SAMSUNG SDI CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

Contents

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
Samsung SDI Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of Samsung SDI Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2011 and 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010 and the financial performance and its cash flows for the years then ended, in accordance with Korean International Financial Reporting Standards.

Seoul, Korea
February 9, 2012

This report is effective as of February 9, 2012, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position

As of December 31, 2011 and 2010

(In thousands of won)	*Note*		December 31, 2011	December 31, 2010
Assets				
Cash and cash equivalents	*4,6*	₩	757,661,035	1,066,315,966
Trade and other receivables, net	*4,7,30*		921,072,251	764,052,952
Inventories, net	*8*		583,586,734	484,053,441
Other investments	*4,9*		43,914,921	81,971,175
Other assets	*4,10*		57,874,076	55,061,625
Total current assets			2,364,109,017	2,451,455,159
Long-term trade and other receivables, net	*4,7,30*		4,596,161	5,207,235
Equity method investments	*5,11*		1,899,028,212	1,149,114,945
Property, plant and equipment, net	*5,12*		1,827,201,635	1,727,038,798
Intangible assets, net	*5,13*		140,296,912	78,889,763
Investment property	*5,14*		54,753,819	58,627,591
Deferred tax assets	*28*		55,168,556	49,081,172
Non-current other investments	*4,9*		2,097,181,680	2,304,927,480
Non-current other assets	*10*		85,074,763	109,225,237
Total non-current assets			6,163,301,738	5,482,112,221
Total assets		₩	8,527,410,755	7,933,567,380
Liabilities				
Trade and other payables	*4,15,30*	₩	829,970,790	755,001,325
Income tax payable			16,498,584	8,683,576
Advance received			8,203,104	37,983,796
Unearned revenue			2,404,551	5,297,695
Short-term borrowings	*4,16*		761,365,924	130,401,918
Provisions	*17*		131,539,913	161,030,509
Total current liabilities			1,749,982,866	1,098,398,819
Trade and other payables	*4,15,30*		9,136,027	6,890,464
Long-term borrowings	*4,16*		-	227,977,838
Employee benefits	*18*		31,782,891	25,126,335
Provisions	*17*		20,056,660	17,714,403
Deferred tax liabilities	*28*		401,925,090	326,598,012
Total non-current liabilities			462,900,668	604,307,052
Total liabilities			2,212,883,534	1,702,705,871
Equity				
Capital stock	*1,20*		240,681,185	240,681,185
Capital surplus	*20*		1,258,119,974	1,255,831,094
Other capital	*21*		(165,394,676)	(169,964,808)
Accumulated other comprehensive income	*22*		1,173,911,801	1,333,566,877
Retained earnings	*23*		3,610,804,370	3,391,052,037
Equity attributable to owners of the Company			6,118,122,654	6,051,166,385
Non-controlling interests			196,404,567	179,695,124
Total equity			6,314,527,221	6,230,861,509
Total liabilities and equity		₩	8,527,410,755	7,933,567,380

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2011 and 2010

(In thousands of won except earnings per share)	*Note*		2011	2010
Revenue	*5,30*	₩	5,443,881,395	5,124,274,937
Cost of sales	*8,18,30*		(4,760,612,460)	(4,333,923,923)
Gross profit			683,268,935	790,351,014
Selling, general and administrative expenses	*18,24,25*		(573,300,964)	(556,127,186)
Other income	*11,26*		283,408,819	97,178,642
Other expenses	*26*		(189,663,039)	(44,590,272)
Results from operating activities			203,713,751	286,812,198
Finance income	*27*		292,715,333	296,668,779
Finance costs	*27*		(303,366,629)	(311,702,141)
Share of profit of equity accounted investees	*11*		285,037,060	150,821,477
Income before income taxes			478,099,515	422,600,313
Income tax expense	*28*		(127,044,600)	(37,487,971)
Net income		₩	351,054,915	385,112,342
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges			-	3,470,021
Net change in fair value of available-for-sale financial assets			(217,186,627)	955,944,911
Change in unrealized holding gain on equity method investments			3,462,824	4,921,288
Gain (loss) on translation of foreign operations			14,424,408	(14,200,322)
Defined benefit plan actuarial losses			(8,341,348)	(25,448,702)
Income tax on other comprehensive income			13,535,467	(203,497,713)
Total comprehensive income		₩	156,949,639	1,106,301,825
Net income attributable to:				
Owners of the Company	*5,31*		320,109,230	356,102,770
Non-controlling interests	*31*		30,945,685	29,009,572
Total comprehensive income attributable to:				
Owners of the Company			124,616,905	1,070,280,629
Non-controlling interests			32,332,734	36,021,196
Earnings per share	*29*			
Basic earnings per share (won)			7,341	8,203
Diluted earnings per share (won)			7,332	8,175

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

(In thousands of won)	**Capital stock**	**Capital surplus**	**Other capital**	**Accumulated Other Comprehensive income**	**Retained earnings**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2010	₩ 240,681,185	1,246,780,314	(191,394,572)	619,389,018	3,057,295,145	159,196,010	5,131,947,100
Comprehensive income							
Net income	-	-	-	-	356,102,770	29,009,572	385,112,342
Change in fair value of available-for-sale financial assets	-	-	-	745,637,031	-	-	745,637,031
Change in unrealized holding gain on equity method investments	-	-	-	3,241,624	-	628,297	3,869,921
Effective portion of changes in fair value of cash flow hedges	-	-	-	2,706,616	-	-	2,706,616
Change in gain (loss) on translation of foreign operations	-	-	-	(11,958,710)	-	6,383,327	(5,575,383)
Actuarial gains and losses	-	-	-	(25,448,702)	-	-	(25,448,702)
Total comprehensive income	-	-	-	714,177,859	356,102,770	36,021,196	1,106,301,825
Transactions with shareholders directly recognized in equity							
Dividends	-	-	-	-	(44,521,353)	(15,644,810)	(60,166,163)
Issuance of stock	-	-	-	-	-	122,728	122,728
Treasury stock	-	(766,152)	10,803,375	-	-	-	10,037,223
Exercise of share option	-	1,849,972	10,626,389	-	-	-	12,476,361
Others	-	7,966,960	-	-	22,175,475	-	30,142,435
Balance at December 31, 2010	₩ 240,681,185	1,255,831,094	(169,964,808)	1,333,566,877	3,391,052,037	179,695,124	6,230,861,509
Balance at January 1, 2011	₩ 240,681,185	1,255,831,094	(169,964,808)	1,333,566,877	3,391,052,037	179,695,124	6,230,861,509
Comprehensive income							
Net income	-	-	-	-	320,109,230	30,945,685	351,054,915
Change in fair value of available-for-sale financial assets	-	-	-	(202,095,007)	-	-	(202,095,007)
Change in unrealized holding gain (loss) on equity method investment	-	-	-	1,687,626	-	(83,246)	1,604,380
Change in gain on translation of foreign operations	-	-	-	11,237,798	-	1,470,295	12,708,093
Actuarial gains and losses	-	-	-	-	(6,322,742)		(6,322,742)
Total comprehensive income	-	-	-	(189,169,583)	313,786,488	32,332,734	156,949,639
Transactions with shareholders directly recognized in equity							
Dividends	-	-	-	-	(71,662,160)	(5,431,657)	(77,093,817)
Issuance of stock	-	-	-	-	-	60,605	60,605
Reduction of capital	-	-	-	-	-	(10,252,239)	(10,252,239)
Exercise of share option	-	1,135,200	4,570,132	-	-	-	5,705,332
Others	-	1,153,680	-	29,514,507	(22,371,995)	-	8,296,192
Balance at December 31, 2011	₩ 240,681,185	1,258,119,974	(165,394,676)	1,173,911,801	3,610,804,370	196,404,567	6,314,527,221

See accompanying notes to the consolidated financial statements.

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(In thousands of won)

		2011	2010
Cash flows from operating activities			
Cash from operating activities			
Net income	₩	351,054,915	385,112,342
Adjustments for:			
Accrual for retirement and severance benefits		33,611,743	24,382,248
(Reversal of) loss on valuation of inventories		2,444,053	(2,577,172)
Depreciation		416,823,587	358,579,487
Amortization		21,806,241	16,912,359
Bad debt expense		493,051	848,468
Other bad debt expense		56,708	224,469
Reversal of allowance for bad debts		-	(79,178)
Loss on sale of trade receivables		-	3,232
Commission fee		3,977,598	7,743,624
Share of profit of equity accounted investees		(285,037,060)	(150,821,477)
Loss on disposal of associates and joint ventures		838,244	-
Gain on disposal of associates and joint ventures		(126,741,972)	-
Gain on sale of available-for-sale securities		(37,114,599)	(264,118)
Gain on derivatives transactions		-	(7,420,000)
Foreign currency translations loss		14,663,264	10,412,287
Foreign currency translations gain		(22,122,884)	(12,842,392)
Loss on sale of property, plant and equipment		1,574,316	11,004,750
Gain on sale of property, plant and equipment		(24,674,593)	(39,741,645)
Loss on impairment of property, plant and equipment		23,094,126	3,078,009
Reversal of loss on impairment of property, plant and equipment		(8,142,547)	-
Loss on sale of intangible assets		2,457,990	4,363,574
Gain on sale of intangible assets		-	(180,605)
Loss on impairment of intangible assets		11,342,210	-
Loss on sale of investments		425,775	-
Gain on sale of investments		(3,579,818)	(460,034)
Miscellaneous losses		121,220,624	6,753,201
Miscellaneous income		(33,162,573)	(1,331,619)
Income tax expense		127,044,600	37,487,971
Interest expense		20,025,420	27,111,114
Interest income		(22,125,452)	(41,056,477)
Dividends income		(18,730,867)	(23,345,901)
Changes in assets and liabilities:			
Trade receivables		(72,281,794)	(40,399,923)
Other receivables		28,238,613	(2,801,299)
Other current assets		20,221,732	25,635,440
Inventories		(56,520,423)	(118,052,745)
Non-current trade receivables		150,195	150,195
Non-current other receivables		(334,974)	(1,805,000)
Non-current other assets		-	(21,502,868)
Trade payables		(50,746,731)	(41,142,028)
Other payables		(79,245,675)	92,937,770
Advance received		(29,244,013)	(2,820,336)
Unearned revenue		(4,568,117)	(2,739,015)
Provisions		(10,051,548)	26,226,609
Non-current other payables		(172,979)	134,381
Non-current provisions		13,409,700	18,844,540
Payment of retirement and employee benefits		(10,384,885)	(63,061,974)
Plan assets		(33,395,802)	6,687,236
Transfer in from related parties for employee benefits		8,484,152	-
Deferred tax assets and liabilities		1,655,423	(11,455,688)

SAMSUNG SDI CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2011 and 2010

(In thousands of won)

		2011	2010
Interest received		25,741,505	44,709,895
Interest paid		(18,107,543)	(25,343,521)
Dividends received		13,166,012	23,345,901
Income taxes paid		(17,797,626)	(32,538,853)
Net cash provided by operating activities		299,737,322	488,905,234
Cash flows from investing activities			
Sale of other investments	₩	40,883,477	168,752,696
Sale of non-current other investments		66,364,449	44,297,476
Proceeds from disposal of associates and joint ventures		33,745,170	12,150,000
Sale of property, plant and equipment		28,895,448	51,689,776
Sale of intangible assets		-	210,896
Sale of investment property		4,893,251	544,300
Cash from disposal of a subsidiary		3,392,226	-
Acquisition of other investments		(6,161,127)	(63,175,824)
Acquisition of other non-current investments		(32,551,374)	(43,071,845)
Acquisition of associates and joint ventures		(380,000,026)	-
Acquisition of other non-current assets		(20,545,680)	(23,790,604)
Acquisition of property, plant and equipment		(435,502,267)	(398,642,145)
Acquisition of intangible assets		(23,027,156)	(1,059,277)
Acquisition of business, net of cash acquired		(159,485,030)	-
Net cash used in investing activities		(879,098,639)	(252,094,551)
Cash flows from financing activities			
Proceeds from short-term borrowings		458,793,712	30,938,708
Exercise of share options		6,067,757	13,066,985
Disposal of treasury stock		-	10,591,047
Capital contribution from noncontroling interests		60,606	122,727
Repayment of short-term borrowings		(103,628,438)	(580,928,863)
Repayment of long-term borrowings		-	(36,397,834)
Dividends paid		(77,093,816)	(60,166,163)
Capital reduction by cash distribution of subsidiaries		(15,615,624)	-
Net cash provided by (used in) financing activities		268,584,197	(622,773,393)
Net decrease in cash and cash equivalents		(310,777,120)	(385,962,710)
Cash and cash equivalents at beginning of period		1,066,315,966	1,433,740,720
Effect of exchange rate fluctuations on cash held		2,122,189	18,537,956
Cash and cash equivalents at end of period	₩	757,661,035	1,066,315,966

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2011 and 2010

1. Organization and Description of Business

Samsung SDI Co., Ltd. (the "Parent Company" or the "Company") was incorporated on January 20, 1970 under the Investment Promotion Law of the Republic of Korea with paid-in capital of ₩200 million. In 1979, the Company was listed on the Korea Exchange (formerly, Korean Stock Exchange). The consolidated financial statements of the Company as at and for the year ended December 31, 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is engaged in the manufacture and sale of plasma display panels and rechargeable batteries.

The Company's head office is located in Kiheung, Gyeonggi province, and its factories are located in Ulsan and Cheonan, South Chungcheong province. In addition to these local business sites, the Company also has 14 subsidiaries operating in the United States, Hong Kong, Malaysia, Germany, Mexico, China, Brazil, Hungary, Vietnam and Korea.

Under its Articles of Incorporation, the Company is authorized to issue 100 million shares of capital stock with a par value of ₩5,000 per share. As of December 31, 2011, a total of 47,176,237 shares of capital stock (including 1,617,896 preferred shares) have been issued and are outstanding, and the Company's paid-in-capital amounts to ₩240,681 million. The major shareholder of the Company is Samsung Electronics Co., Ltd. (19.68%). The Company is allowed to retire its stock through a board resolution within the amount that would be paid as dividends to shareholders. Pursuant to the resolution made by the board of directors on October 18, 2004, the Company retired 930,000 common shares and 30,000 preferred shares, which were acquired at ₩99,333 million on December 8, 2004 by appropriating retained earnings. Due to the share retirement, the par value of the outstanding shares in the amount of ₩235,881 million (₩227,792 million for common stock and ₩8,089 million for preferred stock, excluding the retired shares) is different from the paid-in capital.

Under its Articles of Incorporation, the Company is authorized to issue 30,000 thousand non-voting preferred shares. Holders of preferred shares issued before February 28, 1997 are entitled to receiving additional dividends of 1% of its par value per annum. As of December 31, 2011, 1,617,896 non-cumulative and non-voting preferred shares are eligible for these additional dividends.

2. Basis of Presenting Financial Statements

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

1) financial instruments at fair value through profit and loss and available-for-sale financial assets are measured at fair value

2) liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(3) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the Parent Company's functional currency and the currency of the primary economic environment in which the Group operates.

2. Basis of Presenting Financial Statements, Continued

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 17 – Provisions
Note 18 – Employee Benefits
Note 19 – Commitments and Contingencies

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

For the years ended December 31, 2011 and 2010

3. Significant Accounting Policies, Continued

(1) Basis of consolidation, Continued

Details of consolidated subsidiaries are as follows:

(In thousands of won, except number of shares and percentage of ownership)

Subsidiaries	Location	Primary business	Capital stock as of December 31, 2011	Percentage of ownership (***) December 31, 2011	Percentage of ownership (***) December 31, 2010
Samsung SDI America, Inc. ("SDIA")	U.S.A.	Manufacturing and sale of PDP	28,626,950	91.70%	91.70%
Samsung SDI Germany GmbH ("SDIG") (*)	Germany	Supporting sales in Europe region	22,400,891	100.00%	100.00%
Samsung SDI Hungary Rt. ("SDIHU")	Hungary	Manufacturing and sale of PDP	4,860,887	100.00%	100.00%
Samsung SDI Europe GmbH ("SDIEU") (*) (**)	Germany	Sale of Solar Cell	1,558,180	100.00%	-
Samsung SDI (Malaysia) Sdn, Bhd. ("SDI(M)")	Malaysia	Manufacturing and sale of CPT	43,581,363	68.60%	68.60%
Samsung SDI Vietnam Ltd. ("SDIV") (*)	Vietnam	Manufacturing and sale of rechargeable battery	17,326,000	100.00%	100.00%
Samsung SDI Energy Malaysia Sdn, Bhd. ("SDIEM") (**)	Malaysia	Manufacturing and sale of rechargeable battery	11,781,000	100.00%	-
Samsung SDI (Hong Kong) Ltd. ("SDIHK")	Hong Kong	Sale of rechargeable battery, PDP	261,864,048	95.90%	95.90%
SVIC 15 Fund (“SVIC 15”)	Korea	Investments in new technology Venture business	29,818,182	99.00%	99.00%
Subsidiary of SDIA					
Samsung SDI Mexico, S.A. de C.V. ("SDIM")	Mexico	Manufacturing of PDP	8,157,806	91.70%	91.70%
Subsidiary of SDIG					
Samsung SDI Brazil Ltda. ("SDIB")	Brazil	Supporting sales in South America region	117,239,846	95.90%	95.90%
Subsidiaries of SDIHK					
Shenzhen Samsung SDI Co., Ltd. ("SSDI") (*)	China	Manufacturing and sale of CRT, PDP	148,353,146	76.70%	76.70%
Tianjin Samsung SDI Co., Ltd. ("TSDI") (*)	China	Manufacturing and sale of rechargeable battery	113,123,338	76.70%	76.70%
Shanghai Samsung SVA Electronic Devices Co., Ltd. ("SSED") (*)	China	Manufacturing and sale of VFD, rechargeable battery	47,671,714	57.90%	57.90%

(*) In accordance with the local laws and regulations, no shares have been issued.
(**) For the year ended December 31, 2011, SDIEU and SDIEM which were established during 2011 were included in the consolidated entities, which are located in Germany and Malaysia, respectively.
(***) The above ownership percentages take into consideration both the Group’s direct ownership and the Group’s indirect ownership through its subsidiaries.

3. Significant Accounting Policies, Continued

(1) Basis of consolidation, Continued

2) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

3) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

4) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions.

The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Company for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

3. Significant Accounting Policies, Continued

(2) Foreign currency transaction

1) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

2) Foreign Operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

3. Significant Accounting Policies, Continued

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and highly liquid short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(4) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

1) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

2) Held-to-maturity financial assets

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

3. Significant Accounting Policies, Continued

(4) Non-derivative financial assets, Continued

4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

5) De-recognition of a financial asset

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. If the Group has not retained control, derecognizes the financial asset. If the Group has retained control, continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

6) Offsetting a financial asset and a financial liability

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

(5) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

3. Significant Accounting Policies, Continued

(5) Non-derivative financial liabilities, Continued

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(6) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company’s option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company’s shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(7) Property, plant and equipment

1) Recognition and measurement

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

If the useful lives of certain components of the property, plant and equipment are different from the useful life of the asset as a whole, those components are treated as separate assets.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and recognized in other income and expenses.

2) Subsequent costs

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

3. Significant Accounting Policies, Continued

(7) Property, plant and equipment, Continued

3) Depreciation

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

If the cost of a part of property, plant and equipment is significant compared to the cost of property, plant, and equipment as a whole, and has a different useful life, that part of the cost should be accounted for as separate items.

The estimated useful lives of the Group's assets are as follows:

	Useful lives (years)
Buildings	10~60
Structures	10~40
Machineries	5
Tools, furniture and fixtures	4
Vehicles	4

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(8) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Group immediately recognizes other borrowing costs as an expense. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

3. Significant Accounting Policies, Continued

(9) Intangible asset

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero.

The estimated useful lives of the group's assets are as follows:

	Useful lives (years)
Exclusive facility usage rights	5~10
Others	4~20

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at each end of reporting period. If appropriate, the changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(10) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses

(11) Inventories

The cost of inventories is based on specific method for materials in transit, moving average method for raw materials and sub materials and gross average method (monthly moving average method) for all other inventories, and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

3. Significant Accounting Policies, Continued

(12) Impairment

1) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. 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 previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. 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 shall be reversed, with the amount of the reversal recognized in profit or loss.

3. Significant Accounting Policies, Continued

(12) Impairment, Continued

2) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Employee benefits

1) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by an independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustment in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognizes an asset, to the extent of the total of cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

For the years ended December 31, 2011 and 2010

3. Significant Accounting Policies, Continued

(13) Employee benefits, Continued

Past service cost which is the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognized the past service cost immediately.

2) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

3) Share-based payment transactions

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be reliably estimated. If the Group cannot reliably estimate the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

(14) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision shall be used only for expenditures for which the provision was originally recognized.

3. Significant Accounting Policies, Continued

(15) Revenue

Revenue from sale of goods, rendering of services or use of the Group's assets is measured at the fair value of the consideration received or receivable, and returns, trade discounts and volume rebates are recognized as a reduction of revenue.

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. In the case of certain international transactions, revenue is recognized upon the use of goods by the customer.

(16) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received. Government grants which are intended to compensate the Group for expenses incurred shall be are recognized as other income or deduction to related expenses in profit or loss over the periods in which the Group recognizes the related costs as expenses.

As of December 31, 2011, the Group has 27 ongoing national projects on which government grants are provided including 'Commercialization of 10KWh storage device for home use'.

(17) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs are recognized in profit or loss using the effective interest method.

(18) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income

1) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

For the years ended December 31, 2011 and 2010

3. Significant Accounting Policies, Continued

(18) Income tax, Continued

2) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

(19) Earnings per share

The Group presents basic and diluted earnings per share (the “EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

For the years ended December 31, 2011 and 2010

3. Significant Accounting Policies, Continued

(20) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group has two reportable operating segments; the display business segment (Color Cathode Ray Tube and Plasma Display Panel); and the energy and other business segment (Rechargeable Battery and Other).

The performance of the operating segment is assessed based on profit attributable to owners of the controlling company of each segment, which is considered to be useful for the management to compare the Group's performance in a specific segment with other companies in the same industry.

(21) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2011, and the Group has not early adopted them. Management does not believe the impacts of these pronouncements on the Group's consolidated financial statements are material.

1) Amendments to K-IFRS No. 1107 *Financial Instruments: Disclosures*

   The amendments require disclosing the nature of the transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Group derecognizes transferred financial assets but still has their specific risks and rewards, the amendments require additional disclosures on their effect of risks. The amendments will be applied prospectively for the Group's annual periods beginning on or after July 1, 2011.

2) K-IFRS No. 1113 *Fair Value Measurement*

   The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Group's annual periods beginning on or after January 1, 2013.

For the years ended December 31, 2011 and 2010

4. Financial Rick Management

The Group has exposure to the following risks from its use of financial instruments.

(1) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Most customers have been transacting with the Group for many years and impairment loss has not occurred very often. In addition, the Group reviews credit rating of new customers prior to the determination of payment terms and also re-examines the credit rating of customers on a regular basis.

The Group sets allowances for estimated losses from accounts receivable and investment assets. In addition, the Group reports present conditions and countermeasures of delayed recovery for the financial assets and takes reasonable steps depending on the reasons for delay in order to manage the credit risk.

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group limits its exposure to credit risk by depositing cash and cash equivalents in financial institutions that have a high credit rate. The maximum exposure to credit risk at the reporting date was as follows:

(In thousands of won)		**December 31, 2011**	**December 31, 2010**
Cash and cash equivalents	₩	757,661,035	1,066,315,966
Trade and other receivables		932,040,336	775,000,601
Held-to-maturity financial assets		241,985	345,350
Available-for-sale financial assets		2,028,949,462	2,245,539,866
Financial assets		45,929,838	83,615,052
Guarantee deposits		65,975,316	57,398,386
	₩	3,830,797,972	4,228,215,221

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

(In thousands of won)		**December 31, 2011**	**December 31, 2010**
Domestic	₩	478,067,980	368,500,168
North America		28,341,336	31,262,205
Europe		31,520,523	17,141,995
China		384,375,076	325,466,424
Other		9,735,421	32,629,809
	₩	932,040,336	775,000,601

For the years ended December 31, 2011 and 2010

4. Financial Rick Management, Continued

(1) Credit risk, Continued

2) Impairment loss

The aging of trade receivables as at December 31, 2011 was as follows:

(In thousands of won)		Gross	Impairment
Not past due	₩	800,448,642	-
Past due 0-30 days		230,302	-
Past due 31-60 days		22,391	-
Past due 61-365 days		3,154	-
More than one year		-	-
	₩	800,704,489	-

3) Financial assets that are past due but not impaired

Financial assets that are past due but not impaired as of December 31, 2011 are summarized as follows:

(In thousands of won)		Carrying amount	6 months or less	More than 6 months
Trade receivables	₩	255,847	255,847	-

(2) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flows through long-term and short-term management strategies and ensures it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group establishes short-term and long-term cash management plans to manage liquidity risk. The Group matches maturity structures of financial assets and liabilities through analyzing and reviewing cash flow budget and actual cash flow. Management believes that the Group is able to redeem its financial liabilities through operating cash flows and cash inflows of financial assets.

Maturity analysis of financial liabilities as of December 31, 2011 is as follows:

(In thousands of won)		Carrying amount	Contractual Cash flow	1 year or less
Short-term borrowings	₩	532,735,473	532,735,473	532,735,473
Debentures		199,797,951	208,205,000	208,205,000
Long-term borrowings in foreign currency		28,832,500	28,972,384	28,972,384
	₩	761,365,924	769,912,857	769,912,857

For the years ended December 31, 2011 and 2010

4. Financial Rick Management, Continued

(3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

The Group has exposure to the exchange rate risk for the sale, purchase, and borrowing of currencies not denominated in functional currency. Main currencies used for these transactions are EUR, USD, JPY and etc. The Group manages the exchange rate risk through currency forward transactions as considered necessary in order to hedge the exchange risk.

Carrying amounts of monetary assets and liabilities expressed as other than functional currency as of December 31, 2011 and 2010 are as follows:

(In thousands of won)

		December 31, 2011			December 31, 2010		
		USD	**EUR**	**JPY, etc**	**USD**	**EUR**	**JPY, etc**
Monetary assets:							
Cash and cash equivalents	₩	72,894,527	-	203,586	31,566,409	296,312	724,771
Trade and other receivables		1,215,451,811	69,239,066	4,013,102	849,030,174	80,583,205	3,796,599
Other current assets		38,950	-	-	-	-	13,971
Other investments		237,493	4,706	-	240,096	4,768	-
Total		1,287,914,963	69,243,772	4,015,823	880,836,679	80,884,285	4,535,341
Monetary liabilities:							
Trade and other payables		18,732,687	156,307	799,523,973	404,760,215	719,805	23,429,112
Borrowings		833,185,939	-	-	228,529,543	34,415,875	1,560,824
Total	₩	851,918,626	156,307	799,523,973	633,289,758	35,135,680	24,989,936

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Currency	**2011**	**2010**	**December 31, 2011**	**December 31, 2010**
USD	1,108.2	1,156.5	1,153.3	1,138.9
EUR	1,541.4	1,533.2	1,494.1	1,513.6
JPY	13.91	13.20	14.85	13.97

Effects on income (loss) as a result of change in interest rate as of December 31, 2011 and 2010 are as follows:

(In thousands of won)

		December 31, 2011		December 31, 2010	
Currency		**If increased by 5%**	**If decreased by 5%**	**If increased by 5%**	**If decreased by 5%**
USD	₩	16,524,261	(16,524,261)	9,023,636	(9,023,636)
EUR		2,618,415	(2,618,415)	2,280,026	(2,280,026)
JPY, etc		(30,149,759)	30,149,759	12,588,034	(12,588,034)

4. Financial Rick Management, Continued

(3) Market risk, Continued

For the years ended December 31, 2011 and 2010

2) Interest rate risk

The Group entered into interest rate swaps contracts in order to hedge the interest rate fluctuation risk for certain borrowings.

(i) At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

(In thousands of won)		December 31, 2011	December 31, 2010
Fixed interest rate:			
Short-term borrowings	₩	199,797,951	1,560,824
Long-term borrowings		-	199,505,338
		199,797,951	201,066,162
Floating interest rate:			
Short-term borrowings		561,567,973	128,841,094
Long-term borrowings		-	28,472,500
	₩	561,567,973	157,313,594

(ii) Fair value sensitivity analysis for fixed rate instruments

Debentures and borrowings at amortized cost are granted fixed interest rates. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of one percent point in interest rates at the reporting date would have increased (decreased) equity and income after income taxes by the amounts shown below. This analysis assumes that all other variables remain constant.

(In thousands of won)		December 31, 2011			
		Equity		Profit after income taxes	
Item		If increased by 1%	If decreased by 1%	If increased by 1%	If decreased by 1%
Variable rate instruments	₩	(4,256,685)	4,256,685	(4,256,685)	4,256,685

(In thousands of won)		December 31, 2010			
		Equity		Profit after income taxes	
Item		If increased by 1%	If decreased by 1%	If increased by 1%	If decreased by 1%
Variable rate instruments	₩	(1,192,437)	1,192,437	(1,192,437)	1,192,437

For the years ended December 31, 2011 and 2010

4. Financial Rick Management, Continued

(3) Market risk, Continued

3) Other market price risk

Market price risk arises from the available-for-sale financial assets that the Group possesses. Major investments within the portfolio are managed separately and the approval of the board of directors is necessary for important acquisition or sale decisions.

The effect on other comprehensive income (gains/losses on valuation of available-for-sale financial assets), when the price of listed equity financial assets, among the available-for-sale financial assets that the Group possesses, changed by five percent points is as follows:

(In thousands of won)

Item		If increased by 5%	If decreased by 5%
Total comprehensive income, net of tax effect	₩	62,032,107	(62,032,107)

(4) Capital management

The Group's capital management is to maintain a sound capital structure and to maximize shareholder profit. The Group uses financial ratios such as debt ratio and net borrowings ratio as a capital management indicator to achieve the optimum capital structure. Debt ratio is calculated as total debt divided by total equity and net borrowings ratio is calculated as net borrowings divided by total equity.

(In thousands of won)		December 31, 2011	December 31, 2010
Debt to equity ratio:			
Total liabilities	₩	2,212,883,534	1,702,705,871
Total equity		6,314,527,221	6,230,861,509
Debt to equity ratio		35.00%	27.30%
Net borrowings to equity ratio:			
Borrowings	₩	761,365,924	358,379,756
Less : Cash and cash equivalents		757,661,035	1,066,315,966
Less : Short-term financial instruments		27,665,420	70,460,400
Net borrowings		(23,960,531)	(778,396,610)
Net borrowings ratio		(*)	(*)

(*) The ratio is not calculated as the net borrowings are negative amount.

4. Financial Rick Management, Continued

(5) Fair values

1) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(In thousands of won)

Item		2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Financial assets:					
Assets carried at fair value					
Available-for-sale financial assets	₩	2,028,949,462	2,028,949,462	2,245,539,866	2,245,539,866
Assets carried at amortized cost					
Cash and cash equivalents		757,661,035	757,661,035	1,066,315,966	1,066,315,966
Trade receivables and other receivables		925,668,412	925,668,412	769,260,187	769,260,187
Held-to-maturity financial assets		241,985	241,985	345,350	345,350
Financial instruments		45,929,838	45,929,838	83,615,052	83,615,052
Guarantee deposits		65,975,316	65,975,316	57,398,386	57,398,386
Total financial assets	₩	3,824,426,049	3,824,426,049	4,222,474,807	4,222,474,807
Financial liabilities:					
Liabilities carried at amortized cost					
Borrowings	₩	761,365,924	761,031,816	358,379,756	364,601,608
Trade payables and other payables		839,106,817	839,106,817	761,891,789	761,891,789
Total financial liabilities	₩	1,600,472,741	1,600,138,633	1,120,271,545	1,126,493,397

2) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	December 31, 2011	December 31, 2010
Borrowings	3.92%	3.87%

4. Financial Rick Management, Continued

(5) Fair values, Continued

3) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- "Level 1" indicates quoted prices in active markets for identical assets or liabilities. Instruments included in "Level 1" are composed of listed equity securities that are classified as available-for-sale financial assets.

- The Group uses a valuation technique to estimate fair values of financial instruments which are not traded in an active market. If the significant inputs which are required for a fair value measurement are observable directly or indirectly in a market, the fair value input is classed as "Level 2".

- On the other hand, if the significant inputs are not based on observable market data, the fair value input for that instrument is classed as "Level 3".

Among unlisted equity securities, the fair value of Samsung Everland Inc. is estimated using continuous probability distribution of value per share in accordance with estimated price per share calculated by the net value method, applying value of assets and the discounted cash flow method applying weighted average cost of capital based on the estimated cash flow. The fair value of Samsung Total Petrochemicals Co., LTD. is measured based on estimated price per share using the net value method. The fair value of Samsung Venture Investment Corporation is estimated using the probability distribution of value per share in accordance with estimated price per share calculated by the free cashflows to equity method. These unlisted equity securities are classed as "Level 3".

The fair values of financial instruments based on the fair value hierarchy as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		Level 1	Level 2	Level 3	Total
December 31, 2011:					
Financial assets					
Available-for-sale financial assets	₩	1,636,731,052	-	382,661,861	2,019,392,913
December 31, 2010:					
Financial assets					
Available-for-sale financial assets	₩	1,837,784,786	-	396,494,193	2,234,278,979

For the years ended December 31, 2011 and 2010

5. Segments Information

(1) Operating segment

1) The Group has two reportable segments, which are summarized as follows:

Segment	Main business
Display	Manufacture and sale of Plasma Display Panels and Cathode Ray Tube
Energy and other	Manufacture and sale of rechargeable batteries and other

2) The following table provides information for each operating segment as of and for the years ended December 31, 2011 and 2010:

(In thousands of won)

		Display		Energy and other		Total	
		2011	2010	2011	2010	2011	2010
External revenues	₩	2,606,251,973	2,756,064,950	2,837,629,422	2,368,209,987	5,443,881,395	5,124,274,937
Net income attributable to controlling interest		26,311,691	61,012,853	293,797,539	295,089,917	320,109,230	356,102,770
Total assets		1,677,188,675	1,722,838,873	6,850,222,080	6,210,728,507	8,527,410,755	7,933,567,380

(2) Geographical information

The Group has operated in the global markets such as Korea (the Parent Company's base), North America, Europe, South America and Southeast Asia. The following table provides information for each geographical region as of and for the years ended December 31, 2011 and 2010.

(In thousands of won)		December 31, 2011		December 31, 2010	
		Revenue	Non-current assets(*)	Revenue	Non- current assets(*)
Republic of Korea	₩	4,539,033,205	1,522,830,155	3,980,660,352	1,500,728,179
North America		760,960,600	33,275,067	738,659,113	38,104,547
Europe, South America		417,758,292	35,927,960	553,633,474	45,108,348
Southeast Asia		379,232,321	39,214,013	296,342,494	27,821,465
China		2,964,536,732	431,814,262	2,295,397,590	292,794,726
Consolidation adjustments		(3,617,639,755)	(40,809,091)	(2,740,418,086)	(40,001,113)
	₩	5,443,881,395	2,022,252,366	5,124,274,937	1,864,556,152

(*) Non-current assets include amounts of property, plant and equipment, intangible assets and investment property.

For the years ended December 31, 2011 and 2010

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011	December 31, 2010
Cash on hand	₩	602,943	667,337
Demand deposits		507,063,407	579,319,080
Short-term investments		249,994,685	486,329,549
	₩	757,661,035	1,066,315,966

7. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011		December 31, 2010	
		Current	Non-current	Current	Non-current
Loans	₩	1,335,020	2,852,188	2,080,726	3,310,954
Present value discount		-	(409,421)	-	(337,140)
Allowance		(4,970)	(3,350)	(11,575)	(7,292)
Other account receivable		51,568,464	-	30,066,176	-
Allowance		(267,422)	-	(200,926)	-
Accrued income		2,560,674	-	6,176,726	-
VAT receivables		73,019,501	-	31,163,458	-
Trade account receivable		798,000,976	2,703,513	699,336,969	2,865,592
Allowance		(5,139,992)	(546,769)	(4,558,602)	(624,879)
	₩	921,072,251	4,596,161	764,052,952	5,207,235

(2) Changes in allowance for trade and other receivables for the years ended December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		2011		2010	
		Current	Non-current	Current	Non-current
Balance at beginning	₩	4,771,103	632,171	4,037,040	713,067
(Reversal of) Bad debt expense		588,387	(82,052)	734,063	(80,896)
Transfer due to the business acquisition		52,894	-	-	-
Balance at ending	₩	5,412,384	550,119	4,771,103	632,171

For the years ended December 31, 2011 and 2010

8. Inventories

(1) Inventories as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011		
		Acquisition cost	**Allowance for valuation**	**Carrying amount**
Finished goods	₩	196,865,354	(7,526,682)	189,338,672
Semi-finished goods		113,752,851	(5,598,884)	108,153,967
Raw materials		190,246,473	(2,229,373)	188,017,100
Supplies		5,406,518	-	5,406,518
Packaged goods		13,740	-	13,740
Materials-in-transit		92,656,737	-	92,656,737
	₩	598,941,673	(15,354,939)	583,586,734

(In thousands of won)		December 31, 2010		
		Acquisition cost	**Allowance for valuation**	**Carrying amount**
Finished goods	₩	189,696,772	(6,364,261)	183,332,511
Semi-finished goods		82,183,350	(2,694,743)	79,488,607
Raw materials		136,985,738	(957,561)	136,028,177
Supplies		3,987,065	-	3,987,065
Materials-in-transit		81,217,081	-	81,217,081
	₩	494,070,006	(10,016,565)	484,053,441

(2) The amounts of inventories recognized as cost of goods sold and (reversal of) loss on valuation of inventories reflected to cost of goods sold for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		**2011**	**2010**
Inventories recognized as cost of goods sold	₩	4,758,168,407	4,336,501,095
Including: (Reversal of) loss on valuation of inventories		2,444,053	(2,577,172)

9. Other Investments

(1) Other investments as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011		December 31, 2010	
		Current	**Non-current**	**Current**	**Non-current**
Held for maturity	₩	-	241,985	-	345,350
Available-for-sale financial assets		-	2,028,949,462	-	2,245,539,866
Financial instruments		27,665,420	18,264,418	70,460,400	13,154,652
Guarantee deposits		16,249,501	50,550,519	11,510,775	46,709,296
Present value discount		-	(824,704)	-	(821,684)
	₩	43,914,921	2,097,181,680	81,971,175	2,304,927,480

9. Other Investments, Continued

(2) Available-for-sale financial assets as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)

			Unrealized gain (loss)			
		Acquisition cost	**Beginning balance**	**Changes in unrealized gain or loss**	**Ending balance**	**Carrying amount**
December 31, 2011						
Listed equity securities(*)	₩	394,091,239	1,445,994,129	(203,354,316)	1,242,639,813	1,636,731,052
Unlisted equity securities		75,441,060	330,609,660	(13,832,310)	316,777,350	392,218,410
Total	₩	469,532,299	1,776,603,789	(217,186,626)	1,559,417,163	2,028,949,462
Tax effect	₩		(390,852,834)	15,091,619	(375,761,215)	
December 31, 2010						
Listed equity securities	₩	391,790,657	820,658,878	625,335,251	1,445,994,129	1,837,784,786
Unlisted equity securities		77,145,420	-	330,609,660	330,609,660	407,755,080
Total	₩	468,936,077	820,658,878	955,944,911	1,776,603,789	2,245,539,866
Tax effect	₩		(180,544,954)	(210,307,880)	(390,852,834)	

(*) For the year ended December 31, 2011, the Group disposed certain portion of its equity securities of iMarket Korea Inc., and recognized ₩37,115 million as gain from sale of available-for-sale securities.

The Group estimates fair values of certain unlisted equity securities as follows:

1) The fair value of Samsung Everland Inc. is estimated using continuous probability distribution of value per share in accordance with estimated price per share calculated by the net value method, applying value of assets and the discounted cash flow method applying weighted average cost of capital based on the estimated cash flow. The acquisition cost and the carrying value of the listed security are ₩10,000 million and ₩182,083 million, respectively, as of December 31, 2011.

2) The fair value of Samsung Total Petrochemicals Co., Ltd. is measured based on estimated price per share using the net value method. The acquisition cost and the carrying value of the listed security are ₩50,985 million and ₩194,744 million, respectively, as of December 31, 2011.

3) The fair value of Samsung Venture Investment Corporation is estimated using probability distribution of value per share in accordance with estimated price per share calculated by the free cashflows to equity method. The acquisition cost and the carrying value of the listed security are ₩4,900 million and ₩5,835 million, respectively, as of December 31, 2011.

Other unlisted equity securities such as LOGIPA Co., Ltd., The Korea Economic Daily, Korea Housing Guarantee Co., Ltd., Polyplus Battery Company, Human Reshine New Material Co., Ltd., Panax E-Tec, and EN Technologies Inc. are valued as acquisition costs net of impairment loss as they are nonmarketable and considered to have possibility of distortion of fair value due to low creditability of preliminary data for the fair value estimation. The acquisition cost and the carrying value of those securities are ₩9,556 million.

For the years ended December 31, 2011 and 2010

10. Other Current Assets and Non-current Assets

Other current assets and non-current assets as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011		December 31, 2010	
		Current	**Non-current**	**Current**	**Non-current**
Advance payments	₩	2,203,676	-	1,828,812	-
Prepaid expenses		53,280,674	61,811,545	48,404,203	84,577,806
Prepaid corporate income tax		2,389,726	23,263,218	4,828,610	24,647,431
	₩	57,874,076	85,074,763	55,061,625	109,225,237

11. Equity Method Investments

(1) Investments in equity accounted investees as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)	December 31, 2011			December 31, 2010		
	Percentage of ownership		**Carrying amount**	**Percentage of ownership**		**Carrying amount**
Jointly controlled entity:						
SB Limotive Co., Ltd. ("SBL") (*)	50.00%	₩	106,267,485	50.00%	₩	87,921,105
Associates:						
Samsung Mobile Display Co., Ltd. ("SMD")	35.60%		1,708,114,560	50.00%		944,679,254
SSH Ltd. ("SSH")	40.00%		275,286	40.00%		267,450
Samsung B.P. Chemicals Co., Ltd. ("SBPC")	29.20%		51,474,692	29.20%		48,493,839
E-samsung International Co., Ltd. ("ESI") (*)	11.30%		5,641,519	11.30%		5,186,456
Samsung Economic Research Institute Co., Ltd. ("SERI")	28.60%		24,146,953	28.60%		26,432,938
SVIC 4 Fund ("SVIC 4")	20.00%		3,107,717	20.00%		8,436,099
Samsung Corning (Malaysia) Sdn, Bhd. ("SCM")	-		-	30.00%		27,697,804
Total		₩	1,899,028,212		₩	1,149,114,945

(*) The Group classified SBL as a jointly controlled entity as joint control was established according to the contract with Robert Bosch Investment Netherland B.V. In addition, while the Group owns less than 20% of ESI's common shares, the Group classified ESI as associates because the Group has voting rights through representation in the board of directors.

For the years ended December 31, 2011 and 2010

11. Associates and joint ventures, Continued

(2) Summarized financial information of investees

1) Summarized financial information of SBL, a jointly controlled entity, as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		Assets	Liabilities	Revenue	Expenses	Net income (loss)
December 31, 2011	₩	390,383,789	176,809,252	109,851,172	233,414,024	(123,562,852)
December 31, 2010		288,685,064	111,068,917	89,474,842	159,329,745	(69,854,903)

2) Summarized financial information of associates as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011				
Company		**Assets**	**Liabilities**	**Revenue**	**Expenses**	**Net income**
SMD	₩	9,607,342,028	4,800,687,946	7,029,063,991	6,129,933,178	899,130,813
SSH		694,298	6,084	36,191	26,295	9,896
SBPC		339,593,523	163,355,486	385,860,606	351,132,211	34,728,395
ESI		53,904,133	3,757,297	4,249,811	1,469,803	2,780,008
SERI		117,384,027	32,954,121	149,636,841	149,411,713	225,128
SVIC 4		17,386,079	1,847,495	10,245,041	6,551,174	3,693,867
	₩	10,136,304,088	5,002,608,429	7,579,092,476	6,638,524,369	940,568,107

(In thousands of won)		December 31, 2010				
Company		**Assets**	**Liabilities**	**Revenue**	**Expenses**	**Net income**
SMD	₩	4,289,386,307	2,400,209,184	4,628,686,616	4,278,153,008	350,533,608
SSH		674,626	6,000	11,410	7,404	4,006
SBPC		297,454,719	131,422,572	323,370,095	295,444,586	27,925,509
ESI		49,042,027	2,940,195	5,644,763	1,398,403	4,246,360
SERI		131,304,048	38,881,189	148,310,058	148,120,704	189,354
SVIC 4		42,706,058	525,564	36,030,855	34,418,419	1,612,436
SCM		102,556,055	10,230,041	106,397,917	97,350,695	9,047,222
	₩	4,913,123,840	2,584,214,745	5,248,451,714	4,854,893,219	393,558,495

For the years ended December 31, 2011 and 2010

11. Associates and joint ventures, Continued

(2) Summarized financial information of investees, Continued

3) Changes in investments in associates and joint venture for the years ended December 31, 2011 and 2010 were as follows:

(i) 2011

(In thousands of won)

Company		January 1, 2011	Acquisition	Disposal	Dividends received	Equity profits and loss on investments	Other capital movements	Other	December 31, 2011
SBL(*)	₩	87,921,105	80,000,000	-	-	(61,720,522)	66,902	-	106,267,485
SMD(**)		944,679,254	300,000,026	-	-	333,352,043	6,532,260	123,550,977	1,708,114,560
SCM(***)		27,697,804	-	(28,047,142)	-	614,343	(265,005)	-	-
SSH		267,450	-	-	-	3,958	3,878	-	275,286
SBPC		48,493,839	-	-	(8,090,478)	11,064,321	7,010	-	51,474,692
ESI		5,186,456	-	-	-	334,707	120,356	-	5,641,519
SERI		26,432,938	-	-	-	60,016	(2,346,001)	-	24,146,953
SVIC 4		8,436,099	-	(6,000,000)	-	1,328,194	(656,576)	-	3,107,717
	₩	1,149,114,945	380,000,026	(34,047,142)	(8,090,478)	285,037,060	3,462,824	123,550,977	1,899,028,212

(*) For the year ended December 31, 2011, the Group additionally invested ₩80,000 million in SBL in accordance with the capital increase through offering to shareholders.

(**) For the year ended December 31, 2011, the Group additionally invested ₩300,000 million in SMD in accordance with the capital increase through offering to shareholders. ₩123,551 million was recognized as gain on disposal of investments in associates and joint venture in accordance with the uneven capital increase.

(***) For the year ended December 31, 2011, the Group recognized ₩553 million as loss on disposal of investments in associates and joint venture due to the capital reduction.

(ii) 2010

(In thousands of won)

Company		January 1, 2010	Acquisition	Disposal	Dividends received	Equity profits and loss on investments	Other capital movements	Other	December 31, 2010
SBL	₩	123,461,842	-	-	-	(34,580,965)	(959,772)	-	87,921,105
SMD		768,544,242	-	-	-	173,061,155	3,073,857	-	944,679,254
SCM		22,983,518	-	-	-	2,714,168	2,000,118	-	27,697,804
SSH		1,010,144	-	-	-	1,602	(744,296)	-	267,450
SBPC		49,813,195	-	-	(10,222,626)	8,902,787	483	-	48,493,839
ESI		6,825,882	-	-	(1,854,000)	313,488	(98,914)	-	5,186,456
SERI		25,109,349	-	-	-	86,755	1,236,834	-	26,432,938
SVIC 4		19,850,634	-	(12,150,000)	-	322,487	412,978	-	8,436,099
	₩	1,017,598,806	-	(12,150,000)	(12,076,626)	150,821,477	4,921,288	-	1,149,114,945

For the years ended December 31, 2011 and 2010

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)

		Land	Buildings	Structures	Machinery	Vehicles	Tools, furniture and fixtures	Construction in progress	Total
Acquisition cost									
Jan.1, 2010	₩	126,347,224	1,355,353,512	450,332,584	3,018,143,141	19,659,687	258,666,213	39,574,228	5,268,076,589
Acquisitions		-	7,845,727	188,507	5,300,680	275,709	12,590,146	372,441,376	398,642,145
Disposals		(6,412,122)	(20,440,015)	(982,782)	(232,520,679)	(7,430,944)	(22,592,686)	-	(290,379,228)
Other		(2,627,708)	8,835,612	5,988,260	84,977,779	263,597	22,389,279	(137,252,987)	(17,426,168)
Exchange rate fluctuations		4,664,365	(23,038,366)	(18,380,655)	14,257,057	70,963	(469,236)	(14,555,448)	(37,451,320)
Dec.31, 2010	₩	121,971,759	1,328,556,470	437,145,914	2,890,157,978	12,839,012	270,583,716	260,207,169	5,321,462,018
Acquisitions		107,856	2,193,555	15,632	115,637,215	488,333	24,294,627	415,754,633	558,491,851
Disposals		(215,348)	(22,557,930)	(1,688,090)	(335,184,323)	(676,082)	(21,097,217)	-	(381,418,990)
Other		-	48,465,431	35,759,105	360,275,783	1,737,760	31,847,187	(513,860,774)	(35,775,508)
Exchange rate fluctuations		(119,195)	3,139,973	6,294,555	16,587,038	160,333	800,544	(8,448,965)	18,414,283
Dec.31, 2011	₩	121,745,072	1,359,797,499	477,527,116	3,047,473,691	14,549,356	306,428,857	153,652,063	5,481,173,654
Accumulated depreciation									
Jan.1, 2010	₩	-	521,328,421	234,846,313	2,260,239,410	12,452,757	223,282,008	-	3,252,148,909
Disposals		-	(7,241,867)	(673,418)	(202,688,738)	(4,253,366)	(22,052,341)	-	(236,909,730)
Depreciation		-	63,754,925	19,273,993	238,402,519	1,881,181	32,764,666	-	356,077,284
Other		-	-	-	-	-	(2,514,847)	-	(2,514,847)
Exchange rate fluctuations		-	(10,645,903)	(15,641,239)	10,848,468	(1,188)	(1,177,904)	-	(16,617,766)
Dec.31, 2010	₩	-	567,195,576	237,805,649	2,306,801,659	10,079,384	230,301,582	-	3,352,183,850
Disposals		-	(16,814,009)	(1,182,180)	(322,586,669)	(640,941)	(20,367,026)	-	(361,590,825)
Depreciation		-	66,949,222	20,292,930	288,137,734	1,559,644	37,339,200	-	414,278,730
Other		-	368	(23,190)	(8,314,340)	-	(115,953)	-	(8,453,115)
Exchange rate fluctuations		-	2,956,240	2,606,761	11,732,231	111,959	183,250	-	17,590,441
Dec.31, 2011	₩	-	620,287,397	259,499,970	2,275,770,615	11,110,046	247,341,053	-	3,414,009,081
Accumulated impairment									
Jan.1, 2010	₩	-	139,132,872	40,206,736	110,172,878	670,649	3,419,398	-	293,602,533
Impairment (reversal)		-	(1,511,356)	983,086	3,491,994	-	114,285	-	3,078,009
Disposal		(736,148)	(11,838,374)	(33,493)	(17,404,393)	(354,237)	(149,972)	-	(30,516,617)
Exchange rate fluctuations		736,148	(15,887,239)	(4,849,219)	(2,855,152)	(31,641)	(1,037,451)	-	(23,924,554)
Dec.31, 2010	₩	-	109,895,903	36,307,110	93,405,327	284,771	2,346,260	-	242,239,371
Impairment (reversal)		-	(8,142,547)	-	19,789,770	-	3,304,356	-	14,951,579
Disposal		-	(2,421,216)	(213,186)	(11,100,616)	(19,559)	(278,419)	-	(14,032,996)
Exchange rate fluctuations		-	(948,032)	(528,417)	(1,667,878)	(7,944)	(42,745)	-	(3,195,016)
Dec.31, 2011	₩	-	98,384,108	35,565,507	100,426,603	257,268	5,329,452	-	239,962,938

For the years ended December 31, 2011 and 2010

13. Property, Plant and Equipment, Continued

(1) Changes in property, plant and equipment for the years ended December 31, 2011 and 2010 were as follows, Continued:

(In thousands of won)		Land	Buildings	Structures	Machineries	Vehicles	Tools, furniture and fixtures	Construction in progress	Total
Carrying amount									
Jan.1, 2010	₩	126,347,224	694,892,219	175,279,535	647,730,853	6,536,281	31,964,807	39,574,228	1,722,325,147
Dec.31, 2010		121,971,759	651,464,991	163,033,155	489,950,992	2,474,857	37,935,876	260,207,168	1,727,038,798
Dec.31, 2011		121,745,072	641,125,994	182,461,639	671,276,473	3,182,042	53,758,352	153,652,063	1,827,201,635

Other increase or decrease includes reclassification of construction-in-progress to property, plant, and equipment and the amount immediately expensed from construction-in-progress.

(2) Impairment loss and subsequent reversal

For the year ended December 31, 2011, ₩8,143 million of impairment loss was reversed due to the reuse of a building, for which impairment loss was recognized as a result of discontinued usage prior to 2010.

For the years ended December 31, 2011 and 2010

13. Intangible Assets

(1) Changes in intangible assets for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		Exclusive facility usage rights	Others	Goodwill	Total
Acquisition cost					
Jan.1, 2010	₩	91,695,239	83,258,103	-	174,953,342
Acquisitions		-	1,059,277	-	1,059,277
Disposals		(12,916,307)	(156,704)	-	(13,073,011)
Other		15,533,947	14,798,392	-	30,332,339
Exchange rate fluctuations		249,486	2,471,201	-	2,720,687
Dec.31, 2010	₩	94,562,365	101,430,269	-	195,992,634
Acquisitions		42	14,228,310	11,342,211	25,570,563
Disposals		(3,225,121)	(8)	-	(3,225,129)
Other		13,717,507	57,731,909	-	71,449,416
Exchange rate fluctuations		(10,519,172)	(119,631)	-	(10,638,803)
Dec.31, 2011	₩	94,535,621	173,270,849	11,342,211	279,148,681
Accumulated depreciation					
Jan.1, 2010	₩	59,606,710	45,717,367	-	105,324,077
Amortization		4,464,105	12,448,254	-	16,912,359
Disposals		(8,575,757)	(103,389)	-	(8,679,146)
Exchange rate fluctuations		318,929	3,226,652	-	3,545,581
Dec.31, 2010	₩	55,813,987	61,288,884	-	117,102,871
Amortization		5,396,607	16,409,634	-	21,806,241
Disposals		(767,139)	-	-	(767,139)
Exchange rate fluctuations		(10,538,877)	(93,537)	-	(10,632,414)
Dec.31, 2011	₩	49,904,578	77,604,981	-	127,509,559
Accumulated impairment					
Jan.1, 2010	₩	-	-	-	-
Dec.31, 2010		-	-	-	-
Impairment		-	-	11,342,210	11,342,210
Dec.31, 2011	₩	-	-	11,342,210	11,342,210
Carrying amount					
Jan.1, 2010	₩	32,088,529	37,540,736	-	69,629,265
Dec.31, 2010		38,748,378	40,141,385	-	78,889,763
Dec.31, 2011		44,631,043	95,665,868	1	140,296,912

Other amounts include reclassification of long-term prepaid expenses to exclusive facility usage rights and of construction-in-progress to other intangible assets.

(2) Amortization expenses

Amortization expenses are classified to manufacturing cost and selling, general and administrative expenses, and the Group recognizes the manufacturing cost as cost of sales when the inventory is sold.

(3) Research and development expenses

Research and development expenses in selling, general and administrative expenses recognized during the current and prior year were ₩42,859 million and ₩54,913 million, respectively.

For the years ended December 31, 2011 and 2010

14. Investment Property

Changes in investment property for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011			2010		
		Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Balance at January 1	₩	42,778,494	15,849,097	58,627,591	40,235,051	18,351,300	58,586,351
Reclassification		-	-	-	2,627,708	-	2,627,708
Disposal		(1,328,915)	-	(1,328,915)	(84,265)	-	(84,265)
Depreciation		-	(2,544,857)	(2,544,857)	-	(2,502,203)	(2,502,203)
Balance at December 31	₩	41,449,579	13,304,240	54,753,819	42,778,494	15,849,097	58,627,591

Investment property consist of land and buildings in Giheung and Cheonan and land in Ulsan which were rented to SMD, the Group's associate, and SBL, the Group's joint venture.

15. Trade Payables and Other Liabilities

Trade payables and other liabilities as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011		December 31, 2010	
		Current	**Non-current**	**Current**	**Non-current**
Trade payables	₩	379,651,306	-	385,080,489	-
Accounts payable		144,092,831	-	169,533,944	-
Accrued expenses		263,504,470	-	164,943,060	-
Dividends payable		22,557	-	21,970	-
Withholdings		29,695,857	7,875,420	20,906,567	6,890,464
Guarantee deposits received		2,650,689	1,260,607	6,397,262	-
VAT withheld		10,353,080	-	8,118,033	-
	₩	829,970,790	9,136,027	755,001,325	6,890,464

For the years ended December 31, 2011 and 2010

16. Borrowings

(1) Borrowings as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011	December 31, 2010
Short-term borrowings			
Current portion of long-term borrowings in Korean won	₩	-	25,000,000
Current portion of long-term borrowings in foreign currency		28,832,500	73,641,824
Current portion of debentures		199,797,951	-
Short-term borrowings in foreign currency		85,387,004	-
Disposals of trade receivable		447,348,469	31,760,094
	₩	761,365,924	130,401,918
Long-term borrowings			
Debentures	₩	-	199,505,338
Long-term borrowings in foreign currency		-	28,472,500
	₩	-	227,977,838

(2) Debentures as of December 31, 2011 and 2010 are as summarized follows:

(In thousands of won)

Borrower	Type	Classification	Date of maturity	Annual Interest rate (%)		December 31, 2011	December 31, 2010
Controlling Company	Corporate bonds	Unsecured	2012.9.16	5.47	₩	200,000,000	200,000,000
Less discount on debentures						(202,049)	(494,662)
					₩	199,797,951	199,505,338

(3) Long-term borrowings in foreign currency as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)

Borrower	Description	Financial institution	Annual interest rate (%)		December 31, 2011	December 31, 2010
Controlling Company	Foreign currency loans (USD)	Korea Development Bank	Libor 3M + 0.45	₩	28,832,500	85,417,500
SDIHU	Foreign currency loans (EUR)	UniCredit Bank	EurLibor 3M + 1.20		-	15,136,000
SDIB	Foreign currency loans (BRL)	BASA	11.9		-	1,560,824
Sub total					28,832,500	102,114,324
Less current portion of long-term borrowings					(28,832,500)	(73,641,824)
				₩	-	28,472,500

For the years ended December 31, 2011 and 2010

17. Provisions

Changes in provisions for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		Current			Non-current	
		Royalty expenses	Quality assurance	Incentives	Incentives	Total
Balance at Jan. 1, 2011	₩	86,703,623	56,612,482	17,714,403	17,714,403	178,744,911
Provisions made		58,091,357	20,781,848	6,646,960	13,409,700	94,509,382
Provisions used		(53,245,216)	(44,051,141)	(17,714,403)	(11,067,443)	(121,657,720)
Balance at Dec. 31, 2011	₩	91,549,764	33,343,189	6,646,960	20,056,660	151,596,573
Balance at Jan. 1, 2010	₩	60,982,946	52,697,338	-	16,584,267	130,264,551
Provisions made		103,663,818	17,927,970	17,714,403	18,844,539	158,150,730
Provisions used		(77,943,140)	(14,012,826)	-	(17,714,403)	(109,670,369)
Balance at Dec. 31, 2010	₩	86,703,624	56,612,482	17,714,403	17,714,403	178,744,912

The Group recognizes a warranty provision for the estimated costs of future repairs and recalls as accrued expenses, based on past experience.

The Group has long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive costs for the current year.

Royalty expenses in relation to the technology usage agreement which have not been determined are recorded as accrued expense based on expected future royalty expenses. The payment timing of some royalty expenses may be changeable according to negotiations with respective companies.

18. Employee Benefits

(1) Employee benefit liabilities as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011	December 31, 2010
Present value of defined obligations	₩	143,461,978	100,556,125
Fair value of plan assets		(111,679,087)	(75,429,790)
	₩	31,782,891	25,126,335

(2) Other liabilities for employee benefits as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011	December 31, 2010
Liabilities for paid absence	₩	29,931,945	21,748,538
Long-term incentive provisions		26,703,620	35,428,806
	₩	56,635,565	57,177,344

For the years ended December 31, 2011 and 2010

18. Employee Benefits, Continued

(3) Fair value of plan assets as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011	December 31, 2010
Severance insurance bonds	₩	111,344,511	75,097,708
National pension fund		334,576	332,082
	₩	111,679,087	75,429,790

(4) Movement in the present value of defined obligations for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Balance at beginning	₩	100,556,125	111,091,033
Adjustments of national pension fund		34,440	(97,899)
Benefits paid by the plan		(10,384,885)	(63,061,973)
Current service costs and interest		34,640,037	28,282,734
Transfer in from related parties		8,484,152	-
Actuarial losses in other comprehensive income		7,512,123	24,342,230
Increase in past service cost		1,655,795	-
Cost effects from the business acquisition		996,136	-
Payment of deposit on national pension fund		(31,945)	-
Balance at ending	₩	143,461,978	100,556,125

(5) Movement in the fair value of plan assets for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Balance at beginning	₩	75,429,790	79,420,910
Contributions paid into the plan		31,000,000	9,677,786
Benefits paid by the plan		(3,023,281)	(16,365,021)
Expected return on plan assets		3,680,225	3,900,486
Actuarial gains in other comprehensive income		(829,225)	(1,106,472)
Changes in national pension fund		34,440	(97,899)
Transfer in from related parties		5,419,084	-
Payment of deposit on national pension fund		(31,946)	-
Balance at ending	₩	111,679,087	75,429,790

18. Employee Benefits, Continued

(6) Expenses for employee benefits for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Current service cost	₩	29,012,859	20,964,691
Expected return on plan assets		(3,680,225)	(3,900,486)
Interest cost		5,627,178	7,318,043
Past service cost		1,655,795	-
Effects from the business acquisition		996,136	-
	₩	33,611,743	24,382,248

(7) The details of expenses for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Cost of sales	₩	18,691,469	15,793,373
Selling, general and administrative expenses		14,920,274	8,588,875
	₩	33,611,743	24,382,248

(8) The Group determined the discount rate based on market returns of blue chip corporate bonds consistent with currencies and estimated payment terms of defined benefit obligations as of the reporting date in order to calculate present value of the defined benefit obligations. Major actuarial assumptions for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Expected rate of salary increase	7.35%	7.35%
Discount rate for defined benefit obligations	5.75%	6.50%
Long-term rate of return on assets	5.00%	5.00%

19. Commitments and Contingencies

(1) As of December 31, 2011, the Group has been provided a guarantee of ₩2,132 million by Seoul Guarantee Insurance Co., Ltd. in relation to a court deposit and licensing procedures.

(2) In December 2005, Samsung Motor Inc's Creditors ("the Creditors") filed a civil action lawsuit against Mr. Kun Hee Lee, chairman of Samsung Electronics Co., Ltd. and 28 Samsung Group affiliates including the Group, which seeks ₩2,450,000 million and damages for breach of contract and etc. based on the agreement entered in September 1999. During the year ended Dec 31, 2011, shares of Samsung Life Insurance Co., Ltd. ("SLI") owned by the creditors were disposed of and ₩877,600 million was deposited into an escrow account and majority of the claims for this case were settled. The deposited amount of ₩877,600 million was the summation of surplus over ₩70,000 per disposed share. On January 11, 2011, the Seoul High Court sentenced Samsung Group affiliates to pay ₩600,000 million and late payment penalty. 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. Samsung Group affiliates including the Company and the Creditors all have appealed to the Korean Supreme Court. The Group is unable to reasonably predict effects on the consolidated financial statements as the ultimate outcome of this case and the amount burden to the Group are uncertain.

19. Commitments and Contingencies, Continued

(3) The Group has been notified to pay penalty on price-fixing of cathode-ray tubes from the Korea Fair Trade Commission and the United States Department of Justice in March 2011. The Group has paid ₩12,006 million and ₩34,240 million respectively.

The Group is under investigation for the collusion from the European Union and the relevant authorities in various countries. In addition, buyers from the United States and three other nations filed a civil lawsuit against the Group for damages from the collusion. The Group has recognized estimated losses on this investigation for the year ended December 31, 2011. The actual loss that the Group will finally incur could be significantly different from the estimation. Certain information as required by the related K-IFRSs has not been disclosed as such disclosures may be prejudicial to the outcome of the investigation.

(4) In addition to the litigation described in (2), (3) above, as of December 31, 2011, the Group is a defendant in five cases and a plaintiff in eight cases in domestic and foreign jurisdictions arising from the ordinary course of business. However, certain information as required by the related K-IFRSs has not been disclosed as such disclosures may be prejudicial to the outcome of these cases. While the amount and the timing of outflow of resources from the litigations are uncertain, the impact on the consolidated financial statements cannot be reasonably estimated.

(5) As of December 31, 2011, the Group has entered into agreements with Shinhan Bank and nine other banks in relation to bank overdrafts for up to maximum of ₩26,100 million, USD 169,000 thousand, EUR 50,000 thousand and CNY 700,000 thousand.

(6) As of December 31, 2011, the Group has entered into agreements with Korea Exchange Bank and two other banks in relation to trade finance for up to a maximum of ₩80,000 million and CNY 202,000 thousand and agreements with Woori Bank and three other banks in relation to import credits for up to a maximum of USD 105,700 thousand.

(7) As of December 31, 2011, the Group has entered into an agreements with China Bank and two other banks to discount trade notes receivable for up to a maximum of CNY 560,000 thousand, and agreements with Woori Bank and eight other banks to discount export trade accounts receivable for up to a maximum of USD 582,000 thousand and MYR 168,000 thousand, and the Group has entered into agreements with Woori Bank and three other banks in relation to accounts receivable loan for up to a maximum of ₩94,000 million.

(8) In accordance with technical license agreements, the Group recorded royalty expenses of ₩48,522 million and ₩52,005 million for the years ended December 31, 2011 and 2010, respectively.

(9) In accordance with technology usage agreements, the Group recorded royalty income of ₩2,889 million and ₩2,687 million for the years ended December 31, 2011 and 2010, respectively.

(10) As of December 31, 2011, the Group provides a guarantee up to a maximum of ₩15,503 million relating to the borrowings for rental housing to its employees.

For the years ended December 31, 2011 and 2010

20. Capital Stock and Capital Surplus

(1) Capital stock

Common shares and preferred shares issued and outstanding as of December 31, 2011 and 2010 are summarized as follows:

(In shares)	2011		
Classification	**Issued shares**	**Treasury shares**	**Outstanding shares**
Common shares			
January, 1	45,558,341	2,326,159	43,232,182
Exercise of share option	-	(97,170)	97,170
December, 31	45,558,341	2,228,989	43,329,352
Preferred shares	1,617,896	108,400	1,509,496

(In shares)	2010		
Classification	**Issued shares**	**Treasury shares**	**Outstanding shares**
Common shares			
January, 1	45,558,341	2,621,959	42,936,382
Exercise of share option	-	(223,050)	223,050
Disposal of treasury stock	-	(72,750)	72,750
December, 31	45,558,341	2,326,159	43,232,182
Preferred shares	1,617,896	108,400	1,509,496

(2) Capital surplus as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		**December 31, 2011**	**December 31, 2010**
Capital in excess of par value	₩	1,195,810,753	1,195,810,753
Other capital surpluses		62,309,221	60,020,341
	₩	1,258,119,974	1,255,831,094

(3) Dividends declared by board of directors after the reporting period are summarized as follows. Dividends for the current period are not yet paid and there are no income tax effect relating to these dividends.

(In thousands of won)		**2011**	**2010**
Common share (2011: ₩1,500 per share, 2010: ₩1,600 per share)	₩	64,994,028	69,171,491
Preferred share (2011: ₩1,550 per share, 2010: ₩1,650 per share)		2,339,719	2,490,669
	₩	67,333,747	71,662,160

For the years ended December 31, 2011 and 2010

21. Other Capital

(1) Other capital as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		December 31, 2011	December 31, 2010
Treasury shares	₩	(170,696,676)	(177,931,565)
Share options		5,302,000	7,966,757
	₩	(165,394,676)	(169,964,808)

(2) As of December 31, 2011, the Group has common stock of 2,228,989 shares and preferred stock of 108,400 shares acquired for market value as treasury (other capital) and the Group is planning to dispose of these shares according to market conditions.

(3) Share based payments

1) The terms and conditions of grants as of December 31, 2011 are summarized as follows:

(In won, except number of options)

	Third	Fourth	Sixth
Date of grant	2002. 2. 28	2003. 3.12	2004. 4. 23
Number of shares granted	279,500	94,000	90,000
Remaining shares	29,380	11,350	80,359
Exercise Price	60,400	67,700	166,900
Payment method		Stock	
Exercisable period		Ten years	
Vesting conditions		Two years of service	

2) The estimated fair value was calculated using the modified fair value method and the assumptions applied to this method are summarized as follows:

	Third	Fourth	Sixth
Risk free rate	5.71%	5.20%	4.55%
Expected exercise period	3 years	3 years	3 years
Expected volatility	51.35%	56.02%	48.15%
Expected dividend yield	2.91%	3.58%	1.84%
Expected forfeiture rate	0%	0%	0%

For the years ended December 31, 2011 and 2010

21. Other Capital, Continued

3) The number and weighted average exercise price of share options as of December 31, 2011 and 2010 are as follows:

(In won, except number of options)

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning	218,259	₩ 100,901	441,309	₩ 79,512
Exercised	97,170	62,445	223,050	58,583
Exercisable at end	121,089	₩ 131,761	218,259	₩ 100,901

The weighted average stock price as of share option exercising date is ₩168,992. The weighted average remaining exercisable period is 1.69 years.

Expenses arising from the above share-based payments were fully recognized, there were no expenses recognized for the year ended December 31, 2011.

22. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		2011	2010
Gain in fair value of available-for-sale financial assets	₩	1,183,655,949	1,385,750,956
Unrealized holding gain on equity method investments		28,280,747	12,700,289
Unrealized holding loss on equity method investments		(23,042,726)	(9,149,894)
Loss on translation of foreign operations		(14,982,169)	(26,219,967)
Actuarial losses on employee benefits		-	(29,514,507)
	₩	1,173,911,801	1,333,566,877

23. Retained Earnings

Retained earnings as of December 31, 2011 and 2010 are summarized as follows:

(In thousands of won)		2011	2010
Legal reserve	₩	108,465,000	101,265,000
Discretionary reserve		2,965,628,000	2,745,728,000
Unappropriated retained earnings		536,711,370	544,059,037
	₩	3,610,804,370	3,391,052,037

For the years ended December 31, 2011 and 2010

24. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Salaries and wages	₩	190,034,060	174,095,385
Accrual for retirement and severance benefits		15,041,122	9,564,278
Employee fringe benefits		49,425,729	50,245,907
Depreciation		40,935,820	29,963,792
Research and development expenses		42,859,356	54,913,440
Supplies and repair cost		11,315,087	12,055,584
Power and water cost		7,154,492	5,354,068
Transportation cost		13,829,800	10,640,865
Insurance expenses		15,231,880	15,786,064
Selling and distribution cost		54,478,180	60,121,924
Fees and commissions		65,563,841	75,474,183
Rental expenses		5,415,528	8,168,759
Bad debt expenses		493,051	848,468
Others		61,523,018	48,894,469
	₩	573,300,964	556,127,186

25. The Nature of Expenses

The nature of expenses for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Salaries and wages	₩	493,372,951	420,816,120
Accrual for retirement and severance benefits		33,611,743	24,382,248
Employee fringe benefits		145,322,374	118,058,830
Depreciation		416,823,587	358,579,487
Amortization		21,806,241	16,912,359
	₩	1,110,936,896	938,749,044

For the years ended December 31, 2011 and 2010

26. Other Income and Other Expenses

(1) Other income for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Dividends income	₩	18,730,200	23,345,901
Rental income		383,845	17,470
Reversal of allowance for doubtful accounts		-	79,178
Gain on sale of available-for-sale securities		37,114,599	264,118
Gain on disposal of associates and joint ventures		126,741,972	-
Gain on sale of property, plant and equipment		24,674,593	39,741,645
Gain on sale of intangible assets		-	180,605
Gain on sale of investment assets		3,579,818	460,034
Reversal of loss on impairment of property, plant and equipment		8,142,547	1,511,356
Miscellaneous income		64,041,245	31,578,335
	₩	283,408,819	97,178,642

(2) Other expenses for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Loss on sale of trade receivables	₩	-	3,232
Bad debt expenses-other		56,708	224,469
Loss on disposal of associates and joint ventures		838,244	-
Donation		964,278	1,559,811
Loss on disposal of property, plant and equipment		1,574,316	11,004,749
Loss on impairment for property, plant and equipment		23,094,126	4,589,365
Loss on disposal of intangible assets		2,457,990	4,363,574
Loss on impairment for intangible assets		11,342,210	-
Loss on sale of investment assets		425,775	-
Miscellaneous losses		148,909,392	22,845,073
	₩	189,663,039	44,590,273

For the years ended December 31, 2011 and 2010

27. Finance Income and Finance Costs

Finance income and costs for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)

		Interest income / expense		Foreign currency transaction gain / loss		Foreign currency translations gain / loss		Gain / loss on transaction of derivatives	
		2011	2010	2011	2010	2011	2010	2011	2010
Cash and cash equivalents	₩	19,837,013	37,049,265	(1,293,204)	1,851,914	(1,645)	2,188	-	-
Trade and other receivables		648,308	86,951	9,410,692	(17,439,664)	9,097,036	(3,184,674)	-	-
Other investments		1,640,131	3,920,261	1,614	3,386	11,619	51,961	-	7,420,000
Other current assets		-	-	195,928	41,974	(608)	-	-	-
Non-current other investments		-	-	-	(568)	2,977	(6,730)	-	-
Short-term borrowings		(20,025,420)	(27,111,114)	(20,117,519)	(10,432,054)	626,865	1,868,140	-	-
Trade and other payables		-	-	(10,703,737)	(3,392,660)	(793,781)	1,449,702	-	-
Other current liabilities		-	-	(265,578)	(3,708,722)	4,541	32,394	-	-
Provisions		-	-	(522)	(154,832)	(738)	89,260	-	-
Long-term borrowings		-	-	2,005,000	(5,881,000)	(1,474,286)	2,172,126	-	-
Other non-current liabilities		-	-	556,377	283,396	(12,360)	(44,262)	-	-
	₩	2,100,032	13,945,363	(20,210,949)	(38,828,830)	7,459,620	2,430,105	-	7,420,000

For the years ended December 31, 2011 and 2010

28. Income Tax Expense

(1) Income tax expenses for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		**2011**	**2010**
Current income taxes	₩	28,559,745	32,538,853
Deferred income taxes from changes in temporary differences		111,384,202	52,419,486
Deferred income taxes from changes in tax credit carryforwards		(7,149,351)	(39,348,221)
Deferred income taxes from changes in loss carryforwards		(5,050,785)	(7,031,490)
Deferred income taxes recorded in stockholders' equity		(362,425)	(1,036,859)
Others		(336,786)	(53,798)
Income tax expense	₩	127,044,600	37,487,971

(2) Deferred tax assets and liabilities recognized as stockholders' equity for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		**2011**		
		Before tax	**Deferred tax assets (liabilities)**	**After tax**
Retained earnings	₩	(141,404,251)	(8,772,473)	(132,631,778)
Capital surplus of equity method investee		(14,419,065)	12,690,485	(27,109,550)
Capital movements of equity of equity method investee		(11,709,204)	(4,472,658)	(7,236,546)
Gain on valuation of available-for-sale securities		(1,552,732,286)	(375,761,213)	(1,176,971,073)
	₩	(1,720,264,806)	(376,315,859)	(1,343,948,947)

(In thousands of won)		**2010**		
		Before tax	**Deferred tax assets (liabilities)**	**After tax**
Retained earnings	₩	(179,260,105)	(17,458,896)	(161,801,209)
Capital surplus of equity method investee		(14,375,895)	11,536,804	(25,912,699)
Capital movements of equity of equity method investee		36,601,143	(2,725,186)	39,326,329
Gain on valuation of available-for-sale securities		(1,776,603,789)	(390,852,833)	(1,385,750,956)
	₩	(1,933,638,646)	(399,500,111)	(1,534,138,535)

Income tax related to gains/losses on sale of treasury stock was recognized directly in equity and income tax related to defined benefit plan actuarial gains/losses and gains/losses on valuation of available-for-sale securities were recognized in other comprehensive income.

For the years ended December 31, 2011 and 2010

28. Income Tax Expense, Continued

(3) Adjustments of effective tax rate for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011	2010
Profit before income tax	₩	478,099,514	422,600,313
Tax rate		24.20%	24.20%
Income tax using the Company's statutory tax rate		115,700,082	102,269,276
Adjustments			
Foreign withholding tax		17,320,938	13,710,537
Permanent differences		10,890,620	(6,924,703)
Loss carryforwards		(5,050,785)	(7,031,490)
Tax reconciliation		(16,238,181)	(10,743,441)
Tax credits		(17,364,443)	(40,269,567)
Deference in tax rate		(3,605,971)	(21,132,808)
Adjustments for consolidation		33,574,160	29,650,940
Others		(8,181,820)	(22,040,773)
Income tax expenses	₩	127,044,600	37,487,971
Average effective tax rate		26.57%	8.87%

(4) As of December 31, 2011, the tax effects of temporary differences were calculated by using expected tax rate for the year when the temporary differences are reversed. The tax rate for the year of 2012 and afterwards is expected to be 24.2%.

For the years ended December 31, 2011 and 2010

28. Income Tax Expense, Continued

(5) Temporary differences and increase (decrease) in deferred tax assets (liabilities) as of December 2011 and 2010 are summarized as follows:

1) As of December 31, 2011

(In thousands of won)		Deductible (Taxable) temporary difference			Deferred tax assets (liabilities)		
		Beginning balance	Changes	Ending balance	Beginning balance	Changes	Ending balance
Accrued interest income	₩	(12,224,671)	11,813,981	(410,690)	(501,298)	401,911	(99,387)
Provision on advanced depreciation		(21,425,139)	-	(21,425,139)	(4,713,531)	(471,353)	(5,184,884)
Gain (loss) from equity method		(319,969,377)	(492,783,627)	(812,753,004)	(70,295,953)	(125,231,785)	(195,527,738)
Government grants		13,658,623	9,601,923	23,260,546	3,004,897	2,624,155	5,629,052
Depreciation		79,512,406	19,097,590	98,609,996	17,492,729	6,370,890	23,863,619
Non-current prepaid expenses		9,952,218	(1,635,623)	8,316,595	2,189,488	(176,872)	2,012,616
Loss on valuation of inventories		8,850,681	4,202,788	13,053,469	2,141,865	1,017,075	3,158,940
Loss on impairment of property, plant and equipment		64,577,499	12,479,290	77,056,789	14,207,050	4,440,693	18,647,743
Accrued expenses		204,126,202	46,031,633	250,157,835	47,316,588	13,221,608	60,538,196
Loss on impairment of available-for-sale securities		3,268,505	-	3,268,505	719,071	71,907	790,978
Loss on impairment of patents		9,901,397	955,532	10,856,929	2,207,649	419,728	2,627,377
Foreign currency translation gain (loss)		15,765,843	(784,708)	14,981,135	3,815,334	(189,899)	3,625,435
Deemed dividend		1,459,613	45,999,587	47,459,200	321,115	11,164,012	11,485,127
Others		38,554,331	3,801,999	42,356,330	16,186,072	(5,935,841)	10,250,231
Sub total	₩	96,008,131	(341,219,635)	(245,211,504)	34,091,076	(92,273,771)	(58,182,695)
Deferred income taxes added to Capital		(1,933,638,646)	213,373,840	(1,720,264,806)	(399,500,111)	23,184,252	(376,315,859)
Tax credit carryforwards		99,657,014	(30,195,920)	69,461,094	90,231,377	(23,792,845)	66,438,532
Temporary difference of subsidiaries		176,687,865	16,979,565	193,667,430	42,664,937	11,920,252	54,585,189
Deferred tax assets not recognized due to low realizability							(33,281,701)
Total	₩						(346,756,534)

28. Income Tax Expense, Continued

(5) Temporary differences and increase (decrease) in deferred tax assets (liabilities) as of December 2011 and 2010 are summarized as follows, Continued:

2) As of December 31, 2010

(In thousands of won)		Deductible (Taxable) temporary difference			Deferred tax assets (liabilities)		
		Beginning balance	**Changes**	**Ending balance**	**Beginning balance**	**Changes**	**Ending balance**
Accrued interest income	₩	(5,037,293)	(7,187,378)	(12,224,671)	(1,219,025)	717,727	(501,298)
Gain(Loss) on Valuation of Derivatives		(45,880,000)	45,880,000	-	(11,102,960)	11,102,960	-
Special deduction		(21,425,139)	-	(21,425,139)	(4,713,531)	-	(4,713,531)
Gain (loss) from equity method		(67,779,494)	(252,189,883)	(319,969,377)	(49,933,496)	(20,362,457)	(70,295,953)
Government grants		8,276,863	5,381,760	13,658,623	1,820,910	1,183,987	3,004,897
Depreciation		75,685,295	3,827,111	79,512,406	16,650,765	841,964	17,492,729
Non-current prepaid expenses		9,253,325	698,893	9,952,218	2,035,732	153,756	2,189,488
Loss on valuation of inventories		11,424,393	(2,573,712)	8,850,681	2,764,703	(622,838)	2,141,865
Loss on impairment of property, plant and equipment		69,225,586	(4,648,087)	64,577,499	15,229,629	(1,022,579)	14,207,050
Accrued expenses		150,504,306	53,621,896	204,126,202	36,422,042	10,894,546	47,316,588
Loss on impairment of available-for-sale securities		3,268,505	-	3,268,505	719,071	-	719,071
Loss on impairment of patents		6,689,970	3,211,427	9,901,397	1,493,012	714,637	2,207,649
Foreign currency translation gain (loss)		68,345,514	(52,579,671)	15,765,843	16,539,614	(12,724,280)	3,815,334
Deemed dividend		1,459,613	-	1,459,613	321,115	-	321,115
Others		35,215,935	3,338,396	38,554,331	6,446,378	9,739,695	16,186,072
Sub total	₩	299,227,379	(203,219,248)	96,008,131	33,473,959	617,118	34,091,076
Deferred income taxes added Capital		(968,233,612)	(965,405,034)	(1,933,638,646)	(200,097,253)	(199,402,858)	(399,500,111)
Tax credit carryforwards		111,442,413	(11,785,399)	99,657,014	105,489,262	(15,257,885)	90,231,377
Temporary difference of subsidiaries		384,798,602	(208,110,737)	176,687,865	91,452,706	(48,787,769)	42,664,937
Deferred tax assets not recognized due to low realizability							(45,004,119)
Total	₩						(277,516,840)

(6) Temporary differences that are not recognized as deferred tax liabilities

The Group did not recognize deferred tax liabilities in the amount of ₩23,109 million in accordance with temporary differences of ₩95,490 million relating to investments to its subsidiaries, as the Group is able to control the lapse of the temporary differences and it is highly probable that the temporary differences will not lapse in the foreseeable future.

For the years ended December 31, 2011 and 2010

29. Earnings Per Share

(1) Basic earnings per share

1) Basic earnings per share for the years ended 2011 and 2010 were as follows:

(In thousands of won, except earnings per share)

		2011	2010
Net income	₩	317,769,511	353,612,101
Weighted average number of common shares outstanding (basic)		43,289,341	43,108,733
Earnings per share (won)	₩	7,341	8,203

2) Net income attributable to common share holders for the years ended 2011 and 2010 were as follows:

(In thousands of won)

		2011	2010
Net income attribute to controlling interests	₩	320,109,230	356,102,770
Dividends on preferred shares		2,339,719	2,490,669
Net income attributable to common shares	₩	317,769,511	353,612,101

3) Weighted average number of common shares outstanding is calculated as follows:

(In shares)

	2011	2010
Issued ordinary shares at January 1	45,558,341	45,558,341
Treasury stock	(2,269,000)	(2,430,872)
Treasury stock fund	-	(18,736)
Weighted average number of common shares outstanding (basic)	43,289,341	43,108,733

For the years ended December 31, 2011 and 2010

29. Earnings Per Share, Continued

(2) Diluted earnings per share

1) Diluted earnings per share for the years ended 2011 and 2010 were as follows:

(In thousands of won, except earnings per share)

		2011	2010
Net income	₩	317,769,511	353,612,101
Weighted average number of common shares outstanding (diluted)		43,338,415	43,256,998
Earnings per share (won)	₩	7,332	8,175

2) Weighted average number of common shares outstanding is calculated as follows:

(In shares)

	2011	2010
Weighted average number of common shares outstanding (basic)	43,289,341	43,108,733
Effect of share options on issue (unexercised)	24,627	83,571
Effect of share options on issue (exercised)	24,447	64,694
Weighted average number of common shares outstanding (diluted)	43,338,415	43,256,998

(3) Anti-dilutive potential common shares

There are potentially dilutive share options which were not included in the calculation of the diluted earnings per share due to their anti-dilutive effect for the year ended December 31, 2011. Details of these share options were as follows:

Item	Exercise period	Number of shares to be issued	Exercise price
Share options (6^{th})	Apr. 24, 2006 to Apr. 23, 2014	80,359	₩166,900 per share

For the years ended December 31, 2011 and 2010

30. Related Parties

(1) Significant transactions with related parties for the years ended December 31, 2011 and 2010 were as follows:

(In thousands of won)		2011		2010	
		Revenues	**Expenses**	**Revenues**	**Expenses**
Major shareholder					
Samsung Electronics Co., Ltd. ("SEC")	₩	299,063,032	253,459,789	387,353,856	82,924,380
Jointly controlled entities					
SBL		28,824,965	2,485,580	17,893,606	1,557,555
Associates					
SMD		60,816,967	5,842	66,228,299	76,878
SERI		-	2,280,451	-	2,849,992
Samsung Japan Co., Ltd.		99,872,421	219,295,295	15,210,141	171,781,980
Samsung International Inc.		749,113,556	1,706,130	739,733,319	-
Samsung Electronics Display (M) SDN. OMD. (HSD)		164,616,229	-	140,806,518	-
Samsung Electronics Hong Kong Co., Ltd.		73,829,693	109,966,513	89,677,222	143,304,051
Tianjin Samsung Electronics Co., Ltd.		85,138,450	-	44,914,542	-
Samsung Electronics Suzhou Computer Co., Ltd.		189,374,941	-	202,789,376	-
Other affiliated corporations		1,087,782,063	63,891,323	991,650,493	75,657,475
	₩	2,838,432,317	653,090,923	2,696,257,372	478,152,311

(2) Details of significant account balances with related parties as of December 31, 2011 and 2010 are as follows:

(In thousands of won)		2011		2010	
		Receivables	**Payables**	**Receivables**	**Payables**
Major shareholder					
Samsung Electronics Co., Ltd. ("SEC")	₩	31,658,084	8,227,956	44,020,028	5,807,349
Jointly controlled entities					
SBL		5,902,170	220,555	6,487,849	-
Associates					
SMD		4,190,057	3,779	4,415,433	-
SERI		-	83,547	-	204,660
Samsung Japan Co., Ltd.		6,702,181	19,926,433	967,271	27,337,976
Samsung International Inc.		14,370,524	372,428	4,145,422	104,338
Samsung Electronics Display (M) SDN. OMD. (HSD)		7,259,661	-	2,915,463	-
Samsung Electronics Hong Kong Co., Ltd.		13,000,224	16,845,807	14,787,986	17,502,405
Tianjin Samsung Electronics Co., Ltd.		24,706,020	3,924	106,988	-
Samsung Electronics Suzhou Computer Co., Ltd.		23,994,874	-	20,976,079	-
Other affiliated corporations		101,914,036	5,572,512	48,310,305	289,458
	₩	233,697,831	51,256,941	147,132,824	51,246,186

30. Related Parties, Continued

(3) Personnel compensation in total to registered officers (the "Key management") who have the authority and responsibility in the planning, directing, and control of the Group is ₩7,290 million and ₩4,627 million, for the year ended December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, liabilities related to long-term employee benefits are ₩2,112 million and ₩ 3,950 million, respectively. In addition, liabilities related to retirement benefits as of December 31, 2011 and 2010 are ₩2,700 million and ₩1,325 million, respectively.

(4) As discussed in note 19 to the consolidated financial statements, as of December 31, 2011, the Group has a joint obligation for payables of employees of the Group

31. Controlling and Non-controlling Interests in Earnings of Consolidated Subsidiaries

Net income of the controlling company and the non-controlling interest in income for the year ended December 31, 2011 were as follows:

(In thousands of won, except percentage of ownership)	**Percentage of non-controlling interest**		**Amount**
Net income		₩	351,054,915
Net income attribute to controlling interest			320,109,230
Net income attribute to non-controlling interests			30,945,685
SDIA	8.30%		942,571
SDIM	8.30%		789,661
SDI(M)	31.40%		3,268,666
SSDI	23.30%		8,530,877
TSDI	23.30%		10,055,919
SDIHK	4.10%		(56,736)
SSED	42.10%		7,364,138
SDIB	4.10%		54,133
SVIC 15	1.00%		(3,544)

32. Date of Authorization for Issue

The consolidated financial statements were authorized for issue by the Board of Directors on January 27, 2012.

33. Business Acquisition

(1) In order to enter into a new business, the Group purchased solar battery business form Samsung Electronies Co., Ltd., the largest shareholder of the Company with ₩ 161,300 million in cash as of July 1, 2011, in accordance with the resolution of board of directors held on May 27, 2011.

(2) Fair value of assets and liabilities acquired

(In thousands of won)

	Amount
Assets acquired and liabilities assumed (*)	
Current assets	43,169,167
Non-current assets	126,677,992
Current Liabilities	(14,810,891)
Non-current Liabilities	(5,077,380)

(*) Assets acquired and liabilities assumed were measured at fair value in accordance with K-IFRS No. 1103, *Business Combination*.

(3) Goodwill from the acquisition was derived from the potential growth as energy specialized business and synergy effect with the existing battery business.

(4) Revenue and loss from solar battery business after business acquisition are ₩53,742 million and ₩62,673 million, respectively, during 2011. If the acquisition took place as of January 1, 2011, revenue and net income of the Group would be ₩5,491,533 million and ₩327,736 million, respectively.