854	₩136,454

(C) Litigation

(1) Based on the agreement entered on August 24, 1999 with respect to Samsung Motor Inc. (SMI) bankruptcy proceedings, Samsung Motor Inc.'s creditors (the Creditors) filed a civil action against Mr. Kim 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.

SMI 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 in to an escrow account. That remaining balance was to be used to pay the Creditors interest due to the delay in the SMI 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, ₩420.4 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 ₩11,406,805 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 ₩42,140 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 SAMIC 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 BTU and other financial institutions.

22 Dividends

SCE 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:

	In millions of Korean won and number of shares	
	2012	2011
(A) Interim Dividends		
Number of shares eligible for dividends		
Common stock	130,759,755 shares	130,748,288 shares
Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate	10%	10%
Dividend amount		
Common stock	₩65,380	₩65,074
Preferred stock	9,927	9,927
Total	₩75,307	₩75,001

(B) Year-end Dividends

	In millions of Korean won and number of shares	
	2012	2011
Number of shares eligible for dividends		
Common stock	130,847,899 shares	130,386,723 shares
Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate	150%	100%
Preferred stock	151%	101%
Common stock	₩981,350	₩651,934
Preferred stock	149,896	100,261
Total	₩1,131,245	₩752,195

(C) Dividend Payout Ratio (Including Interim Dividends)

	2012	2011
Dividend payout ratio	5.20%	6.18%

(D) Dividend Yield Ratio (Including Interim Dividends)

	2012	2011
Common Stock/Preferred Stock	Common	Stock/Preferred Stock
Dividend yield ratio (*)	0.54%	0.52%
	0.54%	0.65%

(*) 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:

	2012	2011
Treasury stock (1)	₩(7,350,927)	₩(7,539,561)
Stock option	22,444	55,313
Unrealized gain on available-for-sale financial assets	2,001,336	1,040,849
Share of associates and joint ventures accumulated other comprehensive gains	720,944	1,071,435
Foreign-currency translation differences	(2,673,963)	(834,086)
Remeasurement impact of employee benefit	(1,097,278)	(590,877)
Others	134,352	943,031
Total	₩(6,193,040)	₩(5,833,890)

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

	In millions of Korean won and number of shares	
	2012	2011
Preferred Stock	Preferred Stock	Preferred Stock
Common Stock	Common Stock	Common Stock
Number of shares	2,979,693 shares	16,451,438 shares
Acquisition cost	₩627,843	₩6,779,084
	₩627,843	₩6,917,718

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:

	Date of the Grant					
	March 9, 2001	February 28, 2003	March 30, 2003	March 7, 2003	April 16, 2004	December 20, 2005
At January 1, 2011	176,072	160,221	30,975	74,875	344,568	10,000
Exercised during 2011	116,072	112,626	28,846	55,404	143,382	-
At December 31, 2011	-	47,595	2,929	49,231	201,286	10,000
Exercised during 2012	-	47,595	2,929	-	102,381	5,000
At December 31, 2012	-	-	-	15,817	98,905	5,000
Exercise price	₩197,100	₩379,200	₩342,800	₩381,000	₩380,300	₩606,700
Weighted average share price at the date of exercise during 2011	₩943,994	₩949,456	₩931,777	₩935,942	₩938,171	₩-
Weighted average share price at the date of exercise during 2012	₩-	₩1,102,409	₩1,154,394	₩1,308,176	₩1,276,206	₩1,404,000
Exercise period from the date of the grant	3, 10 years	2, 10 years	2, 10 years	2, 10 years	2, 10 years	2, 10 years

25 Expenses by Nature

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

	2012		2011	
	Un millions of Korean won		Un millions of Korean won	
Raw materials and goods	₩85,193,865	₩75,329,188		
Wages and salaries	13,679,400	11,906,674		
Pension expenses	768,423	584,096		
Depreciation expenses	14,835,046	13,934,274		
Amortization expenses	786,970	657,790		
Welfare expenses	2,481,756	1,998,559		
Commission and service charges	6,961,701	5,936,770		
Other expenses	47,397,114	40,010,129		
Total (*)	₩173,054,275	₩149,357,480		

(*) 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:

	2012		2011	
	Un millions of Korean won		Un millions of Korean won	
Wages and salaries	₩4,032,848	₩2,551,588		
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	304,497		
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	3,747,737	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		
	₩45,402,344	₩27,213,360		

27 Other Non-Operating Income and Expense

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

	2012		2011	
	Un millions of Korean won		Un millions of Korean won	
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 (*)	-	1,062,793		
Others	986,280	698,110		
	₩1,522,989	₩2,251,019		

(*) Gain on disposal of business in 2011 relates to sales of the Solar battery business and the HDO business.

28 Financial Income and Costs

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

	2012		2011	
	Un millions of Korean won		Un millions of Korean won	
Finance income	-	-		
Interest income	₩845,431	₩705,653		
Interest income from loans and receivables	840,150	702,198		
Interest income from available-for-sale financial assets	5,281	3,455		
Foreign exchange differences	6,452,612	6,120,748		
Gain on valuation of derivatives	27,719	80,100		
Gain on derivatives transaction	510,792	497,021		
Finance expense	₩7,836,554	₩7,403,525		
Interest expense	₩599,006	₩644,133		
Interest expense from financial liabilities measured at amortized cost	277,512	270,929		
Other financial liabilities	321,494	373,204		
Foreign exchange differences	6,596,524	6,195,565		
Losses on valuation of derivatives	124,344	59,697		
Losses on derivatives transaction	614,576	404,026		
	₩7,924,450	₩7,824,421		

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:

	2012	2011
Current taxes		
Current tax on profits for the year	₩5,656,298	₩3,051,406
Adjustments in respect of prior years	95,296	95,870
Income tax expense	5,751,594	3,147,276
Deferred taxes		
Deferred income taxes, tax credit	235,640	(75,311)
Deferred income taxes, temporary difference	19,885	381,715
Deferred income taxes, accumulated operating loss	(850)	(22,599)
Others	60,554	
Items charged directly to equity	2,809	1,994
Income tax expense	₩6,069,732	₩3,432,875

(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:

	2012	2011
Income before tax	₩29,915,017	₩17,191,918
Tax calculated at weighted average tax rates applicable (*)	7,564,722	4,354,162
Tax effects of		
Permanent differences	(161,762)	(392,004)
Temporary differences for which no deferred income tax was recognized	(7,930)	7,309
Tax credit	(1,980,710)	(1,639,452)
Subsidiaries, associates and interests in joint ventures	650,000	906,505
Impact of changes in tax rates	(3,602)	140,181
Other	600,980	511,774
Income tax expense	₩6,069,732	₩3,432,875
Effective tax rate	20.29%	19.97%

(*) 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

(C) Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards and undeposited accumulated deficit as of December 31, 2012, are as follows:

	Beginning Balance	Temporary Differences Increase (Decrease)	Ending Balance	Deferred Income Tax Assets (Liabilities) Beginning Balance	Deferred Income Tax Assets (Liabilities) Increase (Decrease)	Ending Balance
Deferred tax arising from temporary differences						
Special reserve appropriated for tax purposes	₩(18,146)	₩(14,951)	₩(33,097)	₩(4,391)	₩(3,619)	₩(8,010)
Revaluation of land	(4,017,210)	539,625	(3,477,585)	(972,191)	130,590	(841,601)
Subsidiaries, associates and interests in joint ventures	(13,450,537)	(11,813,276)	(25,263,813)	(2,072,168)	(650,000)	(2,722,168)
Depreciation	26,975	1,229,250	1,256,225	52,218	250,219	197,901
Capitalized interest expense	(40,522)	21,590	(18,932)	(9,006)	5,249	(3,757)
Accrued income	(92,953)	(37,294)	(130,247)	(21,377)	(6,826)	(28,203)
Provisions, accrued expenses and others	7,144,431	3,217,777	10,362,208	1,806,514	750,331	2,556,845
Foreign currency translation	150,908	(194,189)	(43,281)	35,487	(41,449)	(5,962)
Prepayment losses on investments	52,801	37,755	90,556	10,817	5,387	16,204
Others	779,616	(1,673,860)	(894,244)	288,217	(459,607)	(171,390)
Subtotal	₩(9,464,633)	₩(6,651,433)	₩(16,116,066)	₩(951,167)	₩(19,885)	₩(1,971,040)
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	(195,440)	1,316,612	1,495,747	235,640	1,731,387
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)	₩(1,109,310)	₩(121,903)	₩(108,756)	₩(230,659)
Deferred tax assets						
Deferred tax liabilities						
Total						

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:

	On millions of Korean won			
	Temporary differences		Deferred income tax assets (liabilities)	
	Beginning Balance	Increase (Decrease)	Ending Balance	Ending Balance
Deferred tax arising from temporary differences				
Special reserves appropriated for tax purposes	₩118,146	₩-	₩118,146	₩139,391
Revaluation of land	₩984,170	₩3,140	₩987,310	₩972,130
Subsidiaries, associates and interests in joint ventures	(14,160,207)	706,670	(13,453,537)	(12,109,299)
Depreciation	130,396	(101,421)	28,975	(42,993)
Capitalized interest expense	₩9,867	₩550	₩10,417	₩9,860
Accrued income	(144,631)	51,668	(92,963)	13,930
Provisions, accrued expenses and others	3,742,343	3,402,088	7,144,431	879,801
Foreign currency translation	₩2,072	173,930	175,998	(6,549)
Prepayment losses on investments	45,470	7,481	52,951	943
Others	1,970,813	(1,191,187)	779,626	565,168
	₩12,481,264	₩3,201,641	₩15,682,905	₩11,951,161
Deferred tax assets arising from carryforwards				
Undisposed accumulated deficit	₩40,822	₩59,579	₩100,401	₩22,599
Tax credit carryforwards	1,581,835	(69,770)	1,512,065	75,311
Deferred items recognized in other comprehensive income	-	-	-	-
Valuation of available-for-sale financial instruments	₩2,274,471	₩957,608	₩3,232,079	₩1,060,069
Accrued valuation	304,586	508,928	813,514	123,714
Total	₩11,949,880	₩1,464,536	₩13,414,416	₩2,279,793
Deferred tax assets				
Deferred tax liabilities	-	-	-	₩1,280,086
Total	-	-	-	₩1,302,680

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.

	On millions of Korean won			
	2012		2011	
Undisposed accumulated deficit		₩		₩144,108
Tax credit carryforwards		₩48,262		₩159,150
Every date of unused tax losses and unused tax credits for which no deferred tax asset is recognized in the balance sheet are as follows.				
	2013	2014	2015	2016 and after
Tax credit carryforwards	₩1,103	₩3,455	₩22,313	₩21,391

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

	2012	2011
Valuation of available-for-sale financial assets	₩580,092	₩140,769
Foreign currency translation adjustment	-	22,708
Actuarial valuation	349,823	189,149
Total	₩929,915	₩352,626

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

	2012	2011
Current	₩1,896,481	₩2,859,404
Non-current	₩2,111,849	₩419,768
Total	₩4,008,330	₩3,279,172

30 Earnings per Share

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

	2012	2011
Net income as reported on the statements of income	₩23,185,375	₩13,382,645
Net income available for common stock	20,300,070	11,612,300
Weighted-average number of common shares outstanding	130,698	130,152
Basic earnings per share	₩154.020	₩89,229

	2012	2011
Net income as reported on the statements of income	₩23,185,375	₩13,382,645
Net income available for preferred stock	3,055,355	1,769,345
Weighted-average number of preferred shares outstanding	19,854	19,854
Basic earnings per preferred share	₩153,893	₩89,119

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 commensurate with 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.

	2012	2011
Net income available for common stock and common equivalent shares	₩20,311,405	₩11,614,932
Weighted-average number of shares of common stock and common equivalent (in thousands)	130,766	130,292
Diluted earnings per share	₩153,950	₩89,146

	2012	2011
Net income available for preferred stock and preferred equivalent shares	₩3,055,370	₩1,767,693
Weighted-average number of shares of preferred stock and preferred equivalent (in thousands)	19,854	19,854
Diluted earnings per preferred share	₩153,873	₩89,036

31. Cash Generated from Operations

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

	2012	2011
Adjustments for		
Tax expense	₩4,069,722	₩3,433,875
Finance income	(2,046,888)	(1,821,379)
Finance expense	1,755,715	1,581,180
Severance and retirement benefits	768,423	584,094
Depreciation expenses	14,835,046	12,934,274
Amortization expenses	786,970	657,790
Bad debt expenses and etc.	204,424	93,801
Gain on valuation of equity method	(986,611)	(1,359,194)
Gain on disposal of property, plant and equipment	(147,645)	(1,336,900)
Loss on disposal of property, plant and equipment	324,593	109,338
Disposals and scrapage of inventories	1,212,222	1,353,200
Gain on disposal of investments	(113,886)	(223,535)
Gain on transfer of business		(1,062,793)
Impairment losses on intangible assets	216,790	186,759
Other income/expense	(98,726)	57,787
Adjustments, total	₩22,759,539	₩14,450,459

	2012	2011
Changes in assets and liabilities		
Increase in trade receivables	₩2,032,126	₩2,015,177
Increase in other receivables	(536,202)	(181,613)
Increase in advance payment	(277,329)	(147,387)
Increase in prepaid expenses	(72,285)	(37,423)
Increase in inventories	(4,011,532)	(3,919,863)
Increase in trade payables	(465,450)	750,048
Increase in other payables	(416,870)	375,178
Increase in advance received	88,152	548,416
(Decrease)/increase in withholdings	(663,733)	356,563
Increase in accrued expenses	2,183,846	308,657
Increase in utilization of provisions	1,824,693	722,421
Payment of severance benefits	(301,444)	(256,261)
Increase in plan assets	(440,420)	(531,740)
Others	(657,228)	(439,632)
Changes in net working capital, total	₩15,777,949	₩14,997,349

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

	2012	2011
Valuation of available-for-sale financial assets	₩11,185,256	₩559,831
Reclassification of construction-in progress and machinery-in-transit to property, plant and equipment	19,567,010	22,530,787
Increase in share of associates and joint ventures accumulated other comprehensive income	(350,491)	(113,899)
Net assets acquired from business combination		-
Net assets acquired in transfer of business	(633,706)	788,414

(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 outflow 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 head quarters 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, 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 speculation 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:

	2012						2011					
	USD		EUR		JPY		USD		EUR		JPY	
Financial Assets	₩17,709,235	₩1,085,390	₩178,373	₩1,577,076	₩12,310,076	₩640,482	₩569,204	₩1,280,209				
Financial Liabilities	9,550,081	978,953	1,142,081	214,839	11,092,528	924,075	1,084,553	197,362				

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

	2012			2011		
	Increase	Decrease		Increase	Decrease	
Financial assets	₩777,504	₩(777,504)	₩(741,354)			
Financial liabilities	(594,288)	594,288	(643,926)			
Net effect	183,216	(183,216)	97,428			(97,428)

(D) 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 ₩510,381 million and ₩319,928 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 ₩35,482 million, respectively.

(E) 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:

	2012			2011		
	Fixed rate	Floating rate		Fixed rate	Floating rate	
Financial assets	₩59,351,335	₩281,634	₩60,032,972	₩50,475,935	₩2,838,767	
Financial liabilities	40,632,972	2,186,448	42,819,420	41,129,584	860,702	

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 expense of floating interest rate financial instruments

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

	2011		2012	
	Increase	Decrease	Increase	Decrease
Financial assets	₩78,154	₩(78,154)	₩28,388	₩(28,388)
Financial liabilities	(21,864)	21,864	(8,807)	8,807
	₩56,290	₩(56,290)	₩19,581	₩(19,581)

(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 (BBP 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% of ₩2,074,791 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

	(In millions of Korean won)				
	Less than 3 months	4-6 months	7-12 months	1-5 years	More than 5 years
2012	W12,257,940	W1,690,825	W1,237,879	W7,006,975	W6,236,716
Financial liabilities					
2011	Less than 3 months	4-6 months	7-12 months	1-5 years	More than 5 years
	W11,045,236	W1,124,946	W3,951,111	W6,467,585	W92,737
Financial liabilities					

The Company's trading portfolio derivative instruments have been included at their fair value of W79,212 million (2011: W40,932 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) debt guarantee with rental housing at December 31, 2012 is W151,817 million (December 31, 2011: W153,989 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.

	2012		2011
	(In millions of Korean won)		
Total liabilities	W59,591,264		W54,486,033
Total equity	121,480,206		101,313,630
Gearing ratio	49.1%		53.8%

(E) Fair value estimation

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

	2012				2011			
	Level 1	Level 2	Level 3	Total balance	Level 1	Level 2	Level 3	Total balance
Derivatives	W	W 47,227	W	W 47,227	W	W 130,057	W	W 130,057
Available for sale financial assets	5,694,730	125,994	389,195	6,209,919	3,182,156	73,671	623,739	3,879,567
Total assets	5,694,730	171,221	389,195	6,255,146	3,182,156	203,729	623,739	4,009,624
Derivatives	79,212	79,212		158,424	40,932	40,932		81,864
Total liabilities	W	W 79,212	W	W 79,212	W	W 40,932	W	W 40,932

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 prices used for financial assets held by the Company are the current bid prices. 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

	2012	2011
	(In millions of Korean won)	
Opening balance	W623,739	W326,359
Purchases	82,508	397,865
Deposits	Q1,972	(97,390)
Gains and losses recognized in other comprehensive income	(6,294)	40,904
Others (*)	(278,766)	(72,099)
Closing balance	W389,195	W623,739

(*) SOT equity securities, which are not marketable securities, are measured at cost at 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	DMC						DS				On millions of Korean won		
	Total (*)	CE	IM	Total (*)	Semi conductor	LCD	Total (*)	CE	IM	Total (*)	Elimination	Consolidated	
Total segment Revenue	347,393,209	111,397,867	231,120,085	136,724,276	66,976,623	69,359,762	479,499,910	Q78,396,297	201,102,613	201,102,613			
Inter-segment Revenue	(189,065,172)	(83,954,118)	(172,914,048)	(68,416,962)	(37,090,017)	(36,360,060)	(78,396,297)	278,396,297					
Revenue from external customers	158,328,037	48,443,749	108,506,026	68,287,294	34,886,606	32,999,356	201,102,613						
Depreciation	1,271,373	545,310	497,607	12,354,303	9,087,880	4,179,088	14,835,046						
Amortization	376,916	70,379	188,740	374,548	186,497	77,047	786,970						
Operating profit/loss	21,612,818	2,301,431	19,440,840	7,416,325	4,173,730	3,214,750	29,040,238						

(*) The total amount includes others not composing operating segments.

2011	DMC						DS				On millions of Korean won		
	Total (*)	CE	IM	Total (*)	Semi conductor	LCD	Total (*)	CE	IM	Total (*)	Elimination	Consolidated	
Total segment Revenue	249,807,847	103,500,319	142,127,410	132,790,577	71,303,445	61,648,867	378,693,504	Q13,691,733	165,001,771	165,001,771			
Inter-segment Revenue	(133,589,287)	(56,223,040)	(74,679,457)	(67,015,970)	(34,313,914)	(32,405,595)	(71,691,733)	213,691,733					
Revenue from external customers	116,218,560	47,276,625	67,447,953	65,774,607	36,989,531	29,243,072	165,001,771						
Depreciation	1,194,509	589,010	356,902	11,725,640	7,678,020	4,027,022	12,934,274						
Amortization	244,284	57,207	158,354	273,002	143,810	61,963	657,790						
Operating profit/loss	9,523,446	1,256,788	8,122,616	6,062,934	6,383,875	3,471,146	15,644,291						

(*) The 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	DMC						DS				On millions of Korean won		
	Total (*)	CE	IM	Total (*)	Semi conductor	LCD	Total (*)	CE	IM	Total (*)	Elimination	Consolidated	
Total segment Revenue	179,134,349	81,440,718	75,448,403	57,246,033	85,930,407	Q78,396,297	201,102,613						
Inter-segment Revenue	(150,254,250)	(73,277,530)	(75,927,742)	(32,161,278)	(37,769,480)	278,396,297							
Revenue from external customers	29,180,099	8,163,182	49,520,661	24,078,755	28,160,924		201,102,613						
Non-current assets (*)	60,591,343	6,890,048	1,020,437	1,749,230	2,574,796	4,022,150	72,214,448						

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

2011	DMC						DS				On millions of Korean won		
	Total (*)	CE	IM	Total (*)	Semi conductor	LCD	Total (*)	CE	IM	Total (*)	Elimination	Consolidated	
Total segment Revenue	143,717,714	67,967,402	63,096,978	41,853,272	62,058,132	Q13,691,733	165,001,771						
Inter-segment Revenue	(117,185,100)	(70,441,230)	(24,028,163)	(73,035,182)	(39,002,052)	278,396,297							
Revenue from external customers	26,532,614	47,526,236	39,068,815	28,818,045	23,056,071		165,001,771						
Non-current assets (*)	53,864,391	7,157,272	943,800	1,331,012	2,229,989	(129,377)	65,399,187						

(*) 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 Techno 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:

	On millions of Korean won	
	2012	2011
Transactions		
Sales		₩1,695,298
Purchases	₩806,658	8,624,397
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:

	On millions of Korean won	
	2012	2011
Transactions		
Sales	₩15,484	₩7,195
Purchases	2,800,989	3,210,031
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

	2012		2011	
	(In millions of Korean won)			
Transactions				
Sales		₩95,507		
Purchases	₩109,228		₩95,507	
Receivables and Payables	752,170		655,062	
Receivables		189,840		244,411
Payables		179,646		172,872

(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

	2012		2011	
	(In millions of Korean won)			
Salaries and other short-term benefits		₩10,062		₩13,806
Termination benefits		530		696
Other long-term benefits		5,865		5,096

3S Significant Changes of Non-Controlling Interests

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

	S-LCD		Samsung Asia Private	
	(In millions of Korean won)			
Date of acquisition	January 19, 2012	April 27, 2012	April 27, 2012	
Acquired percentage of non-controlling interests	50%	49%	30%	
Ownership share after transaction	100%	100%	100%	
Consideration paid to non-controlling interests	1,067,082	159,278	19,452	
Carrying amount of non-controlling interests acquired	1,764,927	60,667	13,313	
Capital Surplus (*)	697,845	(99,411)	(6,139)	

(*) 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 ₩1,454,445 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

Name of the acquired company	Samsung LED
Headquarters	Gwangju, Gyeonggi-do
Location	
Representative Director	Nam-seong Cho
Classification of the acquired company	Unlisted company
Former relationship with the Company	Associates

(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

(C) 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

Classification	Amount
	(In millions of Korean won)
1. Consideration transferred	
Fair value of equity interest held before the business combination (*)	344,082
Fair value of additional consideration transferred (*)	344,082
Total	688,164
2. Identifiable assets and liabilities	
Cash and cash equivalents	54,454
Trade and other receivables	304,152
Inventories	146,141
Property plant, and equipment	899,803
Intangible assets	59,512
Investments in Subsidiary Associates and Joint Ventures	68,839
Deferred income tax assets	62,733
Other financial assets	47,370
Trade and other payables	157,571
Borrowings	584,338
Deferred benefit liability	30,108
Other financial liabilities	62,500
Total	608,887
Net Goodwill (*)	79,277

(*) The Company is 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 ₩78,684 million

(*) 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

(*) 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

(D) Had Samsung LED been merged on January 1, 2012, the revenue would be increased by ₩292,273 million and net income would be decreased by ₩25,382 million. Revenue and net loss contributed by Samsung LED division after the merger date of April 1, 2012 amount to ₩293,358 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 Wi-Fi, 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.

(C) Purchase price allocation

The following table summarizes the consideration paid for CSR and the amounts of the assets acquired recognized at the acquisition date (in millions of Korean won).

Classification	Amount
I. Considerations transferred	
Cash and cash equivalents	₩383,498
B. Identifiable assets and liabilities	
Cash and cash equivalents	1,753
Trade and other receivables	304
Property, Plant & Equipment	3,714
Intangible assets (*)	158,117
Available for sales (*)	59,572
Long term prepaid expenses	54,339
Other financial assets	13,779
Trade and other payables	374
Other financial liabilities	1,687
Total identifiable net assets	₩291,517
III. Goodwill (*)	₩91,981

(*) 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 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.

Name of the new company	Samsung Display Corporation
Headquarters location	Gyeonggi-do, Yongin-si, Gyeonggi-do
Business	LCD
Date of Spin-off	April 1, 2012

(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.

(C) Overview of merged companies

Headquarters location	Yongin, Gyeonggi-do	Asan, Chungcheong-do	S-LCD
Representative director	Seon-cho	Dong-yeon Park	
Classification of the acquired company	Unlisted company	Unlisted company	
Relationship with the Company	Associates	Subsidiary	

(D) Share exchange ratio and distribution

Type	Acquiring Company	Acquired Company	Acquired Company
Name	Samsung Display	Samsung Mobile Display	S-LCD
Merger Ratio	1	1.6487702	

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.

(D) Overview of merged companies

Headquarters location	Gyeonggi-do, Gyeonggi-do	Prosonic
Representative director	Won Gil Son	
Classification of the acquired company	Unlisted company	
Relationship with the Company	Subsidiary	

(E) Share exchange ratio and distribution

Type	Acquiring Company	Acquired Company	Acquired Company
Name	Samsung Medison	Prosonic	
Merger Ratio	1	17.5971363	

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 Holding ("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 Human 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 SECORON and GES in order to maximize synergies and enhance the competitiveness in the semiconductor/LCD equipment business.

(B) Overview of the acquired company

Headquarters location	Changwon-si, Gyeonggi-do	SECORON	GES
Representative director	Lee-hyung Lee	Min-sook Han	
Classification of the acquired company	Unlisted company	Unlisted company	
Relationship with the Company	Associates	Associates	

(C) Share exchange ratio and distribution

Type	Acquiring Company	Acquired Company	Acquired Company
Name	SEMES	SECORON	GES
Merger Ratio	1	0.4472688	0.7684500

Global Network

GLOBAL HEADQUARTERS

Samsung Electronics Co. Ltd.
129 Samsung-ro, Yeongtong-gu
Suwon-si, Gyeonggi-do, Korea
Tel. 82-2-2325-0114
www.samsung.com/sec

SEOCHONG OFFICE

Samsung Electronics Co. Ltd.
Samsung Electronics Bldg. 11
Seocho-dong 74-gil, Seocho-gu
Seoul, Korea

REGIONAL HEADQUARTERS

North America
Samsung Electronics
North America Headquarters
85 Challenger Road
Ridgefield Park, NJ 07650, USA

Europe
Samsung Electronics
Europe Headquarters
12001 8. andar, Torre Oeste
Brooklyn Novo CEP 04578-000
São Paulo, Brazil

Latin America
Samsung Electronics
Latin America Headquarters
Avenida das Nações Unidas
12001 8. andar, Torre Oeste
Brooklyn Novo CEP 04578-000
São Paulo, Brazil

Asia
Samsung Electronics
Asia Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Europe
Samsung Electronics
Europe Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Southwest Asia
Samsung Electronics
Southwest Asia Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Southwest Asia
Samsung Electronics
Southwest Asia Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Southwest Asia
Samsung Electronics
Southwest Asia Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Southwest Asia
Samsung Electronics
Southwest Asia Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Southwest Asia
Samsung Electronics
Southwest Asia Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Southwest Asia
Samsung Electronics
Southwest Asia Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Gumi Plant 1
244, Gongdan-ro, Gumi-si
Gyeonggi-do, Korea
Tel. 82-54-479-6114

Gumi Plant 2
302, Jongdan-ro, Gumi-si
Gyeonggi-do, Korea
Tel. 82-54-479-5114

Gilneung Complex
85 Samsung 2-ro, Gilneung-gu
Yongin-si, Gyeonggi-do, Korea
Tel. 82-31-209-7114

Hwasong Plant
1, Samsungjeong-ro, Hwasong-gu
Gyeonggi-do, Korea
Tel. 82-31-209-7114

Oryang Plant
133 Baekje-ro, Asan-si
Chungcheongnam-do, Korea
Tel. 82-41-540-7114

Gwangju Plant
107 Heinsan-ro, Bopjo-gu
Gwangju, Korea
Tel. 82-62-950-6114

ASIA PACIFIC
Samsung Electronics
Asia Pacific Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

China
Samsung Electronics
China Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Taiwan
Samsung Electronics
Taiwan Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Taiwan
Samsung Electronics
Taiwan Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Taiwan
Samsung Electronics
Taiwan Headquarters
1000 Hillwood Drive
Chertsey Surrey KT18 8PS, UK

Suzhou Samsung Electronics
Co. Ltd. (SSEEC) Suzhou
Tel. 86-512-6258-1234

Samsung Electronics Hubei
Company (SEHC) Hubei
Tel. 86-732-389-7777

Shenzhen Samsung Kejian Mobile
Telecommunication Technology
Co. Ltd. (SSKMT) Shenzhen
Tel. 86-755-2699-0888

Samsung Electronics Hunan
Pharmaceuticals (SEHP) Hainan
Tel. 86-898-6883-2100

Samsung Electronics (Shandong)
Digital Printing Co. Ltd. (SSDP)
Weihai
Tel. 86-631-562-6868

China Printed Board
Assembly (China PBA) Zhongshan
Tel. 86-760-430-4849 218

India
Samsung India Electronics of
Production Ltd. (Product)
(SIEL-Prod) Mumbai
Tel. 91-22-236-5621

Samsung India Electronics
Product (China) (SIEL-PC)
Chennai
Tel. 91-44-4710-3000

Indonesia
P.T. Samsung Electronics
Indonesia (SEIN-PT) Cikarang
Tel. 62-21-8983-7114

Malaysia
Samsung Electronics Display (M)
Sdn. Bhd. (SEM-M) Klang
Tel. 60-3-678-7914

Samsung Electronics Malaysia
Sdn. Bhd. (SEMA) Klang
Tel. 60-3-678-7914

Samsung Electronics
Vietnam (SEV) Hanoi
Tel. 84-241-388-6049

Samsung Vina Electronics
S.A. De C.V. (SAMVEX) Tijuana
Tel. 1-619-871-1689

CIS
The Samsung Electronics
Co. Ltd. (TSE B) Bangkok
Tel. 662-495-9000

Russia
L.L.C. Samsung Electronics Rus
Kulaga (SEKR) Kulaga
Tel. 7-484-338-67-000

MIDDLE EAST
Samsung Electronics
Egypt (SEEG) Bent Suez
Tel. 20-2-5528-5971

EUROPE
Hungary
Samsung Electronics Hungaria of
Production Co. Ltd. (SEH-P)
Jásztecső
Tel. 36-37-322-200

Slovakia
Samsung Electronics
Slovakia s.r.o. (SESK) Galanta
Tel. 421-31-7882-111

Poland
Samsung Electronics Poland
Manufacturing (SEPM) Wroclaw
Tel. 48-67-211-41-50

AMERICA
United States
Samsung Austin
Semiconductor LLC (SAS) Austin
Tel. 1-512-672-1000

Brazil
Samsung Electronics Da Amazonia
Ltda. (Product: Manaus)
(SEDA-PM) Manaus
Tel. 55-92-4098-1141

Samsung Electronics Da Amazonia
Ltda. (Product: Campinas)
(SEDA-PC) Campinas
Tel. 55-19-4501-2003

Mexico
Samsung Electronics Mexico
(Production) (SEM-P) Queretaro
Tel. 52-442-296-9003

Samsung Electronics
Taiwan Co. Ltd. (SET) Taipei
Tel. 886-2-2602-5188

Thailand
The Samsung Electronics
Co. Ltd. (TSE B) Bangkok
Tel. 662-495-9000

SALES NETWORK
ASIA PACIFIC
Australia
Samsung Electronics
Australia Pty. Ltd. (SEAU) Sydney
Tel. 61-2-9763-9700

China
Samsung China Investment
Company (SCIC) Beijing
Tel. 86-10-5666-8100

Hong Kong
Samsung Electronics H.K.
Co., Ltd. (SEHK) Hong Kong
Tel. 852-2862-4300 (8900)

India
Samsung India Electronics of
Sales Ltd. (SIEL-S) Gurgaon
Tel. 91-124-488-1234

Indonesia
P.T. Samsung Electronics
Indonesia of Sales (SEIN-S)
Jakarta
Tel. 62-21-5299-1777

Japan
Samsung Electronics
Japan (SEJ) Tokyo
Tel. 81-3-4238-4082

Malaysia
Samsung Malaysia
Electronics Sdn. Bhd. (SME)
Kuala Lumpur
Tel. 60-3-2165-0000

Philippines
Samsung Electronics Philippines
Corp. (SEPCO) Manila
Tel. 63-2-241-7777

Singapore
Samsung Asia Pte. Ltd.
(SAPL) Singapore
Tel. 65-6833-3106

Taiwan
Samsung Electronics
Taiwan Co. Ltd. (SET) Taipei
Tel. 886-2-2602-5188

Thailand
The Samsung Electronics
Co. Ltd. (TSE B) Bangkok
Tel. 662-495-9000

Vietnam
Samsung Vina Electronics
Co. Ltd. (SAVINA-S)
Ho Chi Minh City
Tel. 84-8-3321-1111

CIS
Russia
Samsung Electronics
Russia Ltd. (SERU) Moscow
Tel. 7-395-797-2344

Ukraine
Samsung Electronics Ukraine
Company (SEUC) Kiev
Tel. 380-44-390-5333

Kazakhstan
Samsung Electronics KZ and
Central Asia LLP (SEKZ) Almaty
Tel. 7-727-321-1212

EUROPE
Austria
Samsung Electronics
Austria GmbH (SEAG) Vienna
Tel. 43-1-516-1528

Serbia
Samsung Electronics
Adria (SEAD) Belgrade
Tel. 381-11-4141-301

France
Samsung Electronics
France (SEF) Paris
Tel. 33-1-4921-7000

France
Samsung Electronics
France (SEF) Paris
Tel. 33-1-4921-7000

Germany Samsung Electronics GmbH (SEG) Schwalbach Tel 49-6196-6660	Czech Samsung Electronics Czech (SECZ) Praha Tel 420-225-020-710	Kenya Samsung Electronics East Africa (SEEA) Nairobi Tel 254-20-5752-377
Greece Samsung Electronics Greece S.A. (SEGR) Athens Tel 30-210-218-3800	Latvia Samsung Electronics Baltica (SEB) Riga Tel 371-6750-8600	NORTH AMERICA
Hungary Samsung Electronics Hungarian Co Ltd (SEH-S) Budapest Tel 36-1-453-1180	MIDDLE EAST & AFRICA	Canada Samsung Electronics Canada Inc. (SECA) Toronto Tel 1 905 542-3535
Romania Samsung Electronics Romania SRL (SEROM) Bucharest Tel 40-31-620-2330	United Arab Emirates Samsung Gulf Electronics Co Ltd (SGE) Dubai Tel 971-4-440-6000	United States Samsung Electronics America Inc. (SEA) Ridgefield Park N.J. Tel 1 201 223-4000
Italy Samsung Electronics Italia S.P.A. (SEI) Milan Tel 39-02-921-491	Turkey Samsung Electronics Turkey Ltd. (SETN) Istanbul Tel 90-212-467-6600	LATIN AMERICA
Netherlands Samsung Electronics BeneLux B.V. (SEBM) Delft Tel 31 15-218-8100	Jordan Samsung Electronics Levant Co Ltd (SELV) Amman Tel 962-6-580-7102	Mexico Samsung Electronics Mexico (SEM-S) Mexico City Tel 52 55-5747 5100
Poland Samsung Electronics Polska (SEPOL) Warsaw Tel 48-22-607-4400	Israel Samsung Electronics Israel (SEIL) Tel Aviv-Jaffa Tel 972 77 902-6270	Argentina Samsung Electronics Argentina S.A. (SEASA) Buenos Aires Tel 54-11-4109-4000
Portugal Samsung Electronics Portuguesa S.A. (SEPT) Lisbon Tel 351 21-425-1000	Morocco Samsung Electronics Morocco Ltd (SEMRO) Casablanca Tel 212-22-335-383	Brazil Samsung Eletronica Da Amazonia Ltda. (SEDA S) São Paulo Tel 55-11 5644-8400
Spain Samsung Electronics Iberia S.A. (SESA) Madrid Tel 34-91 714 3700	Tunisia Samsung Electronics Tunis (SETN) Tunis Tel 216-1-860-234275	Chile Samsung Electronics Co Ltd Chile (SECH) Santiago Tel 56-2-485-8600
Sweden Samsung Electronics Nordic AB (SENA) Stockholm Tel 46-8-6550-3700	Pakistan Samsung Electronics Pakistan (SEPAK) Lahore Tel 92-42-3894-7283	Colombia Samsung Electronics Colombia S.A. (SAMCOOL) Bogotá Tel 57-1-487-0707
United Kingdom Samsung Electronics United Kingdom (SEUK) London Tel 44 1932-455-000	South Africa Samsung Electronics South Africa (PTY) Ltd (SSA) Johannesburg Tel 27 11 549-1500	Panama Samsung Electronics Latin America S.A. (SELA) Panama City Tel 507 210-1122
	Nigeria Samsung Electronics West Africa United (SEWA) Lagos Tel 234-40-6243-6463	Peru Samsung Electronics Peru (SEPT) Lima Tel 51-1-771-4801

www.samsung.com