FINANCIAL STATEMENTS OF

SAMSUNG ELECTRONICS CO., LTD.

INDEX TO FINANCIAL STATEMENTS

RESPECTED TRUSTED PROFESSIONAL SAMIL

PRICEWATERHOUSECOOPERS

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of Samsung Electronics Co., Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2010, December 31, 2009, and January 1, 2009, the related statements of income, comprehensive income, changes in equity and cash flow for the years ended December 31, 2010 and 2009, and the related notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements referred to above present fairly, in all material respects, the financial position of Samsung Electronics Co., Ltd. as of December 31, 2010, December 31, 2009, and January 1, 2009, and of their financial performance and their cash flows for the years ended December 31, 2010 and 2009, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea.

Samil PricewaterhouseCoopers

Seoul, Korea
March 2, 2011

This report is effective as of March 2, 2011, 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.

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of U.S dollars (Note 2.25))

	Notes	December 2010 KRW	December 2009 KRW	January 2009 KRW	December 2010 USD	December 2009 USD	January 2009 USD
Assets							
Current Assets							
Cash and cash equivalents	4	1,826,362	2,142,220	2,360,190	1,603,619	1,880,955	2,072,342
Short-term financial instruments	6	10,930,660	8,196,850	3,306,326	9,597,559	7,197,164	2,903,087
Available-for-sale financial assets	7	1,159,144	2,104,420	982,067	1,017,775	1,847,765	862,294
Trade and other receivables	8	14,986,876	11,257,986	7,699,795	13,159,080	9,884,964	6,760,730
Advances		904,550	1,332,339	1,067,955	794,231	1,169,847	937,707
Prepaid expenses		1,097,422	771,909	437,282	963,581	677,767	383,951
Inventories	9	4,750,964	3,633,628	3,817,751	4,171,537	3,190,472	3,352,139
Other current assets		587,152	459,555	240,667	515,544	403,509	211,316
Total current assets		36,243,130	29,898,907	19,912,033	31,822,926	26,252,443	17,483,566
Non-current assets							
Available-for-sale financial assets	7	2,690,819	1,308,675	1,128,853	2,362,647	1,149,069	991,178
Associates and joint ventures	10	22,631,419	22,046,679	20,390,192	19,871,296	19,357,871	17,903,409
Property, plant and equipment	11	38,708,906	32,306,828	35,066,116	33,987,976	28,366,694	30,789,460
Intangible assets	12	2,439,491	1,020,209	1,020,146	2,141,971	895,785	895,729
Deposits		280,879	256,503	271,405	246,623	225,220	238,305
Long-term prepaid expenses		3,411,517	2,342,921	311,106	2,995,449	2,057,179	273,164
Other non-current assets		772,844	428,632	557,358	678,589	376,355	489,382
Total assets		107,179,005	89,609,354	78,657,209	94,107,477	78,680,616	69,064,193

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of U.S dollars (Note 2.25))

	Notes	December 2010 KRW	December 2009 KRW	January 2009 KRW	December 2010 USD	December 2009 USD	January 2009 USD
Liabilities and Equity							
Current liabilities							
Trade and other payables		11,915,509	9,381,208	6,175,535	10,462,296	8,237,078	5,422,368
Short-term borrowings		4,415,095	3,579,760	3,488,144	3,876,631	3,143,173	3,062,731
Advance received		588,206	700,733	564,688	516,469	615,272	495,819
Withholdings		315,196	275,994	161,212	276,755	242,334	141,551
Accrued expenses		4,444,795	3,811,656	2,757,897	3,902,709	3,346,787	2,421,544
Income tax payable		1,713,443	625,898	412,368	1,504,472	549,564	362,076
Current portion of long-term borrowings and debentures	13,14	5,459	5,588	6,009	4,793	4,906	5,276
Provisions		1,326,152	1,604,335	1,586,572	1,164,415	1,408,671	1,393,074
Other current liabilities		267,882	319,552	232,047	235,210	280,579	203,746
Total current liabilities		24,991,737	20,304,724	15,384,472	21,943,750	17,828,364	13,508,185
Non-current liabilities							
Long-term trade and other payables		870,180	900,648	333,940	764,053	790,805	293,213
Debentures	14	87,338	94,993	108,170	76,686	83,408	94,978
Retirement benefit obligation	15	472,012	613,791	725,195	414,446	538,933	636,750
Deferred income tax liabilities	27	328,921	493,371	819,541	288,806	433,200	719,590
Provisions	16	295,356	244,443	176,887	259,334	214,631	155,314
Other non-current liabilities		166,291	202,918	174,010	146,010	178,170	152,787
Total liabilities		27,211,835	22,854,888	17,722,215	23,893,085	20,067,511	15,560,817

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of U.S dollars (Note 2.25))

	Notes	December 2010 KRW	December 2009 KRW	January 2009 KRW	December 2010 USD	December 2009 USD	January 2009 USD
Equity attributable to owners							
Preferred stock	18	119,467	119,467	119,467	104,897	104,897	104,897
Common stock	18	778,047	778,047	778,047	683,157	683,157	683,157
Share premium	18	4,403,893	4,403,893	4,403,893	3,866,795	3,866,795	3,866,795
Retained earnings	19	79,462,825	68,085,358	62,686,166	69,771,556	59,781,682	55,040,975
Other reserve	21	(4,797,062)	(6,632,299)	(7,052,579)	(4,212,013)	(5,823,426)	(6,192,448)
Total equity		79,967,170	66,754,466	60,934,994	70,214,392	58,613,105	53,503,376
Total liabilities and equity		107,179,005	89,609,354	78,657,209	94,107,477	78,680,616	69,064,193

The notes form an integral part of these separate financial statements

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF INCOME

(In millions of Korean won, in thousands of U.S dollars (Note 2.25))

	Notes	2010	2009	2010	2009
		KRW	KRW	USD	USD
Revenue		112,249,475	89,772,834	98,559,553	78,824,158
Cost of sales		77,980,673	65,107,368	68,470,167	57,166,887
Gross profit		34,268,802	24,665,466	30,089,386	21,657,271
Research and development expenses		8,589,582	7,042,549	7,541,998	6,183,641
Selling, general and administrative expenses	24	13,360,678	11,170,759	11,731,213	9,808,376
Other operating income	25	3,356,213	1,564,804	2,946,890	1,373,961
Other operating expenses	25	750,614	629,828	659,069	553,014
Operating profit		14,924,141	7,387,134	13,103,996	6,486,201
Finance income	26	4,455,961	6,495,444	3,912,513	5,703,261
Finance expense	26	4,350,770	6,825,540	3,820,151	5,993,099
Profit before income tax		15,029,332	7,057,038	13,196,358	6,196,363
Income tax expense	27	1,792,871	848,898	1,574,213	745,366
Profit for the year		13,236,461	6,208,140	11,622,145	5,450,997
Earnings per share (in Korean won and US dollars):					
Basic	28	88,799	42,137	77.97	37.00
Diluted	28	88,531	41,941	77.73	36.83

The notes form an integral part of these separate financial statements

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Korean won, in thousands of U.S dollars (Note 2.25))

	2010	**2009**	**2010**	**2009**
	KRW	KRW	USD	USD
Profit for the period	13,236,461	6,208,140	11,622,145	5,450,997
Other comprehensive income	859,009	89,124	754,244	78,254
Changes in gain on valuation of available-for-sale securities	1,103,200	112,271	968,654	98,578
Other comprehensive income tax effect	(244,191)	(23,147)	(214,410)	(20,324)
Comprehensive income for the period	14,095,470	6,297,264	12,376,389	5,529,251

The notes form an integral part of these separate financial statements

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Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2009 KRW	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Total
Balance at January 1, 2009	119,467	778,047	4,403,893	62,686,166	(7,052,579)	60,934,994
Profit for the period	-	-	-	6,208,140	-	6,208,140
Available-for-sale financial assets	-	-	-	-	89,123	89,123
Dividends	-	-	-	(808,948)		(808,948)
Disposal of treasury stock					504,031	504,031
Stock option activities	-	-	-	-	(172,874)	(172,874)
Balance at Dec 31, 2009	119,467	778,047	4,403,893	68,085,358	(6,632,299)	66,754,466

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.25))

2009 USD	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Total
Balance at January 1, 2009	104,897	683,157	3,866,795	55,040,974	(6,192,448)	53,503,375
Profit for the period	-	-	-	5,450,997	-	5,450,997
Available-for-sale financial assets	-	-	-	-	78,254	78,254
Dividends	-	-	-	(710,289)		(710,289)
Disposal of treasury stock	-	-	-	-	442,559	442,559
Stock option activities					(151,790)	(151,790)
Balance at Dec 31, 2009	104,897	683,157	3,866,795	59,781,682	(5,823,425)	58,613,106

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2010 KRW	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Total
Balance at January 1, 2010	119,467	778,047	4,403,893	68,085,358	(6,632,299)	66,754,466
Profit for the period	-	-	-	13,236,461	-	13,236,461
Available-for-sale financial assets	-	-	-	-	859,009	859,009
Dividends	-	-	-	(1,858,994)	-	(1,858,994)
Disposal of treasury stock	-	-	-	-	1,060,990	1,060,990
Stock option activities	-	-	-	-	(84,762)	(84,762)
Balance at Dec 31, 2010	119,467	778,047	4,403,893	79,462,825	(4,797,062)	79,967,170

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S dollars (Note 2.25))

2010 USD	Preferred stock	Common stock	Share premium	Retained earnings	Other reserves	Total
Balance at January 1, 2010	104,897	683,157	3,866,795	59,781,682	(5,823,425)	58,613,106
Profit for the period	-	-	-	11,622,145	-	11,622,145
Available-for-sale financial assets	-	-	-	-	754,244	754,244
Dividends	-	-	-	(1,632,271)	-	(1,632,271)
Disposal of treasury stock	-	-	-	-	931,592	931,592
Stock option activities	-	-	-	-	(74,424)	(74,424)
Balance at Dec 31, 2010	104,897	683,157	3,866,795	69,771,556	(4,212,013)	70,214,392

The notes form an integral part of these separate financial statements

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF CASH FLOWS

(In millions of Korean won, in thousands of U.S dollars (Note 2.25))

		For the years ended December 31,			
	Note	**2010**	**2009**	**2010**	**2009**
Cash flows from operating activities		KRW	KRW	USD	USD
Profit for the period		13,236,461	6,208,140	11,622,145	5,450,997
Adjustments	29	12,100,810	8,891,435	10,624,998	7,807,037
Changes in operating assets and liabilities	29	(8,089,650)	(2,589,944)	(7,103,038)	(2,274,075)
Cash flows from operating activities		17,247,621	12,509,631	15,144,105	10,983,959
Interest received		298,228	187,360	261,856	164,510
Interest paid		(174,019)	(256,022)	(152,796)	(224,798)
Dividend received		1,908,529	808,308	1,675,765	709,727
Income tax paid		(1,134,895)	(652,437)	(996,483)	(572,866)
Net cash generated from operating activities		18,145,464	12,596,840	15,932,447	11,060,532
Cash flows from investing activities					
Net outflow in financial assets at fair value through profit or loss		(2,733,811)	(4,890,524)	(2,400,396)	(4,294,077)
Net proceeds (outflow) in short-term available-for-sale financial assets		981,607	(1,117,932)	861,890	(981,589)
Proceeds from disposal of long-term available-for-sale financial assets		6,668	2,752	5,855	2,416
Acquisition of long-term available-for-sale financial assets		(311,061)	(65,573)	(273,124)	(57,576)
Proceeds from disposal of associates and joint ventures		255,691	47,726	224,507	41,905
Acquisition of associates and joint ventures		(591,872)	(1,236,941)	(519,687)	(1,086,084)
Purchases of property and equipment		1,086,948	100,173	954,384	87,956
Proceeds from disposal of property and equipment		(14,880,858)	(5,236,814)	(13,065,992)	(4,598,133)
Purchases of intangible assets		15,728	36,861	13,810	32,365
Proceeds from disposal of intangible assets		(1,157,805)	(323,543)	(1,016,599)	(284,084)
Payment for deposits		85,344	132,825	74,935	116,626
Proceeds from deposits		(104,925)	(115,453)	(92,128)	(101,372)
Business combination		40,095	-	35,205	-
Others		(217,125)	244,514	(190,645)	214,694
Net cash used in investing activities		(17,525,376)	(12,421,929)	(15,387,985)	(10,906,953)

Samsung Electronics Co., Ltd.

SEPARATE STATEMENTS OF CASH FLOWS

(In millions of Korean won, in thousands of U.S dollars (Note 2.25))

	Note	For the years ended December 31, 2010	2009	2010	2009
		KRW	KRW	USD	USD
Cash flows from financing activities					
Payment of dividends		(1,858,870)	(808,948)	(1,632,163)	(710,289)
Proceeds from treasury stock disposal		184,291	330,738	161,815	290,401
Net proceeds from short-term borrowings		744,921	91,616	654,071	80,443
Repayment of long-term borrowings		(6,288)	(6,287)	(5,521)	(5,520)
Net cash used in financing activities		(935,946)	(392,881)	(821,798)	(344,965)
Net decrease in cash and cash equivalents		(315,858)	(217,970)	(277,336)	(191,386)
Cash and cash equivalents					
Beginning of the year		2,142,220	2,360,190	1,880,955	2,072,341
End of the year		1,826,362	2,142,220	1,603,619	1,880,955

The notes form an integral part of these separate financial statements

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. General Information

These separate financial statements are prepared in accordance with Korean IFRS 1027, 'Consolidated and Separate Financial Statements'.

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

As of December 31, 2010, the Company's shares are listed on the Korea Stock Exchange. The Company is domiciled in the Republic of Korea and the address of its registered office is Suwon, the Republic of Korea.

2. Summary of Significant Accounting Policies

The Company first adopted the International Financial Reporting Standards as adopted by Republic of Korea ("Korean IFRS") from January 1, 2010 (the date of transition: January 1, 2009).
Unless otherwise stated in the footnote, the financial statements have been prepared in accordance with the historical cost model.

The principles used in the preparation of these financial statements are based on Korean IFRS and interpretations effective as of December 31, 2010 or standards that will be enforceable after December 31, 2010 but which the Company has decided to early adopt.

Principal adjustments made by the Company in restating its previously published financial statements in accordance with generally accepted accounting principle in the republic of Korea ("Korean GAAP") are described in Note 3. The principal accounting policies applied in the preparation of these financial statements are set out below. These standards have been consistently applied to 2009 comparative financial information presented.

2.1 Basis of Presentation

The Company prepares its financial statements in accordance with International Financial Reporting Standards as adopted by Korea ("Korean IFRS"). These are those standards, subsequent amendments and related interpretations issued by the IASB that have been adopted by Korea.

First-time adoption of Korean IFRS is set out under Korean IFRS 1101, *First-time Adoption of International Financial Reporting*. Korean IFRS 1101 requires application of the same accounting policies to the opening statement of financial position and for the periods when the first comparative financial statements are disclosed. In addition, mandatory exceptions and optional exemptions which have been applied by the Company are described in Note 3.

There are a number of standards, amendments and interpretations, which have been issued but not yet come into effect. The Company does not expect that the adoption of these new standards, interpretations and amendments will have a material impact on the financial condition and results of operations.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2010 and not early adopted

The Company's assessment of the impact of these new standards and interpretations is set out below.

'Revised IAS 24 (revised), 'Related party disclosures'. It supersedes IAS 24, 'Related party disclosures'. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The Company will apply the revised standard from January 1, 2011. When the revised standard is applied, the Company and the parent will need to disclose any transactions between its subsidiaries and its associates. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

'Classification of rights issues' (amendment to IAS 32). The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8'Accounting policies, changes in accounting estimates and errors'. The Company will apply the amended standard from January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

'IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company will apply the interpretation from January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

'Prepayments of a minimum funding requirement'(amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. The Company will apply these amendments for the financial reporting period commencing on January 1, 2011. It is not expected to have any impact on the Company or the parent entity's financial statements.

2.2 Subsidiaries, associates, and joint ventures

These separate financial statements are prepared in accordance with Korean IFRS 1027, 'Consolidated and Separate Financial Statements'. Samsung Electronics Co., Ltd., the parent company, has 128 subsidiaries including S-LCD and Samsung Electronics America, and 23 associates and joint ventures including Samsung SDI.

Investments in subsidiaries, associates, and joint ventures are recognized by cost method in accordance with Korean IFRS 1027. (Note 3)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Korean Won, which is the functional currency of the company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end of the reporting period of monetary assets denominated in foreign currencies are recognized in the statement of income, except when deferred in equity 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 such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

2.4 Cash flow statements

Cash flow statements are prepared using the indirect method.

2.5 Cash and cash equivalents

The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Bank overdrafts are considered as short-term borrowings in the statement of financial position.

2.6 Financial assets

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 purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

2) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of income when the Company's right to receive payments is established.

Equity instruments of which the fair value cannot be measured reliably are recognized as cost. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in equity are transferred to the statement of income. Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the statement of income as part of finance income. Dividends on available-for sale equity instruments are recognized in the statement of income as part of other operating income when the Company's right to receive payments is established.

3) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement 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.

4) Impairment of financial assets

(a) Assets carried at amortized cost

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

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

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

(b) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of income. Impairment losses on equity instruments recognized in the statement of income are not reversed through the 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 statement of income.

2.7 Trade receivables

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

In the event of sale of receivables and factoring, the Company derecognizes receivables when the Company has given up control or continuing involvement.

2.8 Inventories

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

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

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow into the Company and the cost of the item can be measured reliably.

Capitalized interest is added to the cost of the underlying assets. The acquisition cost of property, plant and equipment acquired under a finance lease is determined at the lower of the present value of the minimum lease payments and the fair market value of the leased asset at the inception of the lease. Property, plant and equipment acquired under a finance lease, leasehold improvements are depreciated over the shorter of the lease term or useful life.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings and auxiliary facilities	15, 30 years
Structures	15 years
Machinery and equipment	5 years
Tools and fixtures	5 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by the difference between the proceeds and the carrying amount and are recognized within the statement of income.

2.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill related to acquisition of associates and joint ventures is included in the respective investments.

(b) Capitalized development costs

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

(c) Other intangible assets

Patents, trademarks, software licenses for internal use are capitalized and amortized using straight-line method over their useful lives, generally 5 to 10 years. Certain club membership is regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity; such asset is not amortized. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down to its recoverable amount.

2.11 Impairment of non-financial assets

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

2.12 Borrowings

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

2.13 Employee benefits

(a) Retirement benefit obligation

The Company has defined benefit plans. A defined benefit plan is all pension plans that is not a defined contribution plan, which the Company pays fixed contributions into a separate entity. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are recognized using the corridor approach. The Company recognizes actuarial gains and losses in excess of a de minimis over the remaining working lives of employees. The de minimis amount, which is also referred to as the 'corridor limit', is the greater of ten per cent of the present value of the defined benefit obligation at the end of the previous reporting period (before deducting plan assets) and ten per cent of the fair value of any plan assets at that date.

(b) Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.14 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

2.15 Leases

The Company leases certain property, plant and equipment. Lease of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding balance. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and are therefore not reflected on the statement of financial position as asset. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.16 Derivative instruments

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

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

2.17 Dividend distribution

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

2.18 Share-based compensation

The Company uses the fair-value method in determining compensation costs of stock options granted to its employees and directors. The compensation cost is estimated using the Black-Scholes option-pricing model and is accrued and charged to expense over the vesting period, with a corresponding increase in a separate component of equity.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company.

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

(a) Sales of goods

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

(b) Sales of services

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

The Company enters into transactions involving multiple components consisting of any combination of goods, services, etc. The commercial effect of each separately identifiable component of the transaction is evaluated in order to reflect the substance of the transaction. The consideration received from these transactions is allocated to each separately identifiable component based on the relative fair value of each component. The Company determines the fair value of each component by taking into consideration factors such as the price when component or a similar component is sold separately by the Company or a third party.

(c) Other sources of revenue

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

2.20 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.

2.21 Income tax expense and deferred taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

2.22 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.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions on resource allocation and performance assessment of the operating segments.

2.24 Critical estimates and judgments

The preparation of these separate financial statements require management to exercise significant judgment and assumptions based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal corresponding actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

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

(b) Provision for warranty (note 16)

The Company recognizes provision for warranty at the point of recording related revenue. The Company accrues provision for warranty based on the best estimate of amounts necessary to settle future and existing claims on products sold as of each balance sheet date. Continuous release of products that are more technologically complex and changes in local regulations and customs could result in additional allowances being required in future periods.

(c) Estimated impairment of goodwill (note 12, 33)

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

(d) Legal contingencies (note 17)

Legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against the Company. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

2.25 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 ₩1,138.90 to US $1, the exchange rate in effect on December 31, 2010. 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.

2.26 These separate financial statements were approved by the Board of Directors on January 28, 2011.

3. Transition to International Financial Reporting Standards as adopted by the Republic of Korea from Generally Accepted Accounting Principle in the Republic of Korea.

The Company adopted Korean IFRS from the fiscal year 2010 (the date of first-time adoption to Korean IFRS: January 1, 2010). The comparison year, 2009,is restated in accordance with Korean IFRS 1101, *First-time adoption of international financial reporting standards* (the date of transition to Korean IFRS: January 1, 2009).

Significant differences in accounting policies

Significant differences between the accounting policies chosen by the Company under Korean IFRS and under previous Korean GAAP are as follows:

(a) First time adoption of Korean IFRS

The Company elected the following exemptions upon the adoption of Korean IFRS in accordance with Korean IFRS 1101, *First-time adoption of international financial reporting standards*:

1) Business combination: Past business combinations that occurred before the date of transition to Korean IFRS will not be retrospectively restated under Korean IFRS 1103, *Business combinations*.

2) Fair value as deemed cost: The Company elects to measure certain land assets at fair value at the date of transition to Korean IFRS and use the fair value as its deemed cost. Valuations were made on the basis of recent market transactions on the arm's length terms by independent valuers.

3) Investments for subsidiaries, associates and joint ventures of the separate financial statements are reset to the book value under the Korean GAAP as of the date of transition to Korean IFRS.

4) Employee benefits: The Company elected to use the 'corridor' approach for actuarial gains and losses and all cumulative actuarial gains and losses have been recognized at the date of transition to Korean IFRS.

(b) Investments for subsidiaries, associates and joint ventures

Under Korean GAAP, the Company elected to measure investments for subsidiaries, associates and joint ventures at equity-method, whereas under Korean IFRS the Company elects cost method on the separate financial statements.

(c) Employee benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company, based on their length of service and rate of pay at the time of termination. Under the previous severance policy pursuant to Korean GAAP, Accrued severance benefits represented the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the end of the reporting period. However, under Korean IFRS, the liability is determined based on the present value of expected future payments calculated and reported using actuarial assumptions.

(d) Capitalization of development costs

Under Korean GAAP the Company recorded expenditures related to research and development activities as current expense. Under Korean IFRS if such costs related to development activities meet certain criteria they are recorded as intangible assets.

(e) Goodwill or bargain purchase arising from business combinations

Under Korean GAAP, the Company amortizes goodwill or recognizes a gain in relation to bargain purchase (negative goodwill[1]) acquired as a result of business combinations on a straight-line method over five years from the year of acquisition. Under Korean IFRS, goodwill is not amortized but reviewed for impairment annually. Bargain purchase is recognized immediately in the statement of income. The impact of this adjustment is included within “other” adjustment in the tables below.

[1] Negative goodwill under Korean GAAP is referred to as bargain purchase under Korean IFRS

(f) Derecognition of financial assets

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under Korean IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

(g) Deferred Tax

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse. Under Korean IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

In addition, there is a difference between Korean IFRS and Korean GAAP in terms of recognition of deferred tax assets or liabilities relating to investments in subsidiaries. Under Korean GAAP there is specific criteria as to when deferred tax assets and liabilities relating to investments in subsidiaries should be recognized as a whole, whereas under Korean IFRS, the related deferred tax assets or liabilities are recognized according to sources of reversal of the temporary differences.

The Company elects to measure investments for subsidiaries, associates and joint ventures at cost model on the separated financial statements. As a result, there is no valuation of deferred tax assets or liabilities related to the investments after the date of transition to Korean IFRS.

The effects of the adoption of Korean IFRS on financial position, Comprehensive income and cash flows of the Company

(a) Adjustments to the statement of financial position as of the date of transition, January 1, 2009.

(In millions of Korean Won)	Asset	Liabilities	Equity
Korean GAAP	₩ 72,519,221	₩ 14,405,730	₩ 58,113,491
Adjustments:			
Fair valuation of land (*)	3,816,293	927,141	2,889,152
Derecognition of financial asset	3,488,144	3,488,144	-
Capitalization of development costs	200,478	-	200,478
Pension and compensated absence	-	202,971	(202,971)
Deferred tax on investments in equity and reclassification to non-current	(1,366,927)	(1,301,784)	(65,143)
Tax-effect on adjustments	-	13	(13)
Total	6,137,988	3,316,485	2,821,503
Korean IFRS	₩ 78,657,209	₩ 17,722,215	₩ 60,934,994

(*) The adjustment includes the effect of deferred tax

(b) The effect of the adoption of Korean IFRS on financial position and comprehensive income of the Company as of and for the year ended December 31, 2009.

(In millions of Korean Won)	Asset	Liabilities	Equity	Comprehensive income
Korean GAAP	₩ 86,024,154	₩ 19,199,443	₩ 66,824,711	₩ 9,116,540
Adjustments:				
Fair valuation of land (*)	3,804,404	924,525	2,879,879	(9,273)
Derecognition of financial asset	3,579,760	3,579,760	-	-
Capitalization of development costs	214,451	-	214,451	13,973
Pension and compensated absence	-	175,702	(175,702)	27,269
Deferred tax on investments in equity and reclassification to non-current	(854,084)	(1,033,936)	179,852	253,535
Equity method cancellation and dividend income	(3,159,331)	-	(3,159,331)	(3,095,399)
Tax-effect on adjustments	-	9,394	(9,394)	(9,381)
Total	3,585,200	3,655,445	(70,245)	(2,819,276)
Korean IFRS	₩ 89,609,354	₩ 22,854,888	₩ 66,754,466	₩ 6,297,264

(*) The adjustment includes the effect of deferred tax

(c) Adjustments to the statement of cash flows for the year ended December 31, 2009

According to Korean IFRS 1007, *Cash Flow Statements*, cash flows from interest, dividends received and taxes on income shall each be disclosed separately. The comparison year, 2009, is restated in accordance with Korean IFRS. There are no other significant differences between cash flows under Korean IFRS and those under previous Korean GAAP for the year ended December 31, 2009.

4. Cash and cash equivalent

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

5. Financial assets subject to withdrawal restrictions

Short-term financial instruments subject to withdrawal restrictions as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

(In millions of Korean Won)	2010	2009	2009. 1. 1
Government grant (Short-term financial instruments)	₩ 27,014	₩ 48,880	₩ 21,698

6. Financial instruments by category

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

(In millions of Korean Won)

	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total	Fair value
Assets					
Cash and cash Equivalents	₩ -	₩ 1,826,362	₩ -	₩ 1,826,362	₩ 1,826,362
Short -term financial instruments	-	10,930,660	-	10,930,660	10,930,660
Available-for-sale financial assets	-	-	3,849,963	3,849,963	3,849,963
Trade and other receivables	-	14,986,876	-	14,986,876	14,986,876
Other financial assets (*)	66,129	1,574,746	-	1,640,875	1,640,875
Total	₩ 66,129	₩29,318,644	₩3,849,963	₩33,234,736	₩ 33,234,736

	Financial liabilities measured at amortized cost		Fair value	
Liabilities				
Trade and other payables	₩	11,915,509	₩	11,915,509
Short-term borrowings		4,415,095		4,415,095
Current portion of long-term borrowings and debentures		5,459		5,459
Non-current Debentures		87,338		87,338
Other financial liabilities**		5,712,022		5,712,022
Total	₩	22,135,423	₩	22,135,423

Financial instruments by category as of December 31, 2009, consist of the following:

(In millions of Korean Won)

	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total	Fair value
Assets					
Cash and cash equivalents	₩ -	₩ 2,142,220	₩ -	₩ 2,142,220	₩ 2,142,220
Short - term finance instruments	-	8,196,850	-	8,196,850	8,196,850
Available for sale financial assets	-	-	3,413,095	3,413,095	3,413,095
Trade and other receivables	-	11,257,986	-	11,257,986	11,257,986
Other financial Assets(*)	8,982	1,144,690	-	1,153,672	1,153,672
Total	₩ 8,982	₩22,741,746	₩3,413,095	₩26,163,823	₩26,163,823

	Financial liabilities measured at amortized cost	Fair value
Liabilities		
Trade and other payables	₩ 9,381,208	₩ 9,381,208
Short-term borrowings	3,579,760	3,579,760
Current portion of long-term borrowings and debentures	5,588	5,588
Non-current portion of Debentures	94,993	94,993
Other financial liabilities**	5,112,207	5,112,207
Total	₩ 18,173,756	₩ 18,173,756

Financial instruments by category as of January 1, 2009, consist of the following:

(In millions of Korean Won)

	Assets at fair value through the profit and loss	Loans and receivables	Available-for-sale financial assets	Total	Fair value
Assets					
Cash and cash equivalents	₩ -	₩ 2,360,190	₩ -	₩ 2,360,190	₩ 2,360,190
Short - term finance instruments	-	3,306,326	-	3,306,326	3,306,326
Available for sale financial assets	-	-	2,110,920	2,110,920	2,110,920
Trade and other receivables	-	7,699,795	-	7,699,795	7,699,795
Other financial assets(*)	-	1,069,430	-	1,069,430	1,069,430
Total	₩ -	₩ 14,435,741	₩2,110,920	₩16,546,661	₩16,546,661

		Financial liabilities measured at amortized cost		Fair value
Liabilities				
Trade and other payables	₩	6,175,535	₩	6,175,535
Short-term borrowings		3,488,144		3,488,144
Current portion of long-term borrowings and debentures		6,009		6,009
Non-current portion of Debentures		108,170		108,170
Other financial liabilities**		3,336,876		3,336,876
Total	₩	13,114,734	₩	13,114,734

(*) Other financial assets consist of amounts included in other current assets, deposits, and other non-current assets in the statement of financial position, and do not include investments in joint-ventures and associated companies.
(**) Other financial liabilities consist of amounts included in accrued expenses, long term trade and other payables, other current and non-current liabilities and withholdings, excluding items which are non-financial.

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

(In millions of Korean Won)	Level 1	Level 2	Level 3	Total balance
Short-term derivatives	-	66,129	-	66,129
Available-for-sale financial assets	3,587,845	39,668	222,450	3,849,963
Total assets	₩3,587,845	₩105,797	₩222,450	₩3,916,092
Short-term derivatives	-	-	-	-
Total liabilities	₩ -	₩ -	₩ -	₩ -

The following table presents the assets and liabilities that are measured at fair value at 31 December 2009.

(In millions of Korean Won)	Level 1	Level 2	Level 3	Total balance
Short-term derivatives	-	8,982	-	8,982
Available-for-sale financial assets	3,302,349	30,487	80,259	3,413,095
Total assets	₩3,302,349	₩39,469	₩80,259-	₩3,422,077-
Short-term derivatives				
Total liabilities	₩ -	₩ -	₩ -	₩ -

The following table presents the assets and liabilities that are measured at fair value at January 1, 2009.

(In millions of Korean Won)	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Short-term derivatives	-	-	-	-
Available-for-sale financial assets	2,033,730	4,465	72,725	2,110,920
Total assets	2,033,730	4,465	72,725	2,110,920
Short-term derivatives	-	-	-	-
Total liabilities	₩ -	₩ -	₩ -	₩ -

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

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

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise 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.

7. Available-for-sale financial assets

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

(In millions of Korean Won)		**2010**	**2009**
	Balance as of January 1	₩ 3,413,095	₩ 2,110,920
	Acquisitions/additions	3,711,061	3,836,587
	Dispositon/redemptions/reductions	(4,358,254)	(2,658,751)
	Valuation(losses)	1,107,621	124,339
	Impairment loss	(10,719)	-
	Others	(12,841)	-
	Balance as of December 31	₩ 3,849,963	₩ 3,413,095
(1)	Current	1,159,144	2,104,420
(2)	Non-current	2,690,819	1,308,675
		₩ 3,849,963	₩ 3,413,095

(1) Short-Term Available-For-Sale Financial Assets

Short-term available-for-sale financial assets as of December 31, 2010, 2009 and January 1, 2009, consist of beneficiary certificates whose maturities are within 1 year, and beneficiary certificates consist of the following

(In millions of Korean Won)	**2010**	**2009**	**2009. 1. 1**
Bonds	₩ 995,400	₩ 1,569,532	₩ 622,911
Time deposits	100,572	390,738	127,307
Certificates of deposit	39,708	118,689	231,561
Call loan	9,606	8,670	157
Others	13,858	16,791	131
	₩ 1,159,144	₩ 2,104,420	₩ 982,067

For the years ended December 31, 2010 and 2009, changes in valuation gain on short-term available-for-sale securities are as follows:

(In millions of Korean Won)	**2010**	**2009**
Balance at January 1	₩ 4,420	₩ 12,067
Valuation amount	9,144	4,420
Net gains transfer from equity	4,420	12,067
Balance at December 31	9,144	4,420
Deferred income tax and minority interest	(2,213)	(1,070)
	₩ 6,931	₩ 3,350

(2) Long-Term Available-For-Sale Financial Assets

Long-term available-for-sale financial assets as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

		2010		2009	2009. 1. 1
(In millions of Korean Won)	Detail	Acquisition Cost	Recorded Book Value	Recorded Book Value	Recorded Book Value
Listed equities [1]	1)	₩ 576,898	₩ 2,428,701	₩ 1,197,929	₩ 1,051,663
Non-listed equities [1,2]	2)	135,121	222,450	80,259	76,703
Government and public bonds and others		39,668	39,668	30,487	487
		₩ 751,687	₩ 2,690,819	₩ 1,308,675	₩ 1,128,853

[1] Excludes associates and joint ventures.

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

1) Listed equities

Listed equities as of December 31, 2010, 2009 and January 1, 2009, consist of the following:
(In millions of Korean Won, except for the number of shares and percentage)

			2010			2009	2009. 1. 1
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value	Recorded Book Value	Recorded Book Value	Recorded Book Value
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩1,675,836	₩1,675,836	₩ 984,350	₩ 919,269
Samsung Fine Chemicals	2,164,970	8.4	45,678	179,476	179,476	101,862	83,243
iMarket Korea[1]	3,800,000	10.6	1,900	103,360	103,360	-	-
Hotel Shilla	2,004,717	5.0	13,957	55,631	55,631	41,297	25,761
Cheil Worldwide	2,998,725	2.6	2,920	41,532	41,532	37,784	23,390
A-Tech Solution	1,592,000	15.9	26,348	33,432	33,432	32,636	-
SFA	1,822,000	10.0	38,262	89,278	89,278	-	-
INPHI[1]	1,170,960	6.4	4,171	26,792	26,792	-	-
Rambus	9,576,250	8.3	185,363	223,364	223,364	-	-
			₩ 576,898	₩2,428,701	₩2,428,701	₩1,197,929	₩1,051,663

[1] Certain investees including iMarket Korea and INPHI, were listed on Korea Exchange or New York Stock Exchange during the current year.

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

2) Non-listed equities

Non-listed equities as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

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

	2010				2009	2009. 1. 1
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Recorded Book Value	Recorded Book Value	Recorded Book Value
Kihyup Technology	1,000,000	17.2	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Pusan Newport	1,135,307	1.0	5,677	5,677	5,677	5,677
Samsung Venture	980,000	16.3	4,900	5,223	4,900	4,900
Samsung Petrochemical	514,172	13.0	8,040	58,940	8,040	8,040
Samsung General Chemicals	1,914,251	3.9	19,143	65,322	19,143	19,143
iMarketKorea	-	-	-	-	1,900	1,900
icube Investment	40	16.2	4,000	4,000	4,000	-
Yong Pyong Resort	400,000	1.1	1,869	1,869	1,869	1,869
Korea Digital Satellite	240,000	0.7	3,344	3,000	3,000	3,000
SK Telink(TU Media)[1]	14,609	1.1	4,357	4,357	15,076	15,076
INPHI	-	-	-	-	4,171	4,171
Nanosys, Inc	3,493,449	3.3	4,774	4,774	-	-
WIC	600,000	18.5	60,000	60,000	-	-
Others			14,017	4,288	7,483	7,927
			₩135,121	₩222,450	₩ 80,259	₩ 76,703

[1]TU Media was merged into SK Telink in the year 2010

Impairment losses on non-listed equities resulting from the decline in realizable value below the acquisition cost amounted to ₩10,719 million for the year ended December 31, 2010.

As of December 31, 2010, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt

For the years ended December 31, 2010 and 2009, changes in valuation gain on long-term available-for-sale securities are as follows:

(In millions of Korean Won)	2010	2009
Balance at January 1	₩ 850,733	₩ 730,814
Valuation Amount	1,098,477	119,919
Balance at December 31	1,949,210	850,733
Deferred income tax and minority interest	(428,827)	(185,778)
	₩ 1,520,383	₩ 664,955

8. Trade and other receivables

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

Trade and other receivables of December 31, 2010, 2009 and January 1, 2009, consist of the following:

(In millions of Korean Won)	2010		2009		2009. 1. 1	
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Receivables excluding associates and joint ventures	₩ 2,191,710	₩ 518,676	₩ 2,081,747	₩ 256,412	₩ 1,491,892	₩ 705,042
Receivables related to associated companies and joint ventures	11,324,736	1,521,815	7,879,465	1,437,693	5,663,864	306,258
Less: Allowances for impairment	(138,728)	(12,146)	(67,563)	(10,520)	(35,686)	(8,221)
Trade receivables, net	₩ 13,377,718	₩ 2,028,345	₩ 9,893,649	₩ 1,683,585	₩ 7,120,070	₩ 1,003,079
Less: Non-current receivables	-	(419,187)	(22,638)	(296,610)	(423,237)	(117)
Current receivables	₩ 13,377,718	₩ 1,609,158	₩ 9,871,011	₩ 1,386,975	₩ 6,696,833	₩ 1,002,962

The Company transferred receivable balances to financial institutions in exchange for cash. The outstanding balance of transferred receivable balances amounting to ₩4,415,095 million, ₩3,579,760 million and ₩3,488,144 million has been accounted for as borrowings as of December 31, 2010, 2009 and January 1, 2009.

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

(In millions of Korean Won)	2010		2009	
	Trade	Non-Trade	Trade	Non-Trade
Balance on January 1	₩(67,563)	₩(10,520)	₩(35,686)	₩(8,221)
Provision for receivables impairment	(100,530)	(10,210)	(50,328)	(5,429)
Receivables written off during the year as uncollectible	1,749	848	1,630	122
Unused amounts reversed	27,616	7,736	16,821	3,008
Balance on December 31	₩(138,728)	₩(12,146)	₩(67,563)	₩(10,520)

The Company does not consider receivables that are overdue for less than or equal to 31 days as impaired. Trade and other receivables that are overdue for less than or equal to 31 days are as follows:

(In millions of Korean Won)	2010	2009	2009. 1. 1
Trade receivables	₩ 91,644	₩ 73,256	₩ 80,836
Other receivables	170,323	57,873	48,101

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, 2010, the Company has credit insurance with Korea Trade Insurance and overseas insurance companies against its export accounts receivables from approved foreign customers.

9. Inventories

Inventories, net of valuation losses, as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

(In millions of Korean Won)

	2010	2009	2009. 1. 1
Finished goods	₩ 1,109,799	₩ 768,810	₩ 740,744
Work in Process	1,857,435	1,434,604	1,621,455
Raw materials and supplies	1,666,095	1,243,622	1,403,314
Materials-in-transit	117,635	186,592	52,238
Total	₩ 4,750,964	₩ 3,633,628	₩ 3,817,751

As of December 31, 2010, losses from valuation of inventories amounted to ₩427,920 million (December 31, 2009: ₩270,947 million, January 1, 2009: ₩424,689 million).

10. Associates and Joint Ventures

Associates and Joint Ventures as of December 31, 2010, consist of the following:

(In millions of Korean Won)

	2010	2009
At January 1	₩ 22,046,679	₩ 20,390,192
Acquisition of Associates and Joint Ventures	591,872	1,236,941
Disposal of Associates and Joint Ventures	(202,538)	(47,484)
Others [1]	195,406	467,030
At December 31	₩ 22,631,419	₩ 22,046,679

[1] Others consist of dividends and effect of changes in foreign exchange rates. For the year ended December 31, 2010, it also includes effects from the combination of Samsung SDS and Samsung Networks.

11. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2010 and 2009, consist of the following:

(In millions of Korean Won)	2010					
	Land	**Buildings and Structures**	**Machinery and Equipment**	**Construction-In-Progress/ Machinery-In-Transit**	**Others**	**Total**
Balance at January 1, 2010	₩ 6,737,769	₩ 7,511,084	₩ 14,600,968	₩ 2,947,513	₩ 509,494	₩ 32,306,828
Acquisition cost	6,737,769	10,480,472	56,273,140	2,947,513	1,751,038	78,189,932
Accumulated depreciation and impairment	-	(2,969,388)	(41,672,172)	-	(1,241,544)	(45,883,104)
Acquisitions	7	74,353	1,100,468	13,559,874	146,156	14,880,858
Acquisitions from business combinations	-	1,060	18,699	-	3,269	23,028
Reclassifications	53	647,399	10,610,226	(11,469,959)	212,281	-
Depreciation	-	(537,999)	(6,791,465)	-	(203,082)	(7,532,546)
Disposals	(398,024)	(102,671)	(442,858)	-	(22,038)	(965,591)
Others	-	(2,275)	(15,007)	14,753	(1,142)	(3,671)
Balance at December 31, 2010	₩ 6,339,805	₩ 7,590,951	₩ 19,081,031	₩ 5,052,181	₩ 644,938	₩ 38,708,906
Acquisition cost	6,339,805	10,992,392	64,717,548	5,052,181	1,913,127	89,015,053
Accumulated depreciation and impairment	-	(3,401,441)	(45,636,517)	-	(1,268,189)	(50,306,147)

(In millions of Korean Won)			2010			
	Land	**Buildings and Structures**	**Machinery and Equipment**	**Construction-In-Progress/ Machinery-In-Transit**	**Others**	**Total**
Balance at January 1, 2009	₩ 6,612,583	₩ 6,791,768	₩17,725,669	₩ 3,281,407	₩ 654,688	₩35,066,115
Acquisition cost	6,612,583	9,250,706	55,041,068	3,281,407	1,867,877	76,053,641
Accumulated depreciation and impairment	-	(2,458,938)	(37,315,399)	-	(1,213,189)	(40,987,526)
Acquisitions	10,724	14,272	178,433	4,995,305	38,080	5,236,814
Reclassifications	132,848	1,246,231	3,643,523	(5,103,591)	80,989	-
Depreciation	-	(523,091)	(6,697,478)	-	(218,389)	(7,438,958)
Disposals	(18,386)	(16,371)	(245,633)	(127,528)	(44,767)	(452,685)
Others	-	(1,725)	(3,546)	(98,080)	(1,107)	(104,458)
Balance at December 31, 2009	₩ 6,737,769	₩ 7,511,084	₩14,600,968	₩ 2,947,513	₩ 509,494	₩32,306,828
Acquisition cost	6,737,769	10,480,472	56,273,140	2,947,513	1,751,039	78,189,933
Accumulated depreciation and impairment	-	(2,969,388)	(41,672,172)	-	(1,241,545)	(45,883,105)

12. Intangible Assets

Changes in intangible assets for the years ended December 31, 2010 and 2009, are as follows:

(In millions of Korean Won)			2010			
	Intellectual property rights	Development expense	Membership	Goodwill	Others	Total
Balance at January 1, 2010	₩ 398,581	₩ 214,451	₩ 165,377	₩ -	₩ 241,800	₩ 1,020,209
Internally generated (development costs)	-	311,510	-	-	-	311,510
External acquisition	30,570	-	7,520	-	808,206	846,296
Business Combinations (*)	119,805	-	-	624,284	187,648	931,737
Amortization	(65,273)	(191,344)	-	-	(237,931)	(494,548)
Disposal and Impairment (**)	(11,333)	-	(532)	(153,940)	(9,908)	(175,713)
Balance at December 31, 2010	₩ 472,350	₩ 334,617	₩ 172,365	₩ 470,344	₩ 989,815	₩ 2,439,491

(*) The amount includes intangible assets and goodwill arising from the business combination with Samsung Digital Imaging.

(**) The impairment charge of ₩153,940 million relates to Samsung Digital Imaging, and is a result of a decline in profitability and increased market competitiveness that occurred in the fourth quarter of 2010.

(In millions of Korean Won)	2009					
	Intellectual property rights	Development expense	Membership	Goodwill	Others	Total
Balance at January 1, 2009	₩ 385,409	₩ 200,478	₩ 166,609	₩ 148	₩ 267,502	₩ 1,020,146
Internally generated development costs)	-	176,530	-	-	(38,154)	138,376
External acquisition	112,558	-	-	-	72,609	185,167
Amortization	(96,379)	(157,149)			(62,743)	(316,271)
Disposal and Impairment	(3,007)	(5,408)	(1,232)	(148)	2,586	(7,209)
Balance at December 31, 2009	₩ 398,581	₩ 214,451	₩ 165,377	₩ -	₩ 241,800	₩ 1,020,209

The amortization expense of intangible assets for the years ended December 31, 2010 and 2009, is allocated to the following accounts:

(In millions of Korean Won)

Account	**2010**	**2009**
Production costs	₩ 223,551	₩ 189,393
Selling general and administrative expenses	197,160	49,147
Research and development expenses	73,837	77,731
Total	₩ 494,548	₩ 316,271

Goodwill was allocated to each cash-generating unit. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The Company has performed impairment test for goodwill annually. The revenue growth rate and discount rate associated with future cash flows were the major assumptions. The majority of goodwill as of December 31, 2010 relates to the business combination with Samsung Digital Imaging. For this goodwill, the discount rate used to present value cash flows of the cash-generating unit as of December 31, 2010 was 15.23%. The revenue growth rate was based on the Company's forecast for the next five years, and its range was 2.5%. The Company determines its revenue growth rate based on historical performance and its expectation for market conditions. The applied weighted average growth rate is consistent with industry reports.

13. Borrowings

Borrowings as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

(In millions of Korean Won)	**Financial Institutions**	**Annual Interest Rates (%) as of December 31, 2010**	**2010**	**2009**	**2009. 1. 1**
Collateralized borrowings	Woori Bank, etc.	1.1 ~ 1.4	₩ 4,415,095	₩ 3,579,760	₩ 3,488,144

14. Debentures

Debentures as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

(In millions of Korean Won)

	Issue Date	**Due Date**	**Annual Interest Rates (%) as of December 31, 2010**	**2010**	**2009**	**2009. 1. 1**
US dollar denominated straight bonds	1997.10.2	2027.10.1	7.7	₩ 96,807 (USD 85M)	₩ 105,084 (USD 90M)	₩ 119,463 (USD 95M)
Less: Discounts				(4,010)	(4,503)	(5,284)
Total				₩ 92,797	₩ 100,581	₩ 114,179
Current portion				₩5,459	₩5,588	₩6,009

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

Maturities of debentures outstanding as of December 31, 2010, are as follows:

(In millions of Korean Won)

For the Years Ending December 31	**Debentures**
2011	₩ 5,695
2012	5,695
2013	5,695
2014	5,695
Thereafter	74,027
	₩ 96,807

15. Retirement benefit obligation

The Company operates defined pension plans in various subsidiaries according to their local regulations and practices in each country. The amounts recognized in the statement of financial position as of December 31, 2010, 2009 and January 1, 2009, are as follows:

(In millions of Korean Won)

	2010	2009	2009. 1. 1
Present value of funded defined benefit obligation	₩ 1,906,563	₩ 1,764,454	₩ 1,660,767
Fair value of plan assets	(1,591,166)	(1,432,432)	(1,296,432)
Deficit of funded plans	315,397	332,022	364,335
Present value of unfunded defined benefit	297,705	233,065	360,860
Unrecognized actuarial gains or losses	(141,090)	48,704	-
	₩ 472,012	₩ 613,791	₩ 725,195

Expense details for defined benefit plans recognized in the statement of income for the years ended December 31, 2010 and 2009, consist of the following:

(In millions of Korean Won)

	2010	2009
Current service cost	₩ 358,095	₩ 363,752
Interest cost	129,555	131,547
Expected return on plan assets	(68,271)	(65,702)
	₩ 419,379	₩ 429,597

Expected contributions to retirement benefit plans for the year ending December 31, 2011 are ₩317,101 million

The pension expense related to defined-benefit plans recognized in the statement of income for the years ended December 31, 2010 and 2009, is allocated to the following accounts:

(In millions of Korean Won)

	2010	2009
Cost of sales	₩ 161,910	₩ 186,586
Selling, general and administrative expenses	80,327	78,441
Research and development expenses	177,142	164,570
	₩ 419,379	₩ 429,597

Change in the defined benefit obligation for the years ended December 31, 2010 and 2009, is as follows

(In millions of Korean Won)

	2010	2009
Balance at the beginning of the year	₩ 1,997,519	₩ 2,021,627
Current service cost	358,095	363,752
Interest cost	129,555	131,547
Actuarial gains and losses	178,595	(56,958)
Benefits paid	(488,961)	(422,552)
Others	29,465	(39,897)
Balance at the end of the year	₩ 2,204,268	₩ 1,997,519

Change in the fair value of plan assets for the years ended December 31, 2010 and 2009, is as follows

(In millions of Korean Won)

	2010	2009
Balance at the beginning of the year	₩ 1,432,432	₩1,296,432
Expected return on plan assets	68,271	65,702
Actuarial gains and losses	(11,198)	(8,254)
Contributions by the employer	343,373	238,628
Benefits paid	(242,998)	(138,092)
Others	1,286	(21,984)
Balance at the end of the year	₩ 1,591,166	₩ 1,432,432

The principal actuarial assumptions used were as follows:

(In %)

	2010	2009	2009. 1. 1
Discount rate	6.5	7.5	7.5
Expected return on plan assets	5.0	5.0	5.0
Future salary increases (including inflation)	5.9	7.0	7.0

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

The actual returns on plan assets for the years ended December 31, 2010 and 2009, were as follows:

(In millions of Korean Won)

	2010	2009
The actual return on plan assets	₩ 57,073	₩ 57,448

Plan assets as of December 31, 2010, 2009 and January 1, 2009, are comprised as follows:

(In millions of Korean Won)

	2010	2009	2009. 1. 1
Debt instruments	₩ 1,585,120	₩ 1,425,127	₩ 1,287,487
Other	6,046	7,305	8,945
	₩ 1,591,166	₩ 1,432,432	₩ 1,296,432

16. Provisions

The changes in the main liability provisions during the 12 month period ended December 31, 2010, are as follows:

(In millions of Korean Won)

		2010			
	Ref.	Balance at January 2 2010	Additional Provisions	Decreased Provisions	Balance at December 31 2010
Warranty	(A)	₩ 235,031	₩ 711,448	₩ 676,203	₩ 270,276
Royalty expenses	(B)	1,369,304	977,616	1,586,400	760,520
Long-term incentives	(C)	244,443	389,079	42,810	590,712
Total		₩1,848,778	₩2,078,143	₩2,305,413	₩1,621,508

(A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs (which have terms from 1 to 4 years).

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

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

17. Commitments and Contingencies

(A) Guarantees

(In millions of Korean Won)	2010	2009	2009.1.1
Guarantees of debt for housing rental*	₩ 171,674	₩ 138,848	₩ 250,132
Other domestic guarantees of debt	-	9,791	10,312
Guarantees of debt for overseas subsidiaries (Up to the limit)	US$ 5,555 (In KRW: ₩ 6,326,795)	US$ 4,655 (In KRW: ₩ 5,435,178)	US$ 4,323 (In KRW: ₩ 5,436,173)
Guarantees of debt for overseas subsidiaries (Actual indebtedness)	US$ 2,412 (In KRW: ₩ 2,747,064)	US$ 1,401 (In KRW: ₩ 1,635,456)	US$ 2,297 (In KRW: ₩ 2,888,688)

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

As of December 31, 2010, the Company is providing a ₩23,414 million (HUF 43.2 billion) guarantee for Samsung Electronics Hungarian relating to the investment incentive contract with the Hungarian government.

(B) Lease

As of December 31, 2010, details of lease contracts held by the Company are as follows:

Finance lease
The Company has finance lease agreement with its subsidiary, SLCD providing land and building.
The minimum lease payments under finance lease agreements and their present value as of December 31, 2010 and 2009 are as follows:

(In millions of Korean Won)

	2010		2009		2009.1.1	
	Minimum Lease payments	Present values	Minimum lease payments	Present values	Minimum Lease payments	Present values
Within one year	₩228,385	₩182,197	₩165,644	₩132,464	₩164,162	₩118,849
From one year to five years	475,948	419,187	337,346	296,610	493,454	406,229
Total	₩704,333	₩601,384	₩502,990	₩429,074	₩657,616	₩525,078
Present value adjustment	(102,949)		(73,916)		(132,538)	
Finance lease payables	601,384		429,074		525,078	

Operating lease

The Company has finance lease agreement with its subsidiary, SLCD providing land and building.
The book value of operating lease assets under operating lease agreements as of December 31, 2010 and 2009, are as follows:

(In millions of Korean Won)

	2010		2009		2009.1.1	
	Land	**Building**	**Land**	**Building**	**Land**	**Building**
Acquisition cost	₩45,757	₩1,312,095	₩ 45,238	₩ 1,400,520	₩ 32,156	₩ 739,072
Accumulated depreciation	-	(354,011)	-	(283,456)	-	(163,688)
Total	₩45,757	₩ 958,084	₩ 45,238	₩ 1,117,064	₩ 32,156	₩ 575,384

The minimum lease payments under operating lease agreements and their present value as of December 31, 2010 and 2009 are as follows:

(In millions of Korean Won)	2010 Minimum Lease payments	2009 Minimum lease payments	2009.1.1 Minimum Lease payments
Within one year	₩ 125,397	₩ 126,565	₩ 92,624
From one year to five years	305,750	386,041	142,454
More than five years	33,246	84,387	-
Total	₩ 464,393	₩ 596,993	₩ 235,078

The recognized amount of present value adjustment in Statements of Income is ₩189,827 million, ₩174,598million as of December 31, 2010 and 2009.

(C) Litigation

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

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

SLI completed its Initial Public Offering (“IPO”) on May 7, 2010. After disposing of 2,277,787 of the shares donated by Mr. Lee and payment of the principal balance owed to the Creditors, ₩878,000 million (approximately $ 0.80 billion) was deposited in to an escrow account. That remaining balance was to be used to pay the Creditors interest due to the delay in the SLI IPO. On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay ₩600,000 million(approximately $ 0.53 billion) to the Creditors and pay 5% annual interest for the period between May 8, 2010 and January 11, 2011, and pay 20% annual interest for the period after January 11, 2011 until the amounts owed to the Creditors are paid. In accordance with the Seoul High Court order, ₩620,400 million (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. Samsung Group affiliates and the Creditors all have appealed to the Korean Supreme Court. The Company has concluded that no provision for loss related to this matter should be reflected in the Company’s financial statements at December 31, 2010.

C. As of December 31, 2010, the Company was named as a defendant in legal actions filed by 22 overseas companies including Philips, and as the plaintiff in legal actions against 4 overseas companies including Spansion Inc. for alleged patent infringements. As the outcome of these matters cannot be reasonably determined, the Company has not recorded any liability for these matters in the financial statements at December 31,2010.

D. As of December 31, 2010, the Company was also named as a defendant in legal actions filed by 34 domestic and overseas companies, and as the plaintiff in legal actions against 7 domestic and overseas companies relating to matters other than alleged patent infringements. The amount claimed against the Company in these cases totals ₩44,279 million, although in nine of the cases no amount has yet been claimed and the amount being claimed against other companies totals ₩2,603 million. As the outcome of these matters cannot be reasonably determined, the Company has not recorded any liability for these matters in the financial statements at December 31, 2010.

18. Share capital and premium

The changes in the number of shares outstanding as of December 31, 2010, 2009 and January 1, 2009, are as follows:

(In millions of Korean Won and number of shares)

	Number of shares(*)	Share capital	Share premium	Total
At 1 January 2009	146,889,642	₩ 897,514	₩ 4,403,893	₩ 5,301,407
Shares issued (**)	1,235,479	-	-	-
At 31 December 2009	148,125,121	897,514	4,403,893	5,301,407
Shares issued (**)	1,571,690			
At 31 December 2010	149,696,811	₩ 897,514	₩ 4,403,893	₩ 5,301,407

(*) As of December 31, 2010 and 2009, and January 1, 2009, 19,853,734 shares of preferred stock were included in the number of shares.

(**) Treasury stocks were issued with respect to options exercised during 2009 and 2010 and the merger of Samsung Digital Imaging during 2010.

Common stock and preferred stock

Type of Shares	Number of Shares issued as at December 31, 2010	Further shares authorized to issue under Articles of incorporation as at December 31, 2010
Common stock[1]	129,843,077	250,303,189
Preferred stock non-voting, non-cumulative[2]	19,853,734	-
Preferred stock non-voting, Cumulative[3]	-	100,000,000

[1] Common stock with par value of ₩5,000 per share.
[2] 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.
[3] Cumulative, participating preferred stock with par value of ₩5,000 per share entitled to a minimum cash dividend at 9% of par value.

Convertible securities

The Company is authorized to issue to investors, other than current shareholders, convertible debentures and debentures with warrants with face values up to ₩4,000,000 million and ₩2,000,000 million, respectively. The convertible debentures amounting to ₩3,000,000 million and ₩1,000,000 million are assigned to common stock and preferred stock, respectively. While the debentures with warrants amounting to ₩1,500,000 million and ₩500,000 million are assigned to common stock and preferred stock, respectively. As of December 31, 2010, there are no convertible securities currently in issue.

Redemption of shares

The Company is authorized, subject to the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. As of December 31, 2010, 8,310,000 shares of common stock and 1,060,000 shares of non-voting preferred stock had been retired over three tranches, with the Board of Directors' approval. The par value of capital stock differs from paid-in capital as the retirement of capital stock was recorded as a deduction from retained earnings

Issuance of shares

The Company is authorized, subject to the Board of Directors' approval, to issue shares of common or preferred stock to investors other than current shareholders for issuance of depository receipts, general public subscription, urgent financing with financial institutions, and strategic alliance.

a. The Company has issued global depositary receipts ("GDR") to overseas capital markets. The number of outstanding GDR as of December 31, 2010, 2009 and January 1, 2009, are as follows:

	2010		2009		2009. 1. 1	
	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock	Non-voting Preferred Stock	Common Stock
Outstanding GDR						
- Share of Stock	3,253,577	9,049,098	3,519,155	8,921,328	3,402,937	8,661,570
- Share of GDR	6,507,154	18,486,976	7,038,310	17,842,656	6,805,874	17,323,140

19. Retained earnings

a. Retained earnings as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

(In millions of Korean Won)	2010	2009	2009. 1. 1
Appropriated			
Legal reserve:			
Earned surplus reserve [1]	₩ 450,789	₩ 450,789	₩ 450,789
Discretionary reserve:			
Reserve for improvement of financial structure	204,815	204,815	204,815
Reserve for business rationalization	11,512,101	10,512,101	9,512,101
Reserve for overseas market development	510,750	510,750	510,750
Reserve for overseas investment losses	164,982	164,982	164,982
Reserve for research and human resource development	33,936,458	29,936,458	26,936,458
Reserve for export losses	167,749	167,749	167,749
Reserve for loss on disposal of treasury stock	3,100,000	3,100,000	3,100,000
Reserve for capital expenditure	13,096,986	9,632,937	8,816,905
Unappropriated	16,318,195	13,404,777	12,821,617
Total	₩ 79,462,825	₩ 68,085,358	₩ 62,686,166

[1] The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through a resolution of the Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the shareholders.

b. Statements of Appropriation of Retained earnings for the years ended December 31, 2010, 2009 as follows (Date of appropriations : March 18, 2011 and March 19, 2010):

(In millions of Korean Won)

	2010		2009	
Retained earnings before appropriations		16,318,195		13,404,777
Unappropriated retained earnings carried over from the prior year	3,828,797		7,270,144	
Interim dividends				
In 2010 - ₩ 5,000 (Dividend rate: 100%)				
In 2009 - ₩ 500 (Dividend rate: 10%)	(747,063)		(73,507)	
Net income	13,236,461		6,208,140	
Appropriations				
Reserve for business rationalization	3,000,000		1,000,000	
Cash dividends				
Common stock				
In 2010 - ₩ 5,000 (Dividend rate: 100%)				
In 2009 - ₩ 7,500 (Dividend rate: 150%)				
Preferred stock				
In 2010 - ₩ 5,050 (Dividend rate: 101%)				
In 2009 - ₩ 7,550 (Dividend rate: 151%)	749,477		1,111,931	
Reserve for research and human resource development	6,000,000		4,000,000	
Reserve for capital expenditure	6,568,688		3,464,049	
Unappropriated retained earnings carried over to the subsequent year		30		3,828,797

* The above statements of appropriation of retained earnings for the years ended December 31, 2009 adopted the K-IFRS adjustments. As so, there is difference between the above statements of appropriation of retained earnings for the year ended December 31, 2009 and the statements of appropriation of retained earnings for the year ended December 31, 2009, appropriated as of March 19, 2010.

20. Dividends

The Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2010 and 2009 and as year-end dividends for the years ended December 31, 2010 and 2009.

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

(A) Interim Dividends

(In millions of Korean Won and number of shares)		**2010**	**2009**
Number of shares eligible for dividends	Common Stock	129,558,812shares	127,160,064shares
	Preferred Stock	19,853,734shares	19,853,734shares
Dividend rate		100%	10%
Dividend amount	Common Stock	647,794	63,580
	Preferred Stock	99,269	9,927
		747,063	73,507

(B) Year-end Dividends

(In millions of Korean Won and number of shares)		**2010**	**2009**
Number of shares eligible for dividends	Common Stock	129,843,077shares	128,271,387shares
	Preferred Stock	19,853,734shares	19,853,734shares
Dividend rate	Common Stock	100%	150%
	Preferred Stock	101%	151%
Dividend amount	Common Stock	649,216	962,035
	Preferred Stock	100,261	149,896
		749,477	1,111,931

Dividend for the year 2010 will be paid in April, 2011 after approval from the general shareholders' meeting scheduled in March, 2011. The dividend for the year 2009 was paid on April 19, 2010. The statements of financial position as of December 31, 2010 and 2009 do not reflect these dividend payables as they had not yet been declared as at December 31, 2010 and 2009, respectively.

(C) Dividend Payout Ratio

(In millions of Korean Won)	2010	2009
Dividend payout ratio	11.3%	19.1%

(D) Dividend Yield Ratio

	2010		2009	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Dividend yield ratio	1.1%	1.6%	1.0%	1.6%

The average closing price for a week before 2 trading days prior to closing date of shareholders' list.

21. Other components of equity

Other components of equity as of December 31, 2010, 2009 and January 1, 2009, consist of the following:

(In millions of Korean Won)	2010	2009	2009. 1. 1
Treasury stock(*)	(7,761,927)	(8,404,791)	(8,910,135)
Stock option	128,320	213,083	385,957
Unrealized holding gains on available-for-sale financial assets	1,527,314	668,305	579,182
Others	1,309,231	891,104	892,417
	(4,797,062)	(6,632,299)	(7,052,579)

(*)As of December 31, 2010, the Company holds 17,456,260 common shares and 2,979,693 preferred shares as treasury stocks.

22. Share Based Compensation

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

A summary of the terms and the number of outstanding stock options as of December 31, 2010 is as follows:

	Date of the Grant							
	March 16, 2000	**March 9, 2001**	**February 28, 2002**	**March 25, 2002**	**March 7, 2003**	**April 16, 2004**	**October 15, 2004**	**December 20, 2005**
At January 1, 2009	521,715	925,815	425,757	56,890	165,442	524,871	-	10,000
Exercised during 2009	467,208	476,406	150,253	24,036	56,607	60,969	-	-
At December 31,2009	54,507	449,409	275,504	32,854	108,835	463,902	-	10,000
Exercised during 2010	54,507	273,337	115,283	1,879	33,960	119,334	-	-
At December 31,2010	-	176,072	160,221	30,975	74,875	344,568	-	-
Exercise price	₩272,700	₩197,100	₩329,200	₩342,800	₩288,800	₩580,300	₩460,500	₩606,700
Weighted average share price at the date of exercise during 2009	675,010	710,883	708,166	769,943	712,980	765,098	-	-
Weighted average share price at the date of exercise during 2010	₩779,377	₩853,456	₩845,473	₩840,201	₩852,484	₩863,578	-	-
Exercise period from the date of the grant	3-10years	3-10years	2-10years	2-10years	2-10years	2-10years	2-4years	2-10years

23. Expenses by Nature

Expenses by nature for the years ended December 31, 2010 and 2009, consist of the following:

(In millions of Korean Won)	**2010**	**2009**
Wages and salaries	₩ 7,637,283	₩ 5,212,765
Pension expenses	419,379	429,597
Welfare expenses	812,080	605,690
Depreciation expenses	7,532,546	7,438,958
Amortization expenses	494,548	316,271

24. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended December 31, 2010 and 2009, consist of the following:

(In millions of Korean Won)	2010	2009
Wages and salaries	₩ 1,415,116	₩ 875,781
Pension expenses	80,327	78,441
Commission and service charges	4,477,520	3,759,284
Depreciation expenses	192,285	185,364
Amortization expenses	197,160	49,147
Advertising expenses	2,404,557	1,880,969
Sales promotion expenses	1,240,295	1,508,672
Transportation expenses	1,003,924	807,399
After service expenses	810,909	678,307
Public relation expenses	400,203	356,561
Others	1,138,382	990,834
	₩ 13,360,678	₩ 11,170,759

25. Other operating income and expense

Other operating income and expenses for the years ended December 31, 2010 and 2009, consist of the following:

a. Other operating income

(In millions of Korean Won)	2010	2009
Dividend income	₩ 1,825,397	₩ 946,530
Commission income	233,884	83,137
Rental income	107,043	102,185
Gain on disposal of investments	472,449	28,667
Gain on disposal of property, plant and equipment	205,938	142,958
Gain on transfer of business	179,418	-
Other	332,084	261,327
	₩ 3,356,213	₩ 1,564,804

b. Other operating expense

	2010	2009
Other bad debts expense	₩ 13,635	₩ 6,671
Loss from disposal of property, plant and equipment	76,598	64,177
Donations	198,045	99,554
Other	462,336	459,426
	₩ 750,614	₩ 629,828

26. Finance income and expenses

Finance income and expenses for the years ended December 31, 2010 and 2009, consist of the following:

(In millions of Korean Won)	**2010**	**2009**
Interest income	₩ 411,677	₩ 206,751
Interest income from loans and receivables	410,197	206,723
Interest income from available for sale financial assets	1,480	28
Realized foreign exchange gains	3,669,162	5,097,908
Unrealized foreign exchange gains	331,839	1,190,785
Other finance income	43,283	-
Finance income	4,455,961	6,495,444
Interest expense:	306,685	255,720
Interest expense from financial liabilities measured at amortized cost	306,685	255,720
Realized foreign exchange losses	3,744,256	5,659,860
Unrealized foreign exchange losses	267,364	909,960
Other finance expenses	32,465	-
Finance expenses	₩ 4,350,770	₩ 6,825,540

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

27. Income Tax

Income tax expense for the years ended December 31, 2010 and 2009 consists of the following:

(In millions of Korean Won)	**2010**	**2009**
Current taxes :		
Current tax on profits for the year	2,249,854	1,061,387
Adjustments in respect of prior years	(27,234)	136,411
	₩ 2,222,620	₩ 1,197,798
Deferred taxes :		
Deferred income taxes - tax credit	(247,136)	(73,415)
Deferred income taxes - temporary difference	(176,216)	(275,903)
Items charged directly to equity	(6,397)	418
Income tax expense	₩ 1,792,871	₩ 848,898

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable as follows:

(In millions of Korean Won)	**2010**	**2009**
Income before tax	₩ 15,029,332	₩ 7,057,038
Weighted average tax rate		
Tax calculated at domestic tax rates applicable	3,637,098	1,707,803
Tax effects of:		
Non- taxable revenues	(1,093,845)	(90,609)
Nondeductible expense	1,042,857	55,202
Tax credit	(1,678,407)	(800,452)
Other	(114,832)	(23,046)
Actual income tax expense	₩ 1,792,871	₩ 848,898
Effective tax rate	11.9%	12.0%

Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards as of December 31, 2010, are as follows:

	Temporary Differences			**Deferred Income Tax Asset (Liabilities)**		
(In millions of Korea Won)	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩(644,811)	₩626,665	₩ (18,146)	₩(156,044)	₩152,052	₩ (3,992)
Associates and joint ventures and other investments	(5,219,639)	(118,431)	(5,338,070)	(1,032,851)	-	(1,032,851)
Depreciation	43,228	(16,736)	26,492	9,549	(3,680)	5,869
Capitalized interest expense	(43,766)	1,854	(41,912)	(9,810)	549	(9,261)
Accrued income	(39,558)	(104,491)	(144,049)	(9,573)	(25,287)	(34,860)
Allowance (technical expense, others)	3,123,687	(167,878)	2,955,809	751,526	(47,124)	704,402
Deferred foreign exchange gains	17,128	(964)	16,164	3,811	(234)	3,577
Foreign currency translation	71,381	(103,780)	(32,399)	17,274	(25,115)	(7,841)
Impairment losses on investments	34,295	10,944	45,239	7,545	2,408	9,953
Others	(4,048,101)	456,686	(3,591,415)	(891,447)	107,936	(783,511)
	₩(6,706,156)	₩583,869	₩(6,122,287)	₩ (1,310,020)	₩161,505	₩ (1,148,515)

Deferred tax assets arising from the carryforwards						
Tax credit carryforwards	₩1,067,401	₩208,370	₩1,275,771	₩1,003,497	₩247,136	₩1,250,633
Deferred items recognized in other comprehensive income						
Valuation of available-for-sale financial assets and others	₩ (855,153)	₩(1,153,740)	₩(2,008,893)	₩ (186,848)	₩(244,191)	₩ (431,039)

Deferred income tax assets and liabilities resulting from the tax effect of temporary differences including available tax credit carryforwards as of December 31, 2009, are as follows:

	Temporary Differences			**Deferred Income Tax Asset (Liabilities)**		
(In millions of Korea Won)	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**	**Beginning Balance**	**Increase (Decrease)**	**Ending Balance**
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩(1,282,294)	₩637,483	₩ (644,811)	₩ (296,129)	₩140,085	₩ (156,044)
Associates and joint ventures and other investments	(5,222,534)	2,895	(5,219,639)	(1,032,851)	-	(1,032,851)
Depreciation	(7,999)	51,227	43,228	(2,811)	12,360	9,549
Capitalized interest expense	(46,046)	2,280	(43,766)	(10,130)	320	(9,810)
Accrued income	(223,378)	183,820	(39,558)	(54,058)	44,485	(9,573)
Allowance (technical expense, others)	2,510,973	612,714	3,123,687	603,583	147,943	751,526
Deferred foreign exchange gains	18,093	(965)	17,128	4,002	(191)	3,811
Foreign currency translation	352,206	(280,825)	71,381	85,234	(67,960)	17,274
Impairment losses on investments	43,515	(9,120)	34,295	9,551	(2,006)	7,545
Others	(4,053,425)	5,324	(4,048,101)	(892,314)	867	(891,447)
	₩ (7,910,989)	₩1,204,833	₩ (6,706,156)	₩(1,585,923)	₩275,903	₩(1,310,020)
Deferred tax assets arising from the carryforwards						
Tax credit carryforwards	₩ 1,033,425	₩33,976	₩1,067,401	₩930,082	₩73,415	₩1,003,497
Deferred items recognized in other comprehensive income						
Valuation of available-for-sale financial assets and others	₩ (742,882)	₩ (112,271)	₩ (855,153)	₩ (163,700)	₩(23,148)	₩ (186,848)

The analysis of deferred tax assets and deferred tax liabilities is as follows

(In millions of Korean Won)	**2010**	**2009**	**2009.1.1**
Deferred tax asset and deferred tax liabilities:			
to be recovered after more than 12 months	₩ 1,873,928	₩ 1,551,993	₩ 1,318,412
to be recovered within 12 months	(2,202,849)	(2,045,364)	(2,137,953)

28. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.
Basic earnings per share for the years ended December 31, 2010 and 2009, is calculated as follows:

(In millions, except for share amounts)	**2010**	**2009**
Net income as reported on the statements of income	₩ 13,236,461	₩ 6,208,140
Adjustments:		
Dividends for preferred stock[1]	(199,530)	(159,823)
Undeclared participating preferred stock dividend[1]	(1,557,022)	(673,211)
Net income available for common stock	11,479,909	5,375,106
Weighted-average number of common shares Outstanding (in thousands)	129,280	127,564
Basic earnings per share (in Korean Won)	₩ 88,799	₩ 42,137

[1] Basic earnings per preferred share (in Korean Won)

(In millions, except for share amounts)	**2010**	**2009**
Net income available for preferred stock	₩ 1,756,552	₩ 833,034
Weighted-average number of preferred shares Outstanding (in thousands)	19,854	19,854
Basic earnings per preferred share (in Korean Won)	₩ 88,473	₩ 41,958

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: Stock options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.
Diluted earnings per share for the years ended December 31, 2010 and 2009, is calculated as follows:

(In millions, except for share amounts)	**2010**	**2009**
Net income available for common stock	₩ 11,479,909	₩ 5,375,106
Net income available for common stock and common equivalent shares	11,479,909	5,375,106
Weighted-average number of shares of common stock and common shares equivalent	129,671,320	128,161,093
Diluted earnings per share (in Korean Won)	₩ 88,531	₩ 41,941

Diluted earnings per preferred share are equal to basic earnings per preferred share because stock options are not applicable to preferred shares.

29. Cash generated from operations

a. Cash flows from operating activities as of December 31, 2010 and 2009 consist of the following:

(In millions of Korean Won)	**2010**	**2009**
Adjustments for:		
Tax expense	₩ 1,792,871	₩ 848,898
Finance income	(786,799)	(1,397,536)
Finance costs	606,514	1,165,680
Dividend Income	(1,825,397)	(946,530)
Depreciation expenses	7,532,546	7,438,958
Amortization expenses	494,548	316,271
Severance and retirement benefits	419,379	429,597
Bad debt expenses	114,165	56,999
Loss on disposal of property, plant and equipment	76,598	64,177
Obsolescence and scrappage of inventories	522,669	194,553
Net additions to provisions	3,683,354	1,783,456
Reversal of allowance for bad debt	(38,597)	(21,064)
Gain on disposal of investment assets	(472,449)	(28,330)
Gain on disposal of property, plant and equipment	(205,938)	(142,958)
Other income/expense	187,346	(870,736)
Adjustments, total	₩ 12,100,810	₩ 8,891,435
Changes in assets and liabilities:		
Increase in trade receivables	(3,348,962)	(3,357,688)
Decrease/(Increase) in advances	427,703	(264,912)
Increase in inventories	(1,614,334)	(64,503)
Increase in other current asset	(22,270)	(262,903)
(Increase)/Decrease in other receivables	(425,296)	34,987
Increase in prepaid expenses	(1,388,694)	(2,366,453)
Decrease/(Increase) in other non-current asset	11	(2,174)
Increase in trade payables	1,169,614	2,444,706
(Decrease)/Increase in advance received	(114,492)	136,045
Increase in withholdings	24,913	144,891
Increase in accrued expenses	598,592	713,656
Decrease in provisions	(3,910,624)	(1,684,438)
(Decrease)/Increase in other current liabilities	(91,459)	57,395
Increase in other payables	1,165,274	1,589,550
Payment of severance benefits	(488,961)	(422,552)

Decrease in severance benefit deposit	(100,375)	(100,536)
Increase in other non-current liabilities	29,710	814,985
Changes in net working capital, total	₩ (8,089,650)	₩ (2,589,944)

b. Significant transactions not affecting cash flows for the years ended, 2010 and 2009, are as follows:

(In millions of Korean Won)	**2010**	**2009**
Increase in gain on valuation of available-for-sale securities	₩ 1,107,621	₩ 124,339
Reclassification of construction-in-progress and machinery-in-transit to other property, plant and equipment accounts	11,469,959	5,103,591
Increase in share of associates and joint ventures accumulated other comprehensive income	1,051,008	-
Investment in kind	-	464,355

c. The Company reported on a net basis cash receipts and payments arising from transactions occurring frequently and financial instruments, loans, borrowings which maturity in less than 3 months.

30. Financial risk management

Financial risk factors

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

Also, financial risk management officers are dispatched to the regional head quarters of each area including United States of America, England, Singapore, China, Japan, and Brazil to run and operate a local financial center for global financial risk management.

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

(1) Market risk

(a) Foreign exchange risk

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

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

A summary of foreign assets and liabilities of the Company as of December 31, 2009 and 2010 is as follows:

(Unit: '000)

	2010				**2009**			
	USD	EUR	JPY	Other	USD	EUR	JPY	Other
Financial Asset	28,473	44	145	-	58,050	38,287	86	7,215
Financial Liabilities	741,921	669	104,778	16,062	1,015,783	25,485	14,857	14,964

The effect of foreign currency risk to net income is a sum of net foreign currency fluctuations of Korean Won against other foreign currency fluctuations. Foreign currency exposure to financial assets and liabilities of a 5% currency rate change against the Korean Won are presented below.

(In millions of Korean Won)

	2010		**2009**	
	Increase	Decrease	Increase	Decrease
Financial assets	₩ 1,433	₩ (1,433)	₩ 5,182	₩ (5,182)
Financial liabilities	(43,172)	43,172	(53,554)	53,554
Net effect	₩ (41,739)	₩ 41,739	₩ (48,372)	₩ 48,372

(b) Price risk

The Company's investment portfolio consists of direct and indirect investments in listed and non-listed securities. The market values for the Company's equity investments for the year-ended December 31, 2010 and 2009 are ₩2,651,151 million and ₩1,278,188 million respectively. Refer to Note 7.

If there is change in price of equity investment by 1%, the amount of other comprehensive income changes for the year-ended December 31, 2010 and 2009 are ₩24,287 million and ₩11,979 million, respectively.

(c) Interest rate risk

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

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

(In millions of Korean Won)

	2010		**2009**	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Assets	₩33,234,736	₩ -	₩43,590,557	₩ -
Liabilities	22,135,423	-	30,730,804	-

(2) Credit risk

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

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

Credit risk arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To minimize such risk, the Company transacts only with banks which have strong international credit rating (S&P A above), and all new transactions with financial institutions with no prior transaction history are approved, managed and monitored by the Company's finance team and the local financial center. The Company requires separate approval procedure for contracts with restrictions.
The top five customers account for approximately occupies 36.5% and 36.2% and ₩4,884,067 million and ₩3,594,209 million for the year ended 2010 and 2009, respectively, while the top three credit exposures by country amounted to 25.4%, 18.3% and 11.8% (December 31, 2009: 23.2%, 17.9% and 13.5%), respectively.

(3) Liquidity risk

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

The following table below is an undiscounted cash flow analysis for financial liabilities that are presented on the balance sheet according to their remaining contractual maturity.

Year ended December 31, 2010

((In millions of Korean Won)

	Less than 3 months	4-6 months	7-12 months	1-2 years	More than 2 years
Financial liabilities	₩ 17,278,554	₩ 224,220	₩ 2,192,036	₩ 408,490	₩ 2,305,762

Year ended December 31, 2009

(In millions of Korean Won)

	Less than 3 months	4-6 months	7-12 months	1-2 years	More than 2 years
Financial liabilities	₩ 12,064,211	₩ 208,185	₩ 2,867,700	₩ 1,000,563	₩ 2,307,440

(4) Capital risk management

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

During 2010, the Company's strategy was to maintain a reliable credit rating. The Company has maintained an A credit rating from S&P and A1from Moody's, respectively throughout the period. The gearing ratios at 31 December 2010 and 2009 were as follows:

(In millions of Korean Won)	**2010**	**2009**
Total liabilities	₩ 27,211,835	₩ 22,854,888
Total equity	79,967,170	66,754,466
Gearing ratio	34.0%	34.2%

31. Segment Information

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

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

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

The segment information provided to the Management committee for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

1) Year ended 31 December 2010

(In millions of Korean Won)

2010 Summary of Business by Segment

	SET			**Device**				
	Total	**Digital Media**	**Tele-Communication**	**Total**	**Semiconductor**	**LCD**	**Others**	**Total**
Total segment Revenue	₩57,120,623	₩23,884,265	₩32,473,622	₩59,503,703	₩36,444,829	₩23,058,874	₩176,158	₩116,800,484
Inter-segment Revenue	(94,202)	(89,604)	(4,548)	(4,349,856)	(3,303,822)	(1,046,034)	(106,951)	(4,551,009)
Revenue from external customers	57,026,421	23,794,661	32,469,074	55,153,847	33,141,007	22,012,840	69,207	112,249,475
Operating profit	1,929,158	(1,193,235)	3,071,176	11,083,481	9,815,843	1,267,638	1,911,502	14,924,141
Total assets	₩42,508,566	₩18,167,145	₩22,603,835	₩59,866,776	₩44,265,268	₩15,383,005	₩4,803,663	₩107,179,005

2) Year ended 31 December 2009

(In millions of Korean Won)

2010 Summary of Business by Segment

	Total	**Digital Media**	**Tele-Communication**	**Total**	**Semiconductor**	**LCD**	**Others**	**Total**
Total segment Revenue	₩47,830,255	₩16,247,477	₩30,550,932	₩44,635,307	₩23,929,033	₩20,706,274	₩178,256	₩92,643,818
Inter-segment Revenue	(24,936)	(20,710)	(4,075)	(2,812,971)	(2,142,879)	(670,092)	(33,077)	(2,870,984)
Revenue from external customers	47,805,319	16,226,767	30,546,857	41,822,336	21,786,154	20,036,182	145,179	89,772,834
Operating profit	3,470,194	349,657	3,117,103	3,271,949	1,932,871	1,339,078	644,991	7,387,134
Total assets	₩35,704,655	₩13,149,173	₩20,263,068	₩47,322,646	₩31,706,446	₩12,883,218	₩6,582,053	₩89,609,354

The regional segment information provided to the Management committee for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

1) Year ended 31 December 2010

(In millions of Korean Won)

	Korea	America	Europe	Asia	China	Total
Revenue from external customers	₩17,246,701	₩24,486,907	₩22,781,112	₩16,366,589	₩31,368,166	₩112,249,475

2) Year ended 31 December 2009

(In millions of Korean Won)

	Korea	America	Europe	Asia	China	Total
Revenue from external customers	₩14,973,910	₩19,613,585	₩19,298,580	₩12,115,395	₩23,771,364	₩89, 772,834

32. Related-party transactions

1) Subsidiaries

Subsidiaries as of December 31, 2010, are as follows:

Area	Subsidiaries
Korea	Samsung Gwangju Electronics, STECO, SEMES, Samsung Electronics Service, Living Plaza, Samsung Electronics Logitech, SECRON, S-LCD, Samsung Electronics Hainan Fiberoptics Korea Samsung Electronics Football Club, Samsung Mobile Display, World Cyber Games, Samsung Venture Capital Union #6, #7 and #14, Ray, GES
Americas	Samsung Electronics Canada (SECA), Samsung Electronics America (SEA), Samsung Electronics Latinoamerica (SELA), Samsung Electronics Mexico (SEM), Samsung Electronics Argentina (SEASA), Samsung Receivables (SRC), Samsung Semiconductor (SSI), Samsung Information Systems America (SISA), Samsung Telecommunications America (STA), Samsung International (SII), Samsung Austin Semiconductor (SAS), Samsung Mexicana (SAMEX), Samsung Electronics Latinoamerica Miami (SEMI), Samsung Electronica Columbia (SAMCOL), Samsung Electronica da Amazonia (SEDA), SEMES America (SEMESA), Samsung Electronics Chile (SECH), Samsung Electronics Peru (SEPR), Samsung Electronics Venezuela (SEVEN)

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

Rest of Asia	Samsung Yokohama Research Institute (SYRI), Samsung Electronics Australia (SEAU), Samsung Electronics Indonesia (SEIN), Samsung Asia (SAPL), Samsung Electronics Asia Holding (SEAH), Samsung Electronics Display (M)(SDMA), Samsung Electronics (M)(SEMA), Samsung Vina Electronics (SAVINA), Samsung India Electronics (SIEL), Thai Samsung Electronics (TSE), Samsung Electronics Philippines (SEPCO), Batino Realty Corporation (BRC), Samsung Electronics Philippines Manufacturing (SEPHIL), Samsung Japan (SJC), Samsung Telecommunications Indonesia (STIN), Samsung Malaysia Electronics (SME), Samsung Electronics Vietnam (SEV), Samsung India Software Operations (SISO), Samsung Telecommunications Japan (STJ), Samsung Telecommunications Malaysia (STM) Samsung Bangladesh R&D (SBRC)

Significant transactions with subsidiaries for the periods ended December 31, 2010 and 2009, and the related receivables and payables as of December 31, 2010 and December 31, 2009, are as follows:

(In millions of Korean Won)	**2010**	**2009**
Transactions		
Sales	₩ 100,934,183	₩ 28,230,090
Purchases	48,644,957	41,696,080
Receivables and Payables		
Receivables	12,568,441	9,219,556
Payables	6,748,202	5,362,333

2) Associates

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

Transactions with associates for the years ended December 31, 2010, 2009, and the related receivables and payables as of December 31, 2010, 2009 are as follows:

(In millions of Korean Won)	**2010**	**2009**
Inter-company transactions		
Sales	₩ 530,530	₩ 282,835
Purchases	3,232,393	3,004,724
Receivables and Payables		
Receivables	81,055	72,757
Payables	531,836	504,459

3) Joint ventures

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

Transactions with joint venture partners for the years ended December 31, 2010, 2009, and the related receivables and payables as of December 31, 2010, 2009 are as follows:

(In millions of Korean Won)	**2010**	**2009**
Inter-company transactions		
Sales	₩ 9,710	₩ 42,778
Purchases	1,925,608	1,586,998
Receivables and Payables		
Receivables	130	696
Payables	64,011	42,913

3) Other related parties

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

Transactions with other related parties for the years ended December 31, 2010, 2009, and the related receivables and payables as of December 31, 2010, and 2009 are as follows:

(In millions of Korean Won)	**2010**	**2009**
Inter-company transactions		
Sales	₩ 572,282	₩ 3,298
Purchases	436,717	293,794

	2010	**2009**
Receivables and Payables		
Receivables	231,811	213,889
Payables	107,422	59,724

4) Key **management compensation**

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

(In millions of Korean Won)	**2010**	**2009**
Salaries and other short-term benefits	₩ 18,222	₩ 12,322
Termination benefits	2,633	965
Other long-term benefits	7,634	2,807

33. Business Combination

The Company acquired Samsung Digital Imaging Co., Ltd. with a closing date of April 1, 2010 to improve shareholders' value through enhancement of business efficiency and maximization of synergy effect with other existent businesses. The acquisition of Samsung Digital Imaging Co., Ltd. was approved by the Board of Directors of the Company on December 15, 2009.

(1) Overview of the acquired company

Name of the acquired company	Samsung Digital Imaging Co., Ltd.
Headquarters location	Suwon-si, Gyeonggi-do Korea
Representative director	Sang-Jin Park
Classification of the acquired company	Listed company in the Korea stock exchange
Former relationship with the Company	An associated company

(2) Terms of the business combination

The shareholders of Samsung Digital Imaging Co., Ltd. received 0.0577663 shares of the Company's common stock for each share of Samsung Digital Imaging Co., Ltd. common stock owned on the closing date. The Company transferred its treasury stocks to the shareholders of Samsung Digital Imaging, instead of issuing new stocks to them.

(3) Purchase price allocation

The following table summarizes the consideration paid for Samsung Digital Imaging Co., Ltd. and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Classification		Amount *(In millions of Korean Won)*
I. Considerations transferred		
Fair value of consideration transferred (*1)	₩	812,154
Fair value of previously held equity interest in the acquiree (*2)		278,949
Total	₩	1,091,103
II. Identifiable assets and liabilities		
Cash and cash equivalents		56,016
Trade and other receivables (*3)		308,933
Inventories		25,671
Property, plant, and equipment		23,028
Intangible assets		307,454
Other financial assets		104,461
Trade and other payables		(227,992)
Short-term borrowings		(83,660)
Long-term trade and other payables		(7,806)

Retirement benefit obligation		(24,574)
Deferred income tax liabilities		(14,711)
Total	₩	466,820
III. Goodwill(*4)	₩	624,283

(*1) The Company transferred its treasury stocks to the shareholders of Samsung Digital Imaging Co., Ltd and re-measured the transferred treasury stock at its acquisition-date (April 1, 2010) fair value. The Company recognized ₩398,090 million of gain on disposal and has paid ₩15,921 million for the odd-lot prices.

(*2) The Company held 25.5% of equity interest in Samsung Digital Imaging Co.,Ltd. and remeasured its previously held equity interest at its acquisition-date (April 1, 2010) fair value. Accordingly, the Company recorded resulting gain of ₩241,754 million.

(*3) Fair value of acquired trade and other receivables (₩308,933 million) include trade receivables amounting to ₩295,648 million.

(*4) The goodwill of ₩624,283 is attributable to increased efficiency of digital camera business management and the synergy effect expected from combining Samsung Digital Imaging Co., Ltd. and the related existing businesses.

If the acquisition had occurred on January 1, 2010, the revenue and net profit for the year ended December 31, 2010 would have increased by ₩367,489 million and ₩156 million, respectively. The amounts of revenue and net profit of the acquiree since the acquisition date (April 1, 2010) included in the statement of income for the year ended December 31, 2010 are ₩1,385,402 million and ₩50,103 million, respectively.

34. Events after the Reporting Period

1) Merger of Samsung Gwangju Electronics

The Company acquired Samsung Gwangju Electronics with a closing date of January 1, 2011 to improve shareholder value through enhancement of business efficiency and manufacturing competitiveness in the digital media (appliance) business. The approval of the Board of Directors of the Company replaces shareholders' meeting approval of the acquisition, as the acquisition of Samsung Gwangju Electronics is a small and simple merger as defined in the commercial law.

(1) Overview of the acquired company

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

(2) Terms of the business combination

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

(3) Accounting treatment of the business combination

Classification	Amount *(In millions of Korean Won)*
I. Considerations transferred (*1)	₩ 738,430
II. Identifiable assets and liabilities	
Cash and cash equivalents	1,140
Trade and other receivables	404,820
Inventories	86,537
Property, plant, and equipment	501,820
Intangible assets	9,114
Other financial assets	152,119
Trade and other payables	(256,120)
Short-term borrowings	(19,900)
Retirement benefit obligation	1,098
Deferred income tax liabilities	(9,961)
Other payables	(55,886)
Total	₩ 814,781
III. Retained Earnings	76,351

(*1) The Company transferred its treasury stocks to the shareholders of Samsung Gwangju Electronics Ltd., and re-measured the transferred treasury stock at its merger-date (January 1, 2011) fair value. The Company recognized ₩31,316 million of gain on disposal and has paid ₩772 million for the odd-lot prices.

2) Acquisition of Medison and Prosonic

The Company entered into contracts to acquire 43.5% of Medison's shares and 100% of Prosonic's shares, for ₩331,384 million, on February 16, 2011 with approval of the Board of Directors on December 14, 2010.

Samsung Electronics Co., Ltd.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Report of Independent Accountants' Review of Internal Accounting Control System

To the President of
Samsung Electronics Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Samsung Electronics Co., Ltd. (the "Company") as of December 31, 2009. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2010, the Company's IACS has been designed and is operating effectively as of December 31, 2010 in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2010, and we did not review management's assessment of its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

Samil PricewaterhouseCoopers
March 2, 2011

Report on the Operations of the Internal Accounting Control System

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

I, as the Internal Accounting Control Officer ("IACO") of Samsung Electronics Co., Ltd. ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2010.

The Company's management including the IACO is responsible for designing and operating the IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause misstatements to the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standards to assess the design and operations of the IACS.

Based on the assessment on the operations of the IACS, in all material respects, the design and operations of the Company's IACS were effective as of December 31, 2010, in accordance with the IACS standards.

January 28, 2011

Yoon, Ju Hwa
Internal Accounting Control System Officer

Choi, Gee-sung
Chief Executive Officer or President