Hynix Semiconductor Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2011

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Report of Independent Auditors

To the Shareholders and Board of Directors of
Hynix Semiconductor Inc.

We have audited the accompanying consolidated statement of financial position of Hynix Semiconductor Inc. and its subsidiaries (collectively the Group) as of December 31, 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Group as of and for the year ended December 31, 2010, presented herein for comparative purposes, were audited by other auditors whose report dated March 12, 2012, expressed an unqualified opinion on those statements.

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

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of Hynix Semiconductor Inc. and its subsidiaries as of December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Korean IFRS.

As discussed in Note 44 to the consolidated financial statements, the Share Management Council and the Company entered into a share purchase agreement with SK Telecom Co., Ltd., on November 14, 2011. In accordance with the terms of this agreement, SK Telecom Co., Ltd., on February 14, 2012, purchased 44.25 million shares of the Company from the Share Management Council and acquired newly issued 101.85 million shares of the Company through an allotment to a third party. Consequently, SK Telecom Co., Ltd. acquired 146.1 million shares of common stock of the Company, representing approximately 21.05% of the outstanding common stock and became a largest shareholder of the Company.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea
March 12, 2012

This report is effective as of March 12, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hynix Semiconductor Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2011 and 2010, and January 1, 2010

(in millions of Korean won)	Notes	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents	6, 14	₩ 1,243,788	₩ 1,253,226	₩ 1,212,356
Short-term financial instruments	7, 14	632,139	948,476	309,851
Trade receivables	8, 13, 14, 37	1,540,925	1,604,952	1,808,548
Loans and other receivables	8, 13, 14, 37	212,641	167,684	242,524
Inventories	9	1,183,608	1,281,519	1,057,442
Assets classified as held for sale	18	29,033	53,204	162,416
Other financial assets	7, 14	1	-	1
Other current assets	10	94,715	107,025	121,135
		4,936,850	5,416,086	4,914,273
Non-current assets				
Investments in jointly controlled entities and associates	12	103,613	98,163	98,076
Available-for-sale financial assets	11, 14	47,492	57,044	87,167
Property, plant and equipment	15	10,899,308	10,590,580	10,286,968
Intangible assets	17	707,648	603,653	476,849
Investment property	16	31,168	37,186	38,502
Loans and other receivables	8, 13, 14	38,461	93,093	42,570
Other financial assets	7, 14, 39	3,441	8,085	5,722
Deferred income tax assets	25, 35	315,718	388,773	451,891
Other non-current assets	10	154,449	119,454	141,985
		12,301,298	11,996,031	11,629,730
Total assets		17,238,148	17,412,117	16,544,003
Liabilities				
Current liabilities				
Trade payables	14, 37	678,408	875,174	740,442
Other payables	14	516,724	649,797	568,962
Other non-trade payables	14, 19	345,878	494,635	240,019
Provisions	21	353,467	532,123	646,422
Other financial liabilities	14, 22, 39	38,678	4,805	7,639
Borrowings	14, 20, 37	2,830,426	2,577,707	3,215,356
Other current liabilities	23	42,535	206,730	564,376
Current tax liabilities		11,170	8,588	4,405
		4,817,286	5,349,559	5,987,621
Non-current liabilities				
Borrowings	14, 20, 37	3,946,039	3,476,982	4,105,310
Other non-trade payables	14, 19	94,326	232,893	211,719
Defined benefit liabilities	24	458,699	359,062	278,062
Other financial liabilities	14, 22, 39	7,796	54,963	32,753
Other non-current liabilities	23	38,731	31,082	28,882
		4,545,591	4,154,982	4,656,726
Total liabilities		9,362,877	9,504,541	10,644,347
Equity attributable to owners of the Parent Company				
Capital stock	26	2,978,498	2,969,023	2,965,833
Capital surplus	26	1,229,052	1,193,100	1,238,089
Accumulated other comprehensive income	28	107,107	(23,261)	15,428
Other components of equity	41	5,762	5,762	5,769
Retained earnings	27	3,555,323	3,761,299	1,201,918
Non-controlling interest		(471)	1,653	472,619
Total equity		7,875,271	7,907,576	5,899,656
Total liabilities and equity		₩ 17,238,148	₩ 17,412,117	₩ 16,544,003

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

Hynix Semiconductor Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2011 and 2010

(in millions of Korean won, except per share amounts)	**Notes**	**2011**	**2010**
Net sales	5, 37	₩ 10,395,811	₩ 12,106,090
Cost of sales	31, 37	(8,721,257)	(7,643,517)
Gross profit		1,674,554	4,462,573
Selling, administration and ordinary development expenses	31, 32	(1,569,335)	(1,461,172)
Other operating income	33	350,334	147,852
Other operating expenses	31, 33	(130,079)	(173,982)
Operating income	30	325,474	2,975,271
Financial income	34	630,310	866,522
Financial expenses	34	(911,399)	(1,034,489)
Income from jointly controlled entities and associates	12	10,533	2,120
Other non-operating income		1,621	47,263
Other non-operating expenses		(11,392)	(190,305)
Profit before income tax		45,147	2,666,382
Income tax expense	35	(101,118)	(68,807)
Profit(loss) for the year		₩ (55,971)	₩ 2,597,575
Other comprehensive income(loss)			
Currency translation differences		123,236	(14,989)
Change in value of available-for-sale financial assets	11, 28	7,129	(28,947)
Actuarial loss on defined benefit liability	24	(60,780)	(57,426)
Other comprehensive income from jointly controlled entities and associates		(735)	(2,033)
Total comprehensive income for the year		₩ 12,879	₩ 2,494,180
Profit(loss) for the period attributable to:			
Equity holders of the Parent Company		₩ (56,641)	₩ 2,620,962
Non-controlling interest		670	(23,387)
Total comprehensive income for the year attributable to:			
Equity holders of the Parent Company		₩ 12,947	₩ 2,524,853
Non-controlling interest		(68)	(30,673)
Earnings(loss) per share attributable to the equity holders of the Parent Company during the year	36		
Basic earnings(loss) per share		₩ (96)	₩ 4,440
Diluted earnings(loss) per share		(96)	4,171

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

Hynix Semiconductor Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2011 and 2010

(in millions of Korean won)	Notes	Attributable to equity holders of the Parent Company: Paid-in Capital	Capital Surplus	Accumulated Other Comprehensive Income (loss)	Other Components of Equity	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2010		₩ 2,965,833	₩ 1,238,089	₩ 15,428	₩ 5,769	₩ 1,201,918	₩ 5,427,037	₩ 472,619	₩ 5,899,656
Comprehensive income									
Profit for the year		-	-	-	-	2,620,962	2,620,962	(23,387)	2,597,575
Actuarial loss on defined benefit liabilities	24	-	-	-	-	(57,420)	(57,420)	(6)	(57,426)
Other comprehensive income of jointly controlled entities and associates	12	-	-	(2,033)	-	-	(2,033)	-	(2,033)
Loss on the valuation of available-for-sale financial assets	11	-	-	(12,958)	-	-	(12,958)	(15,989)	(28,947)
Currency translation differences		-	-	(23,698)	-	-	(23,698)	8,709	(14,989)
Total comprehensive income		-	-	(38,689)	-	2,563,542	2,524,853	(30,673)	2,494,180
Transactions with equity holders of the Parent Company :									
Exercise of stock options	26	13	7	-	(7)	-	13	-	13
Exercise of conversion rights	26	3,177	11,314	-	-	-	14,491	-	14,491
Changes in subsidiaries' interests	26	-	(56,310)	-	-	-	(56,310)	(440,293)	(496,603)
Others		-	-	-	-	(4,161)	(4,161)	-	(4,161)
Total transactions with equity holders of the Parent Company		3,190	(44,989)	-	(7)	(4,161)	(45,967)	(440,293)	(486,260)
Balance at December 31, 2010		₩ 2,969,023	₩ 1,193,100	₩ (23,261)	₩ 5,762	₩ 3,761,299	₩ 7,905,923	₩ 1,653	₩ 7,907,576
Balance at January 1, 2011		₩ 2,969,023	₩ 1,193,100	₩ (23,261)	₩ 5,762	₩ 3,761,299	₩ 7,905,923	₩ 1,653	₩ 7,907,576
Comprehensive income									
Profit(loss) for the year		-	-	-	-	(56,641)	(56,641)	670	(55,971)
Actuarial loss on defined benefit liabilities	24	-	-	-	-	(60,780)	(60,780)	-	(60,780)
Other comprehensive income of jointly controlled entities and associates	12	-	-	(735)	-	-	(735)	-	(735)
Gain(loss) on the valuation of available-for-sale financial assets	11	-	-	7,905	-	-	7,905	(776)	7,129
Currency translation differences		-	-	123,198	-	-	123,198	38	123,236
Total comprehensive income		-	-	130,368	-	(117,421)	12,947	(68)	12,879
Transactions with equity holders of the Parent Company :									
Dividends	29	-	-	-	-	(88,541)	(88,541)	-	(88,541)
Exercise of conversion rights	26	9,475	36,193	-	-	-	45,668	-	45,668
Changes in scope of consolidation		-	-	-	-	-	-	(2,056)	(2,056)
Others	26	-	(241)	-	-	(14)	(255)	-	(255)
Total transactions with equity holders of the Parent Company		9,475	35,952	-	-	(88,555)	(43,128)	(2,056)	(45,184)
Balance at December 31, 2011		₩ 2,978,498	₩ 1,229,052	₩ 107,107	₩ 5,762	₩ 3,555,323	₩ 7,875,742	₩ (471)	₩ 7,875,271

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

Hynix Semiconductor Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

(in millions of Korean won)	**Notes**		**2011**		**2010**
Cash flows from operating activities					
Cash generated from operations	40	₩	3,079,193	₩	6,153,749
Interest received			68,107		67,732
Interest paid			(275,866)		(334,144)
Dividends received			8,883		-
Income tax paid			(24,357)		(3,796)
Net cash generated from operating activities			2,855,960		5,883,541
Cash flows from investing activities					
Decrease in other financial assets			325,552		-
Increase in other financial assets			-		(721,526)
Proceeds from disposal of held for sales assets			6,931		-
Decrease in short-term loans			9,403		-
Increase in short-term loans			(4,621)		(21,806)
Acquisition of investments in associates			(12,180)		(496,604)
Decrease in available-for-sale financial assets			-		441
Acquisition of available-for-sale financial assets			(7,897)		(9,557)
Decrease in long-term loans			601		-
Increase in long-term loans			(910)		(18,342)
Proceeds from disposal of property, plant and equipment			14,371		127,688
Acquisition of property, plant and equipment			(3,568,238)		(3,391,910)
Proceeds from disposal of intangible assets			13,946		-
Acquisition of intangible assets			(176,111)		(151,856)
Proceeds from disposal of investment property			12,153		-
Loss of control to subsidiaries			(661)		-
Payments from other investing activities			(1,603)		-
Net cash used in investing activities			(3,389,264)		(4,683,472)
Cash flows from financing activities					
Proceeds from borrowings			2,434,510		1,187,488
Repayments of borrowings			(1,826,595)		(2,327,912)
Dividends paid			(88,541)		-
Acquisition of non-controlling interest			(241)		-
Net cash provided by (used in) financing activities			519,133		(1,140,424)
Effect of exchange rates on cash and cash equivalents			4,733		(18,775)
Net increase (decrease) in cash and cash equivalents			(9,438)		40,870
Cash and cash equivalents at the beginning of year			1,253,226		1,212,356
Cash and cash equivalents at the end of year		₩	1,243,788	₩	1,253,226

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

1. General Information

General information about Hynix Semiconductor Inc. (the "Parent Company") and its subsidiaries (collectively "the Group") is as follows:

The Parent Company is engaged in the manufacture, distribution and sales of semiconductor products and its shares are listed on the Korea Exchange since 1996. The Parent Company's headquarters are located in Icheon, South Korea, and the Group has manufacturing facilities in Icheon and Cheongju, South Korea, and Wuxi, China.

As of December 31, 2011, the shareholders of the Parent Company and their shareholdings are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Share Management Council[1]:	88,500,000	14.9
Individual investors	503,671,582	85.1
	592,171,582	**100.0**

[1]As of December 31, 2011, the number of shares held by each member of Share Management Council is as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Korea Exchange Bank	20,185,000	3.4
Woori Bank	19,722,000	3.3
Korea Finance Corporation	15,281,000	2.6
Shinhan Bank	14,963,000	2.5
Other financial institutions	18,349,000	3.1
	88,500,000	**14.9**

In accordance with the resolution of the Share Management Council, the members of the Share Management Council are restricted from selling their respective shares to the public (Note 38). As discussed in Note 44, the Share Management Council sold a part of their shares after the reporting date.

As of December 31, 2011, the Group's consolidated subsidiaries are as follows:

Names of subsidiaries	Number of Shares	Ownership (%)	Locations	Remarks
Hynix Engineering Co., Ltd.	671,932	99.65	Korea	Domestic subsidiary
Hystech Co., Ltd.	236,408	99.65	Korea	Domestic subsidiary
Hynix HRD Co., Ltd.	59,102	99.65	Korea	Domestic subsidiary
Hylogitech Co., Ltd.	39,401	99.65	Korea	Domestic subsidiary
Ami Power Co. Ltd.	524,852	99.65	Korea	Domestic subsidiary
QRT Semiconductor Co.,Ltd.	20,000	100.00	Korea	Domestic subsidiary
Hynix Semiconductor America Inc.(HSA)	6,285,587	97.74	U.S.A	Overseas sales entity
Hynix Semiconductor Manufacturing America Inc.(HSMA)	200,000,100	100.00	U.S.A	Discontinued entity
Hynix Semiconductor Deutschland GmbH(HSD)	Certificate	100.00	Germany	Overseas sales entity
Hynix Semiconductor Europe Holding Ltd.(HSE)	335,640,000	100.00	U.K.	Holding company
Hynix Semiconductor U.K. Ltd.(HSU)	186,240,200	100.00	U.K.	Overseas sales entity
Hynix Semiconductor Asia Pte.Ltd.(HSS)	196,303,500	100.00	Singapore	Overseas sales entity
Hynix Semiconductor Indian Subcontinent Private Ltd.(HSIS)	10,000	100.00	India	Overseas sales entity
Hynix Semiconductor HongKong Ltd.(HSH)	170,693,661	100.00	HongKong	Overseas sales entity
Hynix Semiconductor (Shanghai) Co.,Ltd.(HSCS)	Certificate	100.00	China	Overseas sales entity
Hynix Semiconductor Japan Inc.(HSJ)	20,000	100.00	Japan	Overseas sales entity
Hynix Semiconductor Taiwan Inc.(HST)	35,725,000	100.00	Taiwan	Overseas sales entity
Hynix Semiconductor (China) Ltd.(HSCL)	Certificate	100.00	China	Manufacturing entity
Hynix Semiconductor (Wuxi) Ltd.(HSMC)	Certificate	100.00	China	Manufacturing entity
Hynix (Wuxi) Semiconductor Sales Ltd.(HSCW)	Certificate	100.00	China	Overseas sales entity

Major Subsidiaries' summarized statements of financial position as of December 31, 2011, translated into Korean won using the exchange rate as of the reporting date, and summarized statements of comprehensive income for the year ended December 31, 2011, translated into Korean won using the average exchange rate for the year are as follows:

	2011					
Names of subsidiaries	**Assets**	**Liabilities**	**Equity**	**Sales**	**Profit(loss)**	**Total Comprehensive income(loss)**
Hynix Semiconductor America Inc.(HSA)	764,593	742,030	22,563	3,386,257	7,185	7,185
Hynix Semiconductor Deutschland GmbH(HSD)	132,495	102,278	30,217	625,274	1,816	1,816
Hynix Semiconductor U.K. Ltd.(HSU)	91,146	83,270	7,876	480,469	1,313	1,313
Hynix Semiconductor Asia Pte.Ltd.(HSS)	135,027	68,761	66,266	939,873	5,868	5,868
Hynix Semiconductor HongKong Ltd.(HSH)	240,633	189,683	50,950	1,753,678	5,195	5,195
Hynix Semiconductor Japan Inc.(HSJ)	264,567	215,613	48,954	882,676	983	625
Hynix Semiconductor Taiwan Inc.(HST)	321,079	285,903	35,176	1,706,275	6,749	6,749
Hynix Semiconductor (China) Ltd.(HSCL)	3,732,468	1,448,999	2,283,469	2,220,674	(238,955)	(238,955)

	2010					
Names of subsidiaries	**Assets**	**Liabilities**	**Equity**	**Sales**	**Profit(loss)**	**Total Comprehensive income(loss)**
Hynix Semiconductor America Inc.(HSA)	829,687	814,790	14,897	3,297,729	5,542	5,542
Hynix Semiconductor Deutschland GmbH(HSD)	135,890	107,062	28,828	898,848	(85)	(85)
Hynix Semiconductor U.K. Ltd.(HSU)	138,494	132,066	6,428	638,310	2,005	2,005
Hynix Semiconductor Asia Pte.Ltd.(HSS)	189,862	130,454	59,408	1,304,404	2,161	2,161
Hynix Semiconductor HongKong Ltd.(HSH)	205,665	160,753	44,912	1,580,564	3,135	3,135
Hynix Semiconductor Japan Inc.(HSJ)	381,879	336,456	45,423	1,317,025	(5,053)	(5,676)
Hynix Semiconductor Taiwan Inc.(HST)	326,809	297,731	29,078	2,315,538	(7,233)	(7,233)
Hynix Semiconductor (China) Ltd.(HSCL)	4,090,095	1,691,517	2,398,578	2,069,126	(266,501)	(266,501)

Due to their liquidation, the subsidiaries, ProMos Specific Money trust and Hyundai Display Technology Inc., were excluded from the scope of consolidation for the year ended December 31, 2011.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The Group's financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean-IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The consolidated financial statements of the Group were prepared in accordance with Korean-IFRS and are subject to Korean-IFRS1101, 'First-time Adoption of Korean IFRS'. The transition date, according to Korean-IFRS1101, from the previous accounting principles generally accepted in the Republic of Korea ("Previous K-GAAP") to Korean-IFRS is January 1, 2010. Reconciliations and descriptions of the effect of the transition from previous K-GAAP to Korean IFRS on the Group's equity, comprehensive income and cash flows are described in Note 43.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011, and not early adopted by the Group are as follows:

- Amendments to Korean-IFRS1101, *Hyperinflation and Removal of Fixed Dates for first-time adopters*

As an exception to retrospective application requirements, this amendment to Korean-IFRS1101 allows a prospective application of derecognition of financial assets for transactions occurring on or after the date of transition to Korean IFRS, instead of fixed date (January 1, 2004). Accordingly, the Group is not required to restate and recognize those assets or liabilities that were derecognized as a result of a transaction that occurred before the dated of transition to Korean-IFRS. This amendment will be effective for the Group as of July 1, 2011. The Group expects the application of this amendment would not have material impact on its consolidated financial statements.

- Amendments to Korean-IFRS 1012, *Income Taxes*

According to the amendments to Korean-IFRS1012, *Income Taxes*, for the investment property that is measured using the fair value model, the measurement of deferred tax liability and deferred tax asset should reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless evidences support otherwise. This amendment will be effective for the Group as of January 1, 2012. The Group expects that the application of this amendment would not have material impact on its consolidated financial statements.

- Amendments to Korean-IFRS1019, *Employee Benefits*

According to the amendments to Korean-IFRS1019, Employee Benefits, use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are now changed to calculating net interest expense(income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities(assets). This amendment will be effective for the Group as of January 1, 2013, and the Group is assessing the impact of application of the amended Korean-IFRS 1019 on its consolidated financial statements as of the report date.

- Amendments to Korean-IFRS1107, *Financial Instruments: Disclosures*

According to the amendment, an entity should provide the required disclosures of nature, carrying amount, risk and rewards associated with all transferred financial instruments that are not derecognized from an entity's financial statements. In addition, an entity is required to disclose additional information related to transferred and derecognized financial instruments for any continuing involvement in transferred assets. This amendment will be effective for the Group as of January 1, 2012. The Group is assessing the impact of application of the amended Korean-IFRS 1107 on its consolidated financial statements as of the report date.

- Amendments to Korean-IFRS 1113, *Fair-value measurement*

Korean-IFRS 1113, *Fair value measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean-IFRSs. Korean-IFRS 1101 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within Korean-IFRSs. This amendment will be effective for the Group as of January 1, 2013, and the Group expects that it would not have a material impact on the Group.

2.2 Consolidation

The consolidated financial statements have been prepared in accordance Korean IFRS 1027, *The consolidated financial statements and separate financial statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with Korean-IFRS1039, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Unrealized losses are also eliminated after recognizing impairment of transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

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

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as 'impairment loss on investment in an associate' in the statements of comprehensive income.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized as finance expenses in the statements of comprehensive income.

(e) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties exercise joint control. As with associates, investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of accumulated impairment loss. The Group does not recognize its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as chief executive officer that makes strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the controlling entity's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'financial income or expenses'.

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Translation to the presentation currency

The results and financial position of all Group companies whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate as of the reporting date;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the translation of borrowings designated for hedging the investment and other currency instruments are recognized in other comprehensive income. When foreign operations are wholly or partially sold, exchange differences recognized in equity are transferred to profit or loss in the statements of comprehensive income. When the Parent Company ceases to control the subsidiary, exchange differences that were recorded in equity are recognized in the statements of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Cash and Cash Equivalents

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

2.6 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts.

2.7 Inventories

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

2.8 Financial Assets

2.8.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'short-term financial instruments' and 'trade and other receivables' in the statements of financial position.

(c) Available-for-sale financial assets

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

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are classified as 'other financial assets' in the statements of financial position. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity investments are included in non-current assets, except for those with maturities of less than 12 months after the end of the reporting period, which are classified as current assets.

2.8.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are reflected in current operations in the statements of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are reported in the statements of comprehensive income as 'financial income and expenses'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statements of comprehensive income as part of 'financial income'. Dividends on available-for-sale equity instruments are recognized in the statements of comprehensive income as part of 'financial income' when the Group's right to receive payments is established.

2.8.3 Offsetting of financial Instruments

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

2.8.4 Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership.

Collaterals (trade receivables and other) provided in transactions of discount and factoring of trade receivables do not meet the requirements for asset derecognition if risks and rewards do not substantially transfer in the event the debtor defaults. Financial liabilities recognized in relation to these transactions are included as borrowings in the Group's statements of financial position.

2.9 Impairment of Financial Assets

(a) Assets carried at amortized cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statements of comprehensive income. Impairment losses recognized in the statements of comprehensive income on equity instruments are not reversed through the statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statements of comprehensive income.

2.10 Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The resulting gain or loss is recognized as 'financial income and expenses' in the statements of comprehensive income.

2.11 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statements of comprehensive income during the financial year in which they are incurred.

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

Buildings	10 - 50 years
Structures	10 - 30 years
Machinery	4 - 15 years
Vehicles	4 - 10 years
Other	3 - 15 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income and expenses' in the statements of comprehensive income.

2.12 Borrowing Costs

The Group capitalizes borrowing costs directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset during an extended period in which it prepares an asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. When a particular borrowing is specifically associated with expenditure on the qualifying asset, the amount of borrowing costs capitalized is limited to the actual borrowing costs less any investment income on the temporary investment of those borrowings. The Group recognizes other borrowing costs as an expense in the period in which they are incurred.

2.13 Government Grants

Grants from a government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are presented as a deduction of related assets and are credited to depreciation over the expected lives of the related assets.

Government grants relating to costs are deferred and recognized in the statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.14 Intangible Assets

(a) Goodwill

Goodwill is measured as explained in 'Note 2.2 Consolidation', and goodwill arises on the acquisition of subsidiaries and business are included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Industrial rights

Industrial rights are shown at historical cost. Industrial rights in a business combination are recognized as fair value at acquisition. Industrial rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of industrial rights over their estimated useful lives.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using straight-line method over their estimated useful lives.

(c) Development Costs

Costs associated with research activities are recognized as an expense as incurred. Costs that are individually identifiable, controllable and directly attributable to development projects are recognized as intangible assets when all the following criteria are met:

- It is technically feasible to complete the development project so that it will be available for use;
- Management intends to complete the development project;
- There is an ability to use or sell the development project;
- It can be demonstrated how the development project will generate probable future economic benefits;
- Ability to obtain adequate technical, financial and other resources to complete or use or sell the development project-

- The expenditure attributable to the individual project during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Amortization of development costs based on the straight-line method over their useful lives begins at the commencement of the commercial production of related development products. The Group tests annually for impairment of development cost.

(d) Membership rights

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

2.15 Investment Property

Investment property is held to earn rentals or for capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are include in the asset's carrying amount or recognized as a separate asset, only when 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. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using straight-line method over their estimated useful lives.

The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each financial year and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income and expenses' in the statements of comprehensive income.

2.16 Impairment of Non-financial Assets

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

2.17 Non-current Assets Held for Sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.18 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Financial Liabilities

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

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified as financial liabilities at fair value through profit or loss when incurred principally for the purpose of repurchasing it in the near term. Derivatives or embedded derivatives are also categorized as this category unless they are designated as hedges.

(b) Financial liabilities carried at amortized cost

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, as financial liabilities carried at amortized cost and as 'trade payables', 'other payables', 'borrowings', and 'other financial liabilities' in the statement of financial position. In case when a transfer of a financial asset does not qualify for derecognition, the transferred asset is continuously recognized as asset and the consideration received is recognized as financial liabilities. Financial liabilities carried at amortized cost are included in non-current liabilities, except for liabilities with maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

2.20 Financial Guarantee Contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below. Any increase in the liability relating to guarantees is reported as other financial liabilities.

- amount calculated in accordance with Korean-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets;* or
- the initial amount, less accumulated amortization recognized in accordance with Korean-IFRS 1018, *Revenue*.

2.21 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statements of comprehensive income over the period of the borrowings using the effective interest method. The Group recognizes borrowings as current liabilities unless it has an unconditional right to delay the settlement of the borrowing more than 12 month after the end of the reporting period.

2.22 Compound Financial Instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

At the point of issuing convertible bonds, if the amount of share premium (Capital surplus) is defined, the conversion component is classified as equity, if not, the conversion component is classified as financial liability. The Group classifies the instrument as derivative if the conversion component is classified as financial liability and an embedded derivative can be separated from the host contract. `

2.23 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

2.24 Current and Deferred Income Tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.25 Employee Benefits

(a) Defined benefit liability

The Group operates defined benefit plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized over the vesting period.

(b) Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted with considerations to market performance conditions and non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statements of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(c) Long-term employee benefits

A number of companies within the Group provide long-term employee benefits, which are entitled to employees with service period for five years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statements of comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal and in the case of an offer made to encourage voluntary redundancy.

2.26 Share Capital

Ordinary shares and preferred shares that are not mandatorily redeemable are classified as equity.

Where the Group purchases its own equity share capital, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Group's equity holders.

2.27 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes, after elimination of intra-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group manufactures and sells semiconductor products. Sales of goods are recognized when the Group has transferred to the customers the significant risks and rewards of ownership of the goods.

The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns.

The Group recognizes provisions for sales returns based on reasonable expectation reflecting sales return rates incurred historically.

(b) Interest income

Interest income is recognized using the effective interest method. When receivables are impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

(d) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in 'borrowings'. The interest element of the finance cost is charged to the statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.29 Dividend Distribution

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

2.30 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2011 consolidated financial statements of the Group was approved by the Board of Directors on February 1, 2012.

3. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimations and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.16. The recoverable amounts of cash-generating units has been determined the higher of its fair value less costs to sell and its value in use. These calculations require the use of estimates (Note 17).

(d) Provisions

Provisions for legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group estimates the expected sales return reasonably and adjusts to sales and cost of sales and estimated expenses are recorded as provisions.

(e) Defined benefit liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 24.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the board of directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Japanese Yen. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in foreign currencies and net investments in foreign operations.

At December 31, 2011, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, profit before income tax for the year would have been ₩ 244,119 million (2010: ₩ 324,735 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables and foreign exchange losses/gains on translation of US dollar-denominated borrowings and payables.

At December 31, 2011, if the currency had weakened/strengthened by 10% against the Japanese Yen with all other variables held constant, profit before income tax for the year would have been ₩ 37,004 million (2010: ₩ 250 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Japanese Yen-denominated trade receivables and foreign exchange losses/gains on translation of Japanese Yen-denominated trade payables.

At December 31, 2011, if the currency had weakened/strengthened by 10% against the Euro with all other variables held constant, profit before income tax for the year would have been ₩ 10,820 million (2010: ₩ 18,169 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and foreign exchange losses/gains on translation of Euro-denominated trade payables.

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The listed securities held by the Group are traded in active markets such as KOSPI stock index, KOSDAQ stock index and TWSE(Taiwan) index.

The table below summarises the impact of increases/decreases in the Group's equity as a result of the changes in the price per share at the active market on the securities held by the Group.

	2011		**2010**	
(in millions of Korean won)	**20% increase**	**20% decrease**	**20% increase**	**20% decrease**
ffects in equity	5,458	(5,458)	8,766	(8,766)

Other components of equity would increase/decrease as a result of changes in the price of the equity securities classified as available for sale.

iii) interest rate risk

The Group's cash flow interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As of December 31, 2011, the Group is in a net borrowing position and is partially exposed to a risk of increase in interest rates. However, the Group adequately minimizes risks from changes in interest rate fluctuations by matching variable interest bearing borrowings with variable interest-bearing financial deposits.

At December 31, 2011, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the year would have been ₩16,810 million (2010: ₩17,075 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk which arises from counterparty's non-performance of obligation. The credit risk mainly arises from operating activities and financial activities.

i) Trade and other receivables

Credit risk is managed on group basis, and the Group is managing and analyzing the credit risk for each of new clients before standard payment and delivery terms and conditions are offered. The Group operates a consistent trade receivables policy (TR Policy) to manage credit risk exposure. The purpose of the TR policy is to support timely decision-making and minimize loss by securing payment of TR. Assumed TR risk is especially mitigated with credit insurance, guarantees /collateral and internal credit limits. In order to manage the risk, Global Credit Insurance Program is structured with a credit insurance company, Korea Trade Insurance Corporation.

ii) Other assets

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures from short-term and long-term loans. The maximum exposure to credit risk at the end of reporting date is the book value of assets. For banks and financial institutions, only independently rated parties with a high credit rating are accepted, and accordingly management does not expect any losses from non-performance by these counterparties.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Group forecasts its cash flow and liquidity status and sets action plans on a regular base to manage liquidity risk proactively.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, demand deposits, marketable available-for-sale securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2011, the Group held cash equivalents and short-term financial instruments of approximately ₩ 992,678 million (2010: ₩ 1,063,495 million) and ₩ 581,448 million (2010: ₩ 802,367 million), respectively, that are expected to readily generate cash inflows for managing liquidity risk.

The analysis of the Group’s liquidity risk as of December 31, 2011 and 2010, are as follows:

	December 31, 2011				
(in millions of Korean won)	**Less than 1 year**	**Between 1 year and 2 years**	**Between 2 years and 5 years**	**Over 5 years**	**Total**
Borrowings (other than finance lease)	2,957,575	1,263,407	2,064,694	576,920	6,862,596
Finance lease liabilities	134,877	118,199	331,613	186,034	770,723
Trade payables	678,408	-	-	-	678,408
Other payables	527,989	-	-	-	527,989
Other non-trade payables	345,878	54,469	40,833	17,014	458,194
Derivatives	40,003	-	-	-	40,003
Financial guarantee contract	35	-	-	-	35
	4,684,765	**1,436,075**	**2,437,140**	**779,968**	**9,337,948**

	December 31, 2010				
(in millions of Korean won)	**Less than 1 year**	**Between 1 year and 2 years**	**Between 2 years and 5 years**	**Over 5 years**	**Total**
Borrowings (other than finance lease)	2,511,253	1,241,535	1,314,993	640,974	5,708,755
Finance lease liabilities	112,748	92,743	196,484	264,054	666,029
Trade payables	875,174	-	-	-	875,174
Other payables	667,191	-	-	-	667,191
Other non-trade payables	494,635	184,066	48,353	29,143	756,197
Derivatives	32,469	-	-	-	32,469
Financial guarantee contract	47	-	-	-	47
	4,693,517	**1,518,344**	**1,559,830**	**934,171**	**8,705,862**

	January 1, 2010				
(in millions of Korean won)	**Less than 1 year**	**Between 1 year and 2 years**	**Between 2 years and 5 years**	**Over 5 years**	**Total**
Borrowings (other than finance lease)	3,159,651	1,228,824	1,566,897	950,143	6,895,515
Finance lease liabilities	91,811	98,670	231,708	110,763	532,952
Trade payables	740,442	-	-	-	740,442
Other payables	591,855	-	-	-	591,855
Other non-trade payables	240,019	123,596	87,752	42,097	493,464
Derivatives	36,646	-	-	-	36,646
Financial guarantee contract	1,653	-	-	-	1,653
	4,862,077	**1,451,090**	**1,876,357**	**1,103,003**	**9,292,527**

The table above analysis the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The Group's trading portfolio derivative instruments have been included at their fair value of ₩ 40,003 million (December 31, 2010: ₩ 32,469 million; January 1, 2010: ₩ 36,646 million) within the less than one-year time bucket. These contracts are managed on a net-fair value basis rather than by maturity date. Net settled derivatives comprise interest rate swaps used by the Group to manage the Group's interest rate profile.

4.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The debt/equity ratio and net borrowing ratio as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Total liabilities (A)	9,362,877	9,504,541	10,644,347
Total equity (B)	7,875,271	7,907,576	5,899,656
Cash and cash equivalents and others(C)[1]	1,875,927	2,201,702	1,522,207
Total borrowings (D)	6,776,465	6,054,689	7,320,666
Debt ratio (A/B)	119%	120%	180%
Net borrowing ratio (D-C)/B	62%	49%	98%

[1] Cash and cash equivalents include short-term financial instruments.

4.3 Fair Value Measurement

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011			
(in millions of Korean won)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	-	3,114	-	3,114
Available-for-sale financial assets				
Equity securities (at fair value)	34,498	-	-	34,498
	34,498	**3,114**	**-**	**37,612**
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	-	46,474	-	46,474
	-	**46,474**	**-**	**46,474**

	December 31, 2010			
(in millions of Korean won)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	-	7,695	-	7,695
Available-for-sale financial assets				
Equity securities (at fair value)	50,781	-	-	50,781
	50,781	**7,695**	**-**	**58,476**
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	-	59,768	-	59,768
	-	**59,768**	**-**	**59,768**

	January 1, 2010			
(in millions of Korean won)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	-	4,390	-	4,390
Available-for-sale financial assets				
Equity securities (at fair value)	79,609	-	-	79,609
	79,609	**4,390**	**-**	**83,999**
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	-	40,391	-	40,391
	-	**40,391**	**-**	**40,391**

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents available for sale financial assets that are valued at historical cost as of December 31, 2011 and 2010, and January 1, 2010.

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Novelis Korea Ltd.	1,699	1,699	1,699
Itest Co., Ltd.	-	1,166	1,166
Futures Corp Technology Co., Ltd.	-	-	300
ZMOS Technology	-	-	994
JNT Frontier Private Equity Unit	700	-	-
SV M&A No.1 Equity Unit	715	-	-
Seoul Investment Initial & Green	950	-	-
TS Investment	800	-	-
Intellectual Discovery, Ltd.	4,000	-	-
Anobit Technologies Ltd.	3,123	3,123	3,123
Equity investment in a construction guarantee association	165	165	165
Others	842	110	111
	12,994	**6,263**	**7,558**

The range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, and therefore, above instruments are measured at cost.

5. Segment Information

The reportable operating segments derive their revenue primarily from the manufacturing and sales of semiconductors.

The segment information for revenue and operating profit(loss) for the years ended December 31, 2011 and 2010, are as follows:

	2011			**2010**		
(in millions of Korean won)	**Semi-conductor**	**Other**	**Total**	**Semi-conductor**	**Other**	**Total**
Total segment revenue	10,349,487	262,988	10,612,475	12,055,716	250,762	12,306,478
Inter-segment revenue[1]	-	(216,664)	(216,664)		(200,388)	(200,388)
Revenue from external customers	10,349,487	46,324	10,395,811	12,055,716	50,374	12,106,090
Operating Profit(Loss)[2]	**323,918**	**1,556**	**325,474**	**2,978,982**	**(3,711)**	**2,975,271**

[1] Sales between segments are carried out at arm's length.
[2] The management of the Group assesses segment performance based on segment operating profit(loss).

The Group's semiconductor products are classified into two types of products, DRAM and NAND

Flash. During the year ended December 31, 2011, the share of each type of products among the total revenue is approximately 71.1% and 26.6% (2010: 81.2% and 17.6%), respectively.

The Group's revenue information by geographical segments (location of subsidiaries) for the years ended December 31, 2011 and 2010, follows:

(in millions of Korean won)	**2011**	**2010**
Domestic	709,569	795,664
China	1,770,690	1,626,510
Asia	3,480,037	4,868,301
United States	3,346,611	3,283,021
Europe	1,088,904	1,532,594
	10,395,811	**12,106,090**

The Group's non-current assets (excluding financial assets, investments in jointly controlled entities and associates and deferred income tax assets) information by geographical segments as of December 31, 2011 and 2010, and January 1, 2010 are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Domestic	8,777,412	8,064,079	7,144,157
China	2,987,296	3,258,355	3,768,454
Asia	1,880	2,535	2,264
United States	25,645	25,526	29,220
Europe	340	379	208
	11,792,573	**11,350,874**	**10,944,303**

Details of the Groups' revenue for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Sales of goods	10,365,545	12,053,690
Sales of services	27,074	34,324
Royalty income	3,192	18,076
	10,395,811	**12,106,090**

6. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Cash on hand	69	58	39
Checking account	63,948	34,046	60,074
Ordinary deposits	9,742	42,503	13,367
Time deposits	909,616	895,330	711,528
Specified money trust	60,000	172,000	115,001
RP	10,000	40,000	60,000
CD	-	-	240,000
CMA	9,977	7,222	2,325
MMDA	162,729	45,486	10,022
MMW	14,569	12,811	-
MMT	3,138	3,770	-
	1,243,788	**1,253,226**	**1,212,356**

Restricted deposits as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010	Description
Time deposits	251,041	189,673	-	Pledge for guarantee relating to Rambus litigation

7. Short-term Financial Instruments and Other Financial Assets

Short-term financial instruments and other financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Short-term financial instruments			
Time deposits	528,973	734,834	119,924
Specified money trust	40,000	65,000	3,000
CD	-	-	60,000
RP	60,000	130,000	110,000
MMDA	1,528	2,423	1,232
Other	1,638	16,219	15,695
	632,139	948,476	309,851
Other financial assets			
Current assets			
Held-to-maturity financial assets	1	-	1
Non-current Assets			
Time deposits	313	375	1,317
Bank overdraft guarantee deposits	14	14	14
Derivative assets	3,114	7,695	4,390
Held-to-maturity financial assets	-	1	1
	3,441	8,085	5,722
	635,581	**956,561**	**315,574**

Restricted short-term financial instruments and other financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010	Description
Short-term financial instruments	-	56,945	58,380	Pledged for Rambus litigation
	24,353	57,764	56,711	Pledged for borrowings
	7,426	6,985	6,314	Pledged for consumption tax
	384	21,992	-	Pledged for letters of credit
	1,528	2,423	1,232	Restricted for government grants
	17,000	-	-	Restricted for support small business
	50,691	146,109	122,637	
Other financial assets	308	308	1,251	Pledged for borrowings
	14	14	14	Bank overdraft guarantee deposit
	4	-	-	Value added tax deposit
	326	322	1,265	
	51,017	**146,431**	**123,902**	

8. Trade and Other Receivables

Details of current and non-current loans and other receivables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Other receivables	115,044	146,941	233,698
Accrued income	7,565	16,450	5,977
Short-term loans	6,237	1,716	280
Shor-term guarantee deposits	283	-	-
Deposits	83,512	2,577	2,569
	212,641	167,684	242,524
Non-current			
Long-term other receivables	23,209	117	279
Long-term loans	4,541	6,777	1,419
Long-term accrued income	-	207	3
Guarantee deposits	9,649	8,058	11,482
Long-term deposits	1,062	77,934	29,316
Long-term trade receivables	-	-	71
	38,461	93,093	42,570
	251,102	**260,777**	**285,094**

The Group has entered into trade receivable discounting agreements for borrowings with several financial institutions. Outstanding trade receivables discounted but not yet matured amount to ₩ 519,961 million (2010: ₩159,938 million) as of December 31, 2011.

The Group is obliged to redeem upon default of the counterparties and accordingly, accounted for the above transactions as collaterized borrowings (Note 20).

Trade receivables, and loans and other receivables, net of provision for impairment, as of December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Trade receivables	1,544,780	1,609,018	1,812,068
Less : provision for impairment	(3,855)	(4,066)	(3,520)
Trade receivables - net	1,540,925	1,604,952	1,808,548
Current loans and other receivables	217,566	172,472	246,593
Less : provision for impairment	(4,925)	(4,788)	(4,069)
Current loans and other receivables - net	212,641	167,684	242,524
Non-current loans and other receivables	51,445	105,806	72,324
Less : provision for impairment	(12,984)	(12,713)	(29,754)
Non-current loans and other receivables - net	38,461	93,093	42,570
	1,792,027	**1,865,729**	**2,093,642**

Movements in the provision for impairment of trade receivables for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Beginning	4,066	3,520
Provision for receivables impairment	847	864
Receivables written off during the year as uncollectible	(324)	-
Unused amounts reversed	(84)	(67)
Effect of exchange rates	(650)	(251)
Ending	**3,855**	**4,066**

Movements in the provision for impairment of current loans and other receivables for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Beginning	4,788	4,069
Provision for receivables impairment	137	816
Receivables written off during the year as uncollectible	-	-
Unused amounts reversed	(514)	-
Effect of exchange rates	514	(97)
Ending	**4,925**	**4,788**

Movements in the provision for impairment of non-current loans and other receivables for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Beginning	12,713	29,754
Provision for receivables impairment	248	58
Receivables written off during the year as uncollectible	-	(17,284)
Unused amounts reversed	(56)	(12)
Effect of exchange rates	79	197
Ending	**12,984**	**12,713**

9. Inventories

Details of inventories as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Finished goods	455,123	439,138	312,386
Less : valuation allowance	(70,893)	(64,702)	(41,973)
Finished goods - net	384,230	374,436	270,413
Work in progress	662,693	709,998	607,318
Less : valuation allowance	(132,570)	(46,582)	(18,944)
Work in progress - net	530,123	663,416	588,374
Raw materials	138,362	139,455	120,923
Less : valuation allowance	(620)	(659)	(551)
Raw materials - net	137,742	138,796	120,372
Supplies	48,765	41,365	39,487
Less : valuation allowance	(4,004)	(93)	(92)
Supplies - net	44,761	41,272	39,395
Goods in transit	87,354	64,412	38,890
Less : valuation allowance	(602)	(813)	(2)
Goods in transit - net	86,752	63,599	38,888
	1,183,608	**1,281,519**	**1,057,442**

For the year ended December 31, 2011, ₩ 95,840 million of inventory valuation allowance increased due to a loss in inventory valuation (2010: ₩ 51,287 million).

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 8,627,331 million (2010: ₩ 7,596,449 million).

10. Other Current and Non-current Assets

Details of other current and non-current assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Current Assets			
Advance payments	5,740	4,141	8,296
Prepaid expenses	74,116	88,230	98,186
Others	14,859	14,654	14,653
	94,715	107,025	121,135
Non-current Assets			
Long-term advance payments	113	5,274	208
Long-term prepaid expenses	132,907	79,147	92,090
Others	21,429	35,033	49,687
	154,449	119,454	141,985
	249,164	**226,479**	**263,120**

11. Available-for-sale Financial Assets

Available-for-sale financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	December 31, 2011				December 31, 2010	January 1, 2010
(in millions of Korean won)	Number of Stock	Owner-ship (%)	Acquisition cost	Book value	Book value	Book value
Hyundai Information Technology Co., Ltd.	1,160,180	2.30	3,481	2,593	4,583	1,079
Hyundai Logiem Co., Ltd.	15,115	0.08	76	98	98	98
EQ bestech Co.,Ltd.	2,000	1.67	10	10	10	10
Novelis Korea Ltd.	63,600	0.14	1,699	1,699	1,699	1,699
Itest Co., Ltd.	481,780	1.04	1,166	1,604	1,166	1,166
Hyundai IT Corp.	2,528	0.03	63	3	11	18
Fidelix Co., Ltd.	1,605,854	8.79	3,560	3,099	2,473	3,236
Futures Corp Technology Co., Ltd.	60,000	10.44	300	-	-	300
C&S Technology Co., Ltd.	1,031,590	3.91	4,508	4,395	6,138	3,817
ZMOS Technology	2,000,000	5.11	995	-	-	995
Phison Electronics Corp.	3,277,054	1.83	11,661	22,804	20,875	27,007
Anobit Technologies Ltd.	204,248	2.80	3,123	3,123	3,123	3,123
ProMos	201,600,000	7.93	21,847	-	16,701	44,452
JNT Frontier Private Equity Unit	Certificate	-	700	700	-	-
SV M&A No.1 Equity Unit	Certificate	-	715	715	-	-
Daishin Aju IB Investment Co., Ltd.	Certificate	-	172	172	-	-
Seoul Investment Early & Green Venture Fund	Certificate	-	950	950	-	-
TS 2011-4 Technology Transfer & Business Buildup Fund	Certificate	-	800	800	-	-
IMM Investment	Certificate	-	240	240	-	-
SL Investment	Certificate	-	320	320	-	-
Intellectual Discovery, Ltd.	800,000	11.41	4,000	4,000	-	-
Equity Investment in a construction guarantee association	132	-	165	165	165	165
Others	-	-	2,567	2	2	2
			63,118	**47,492**	**57,044**	**87,167**

Changes in the book value of available-for-sale financial assets for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	57,044	87,167
Acquisition	7,897	9,557
Disposal	-	(1,850)
Impairment loss	(13,565)	(1,295)
Net losses transferred to equity [1]	(748)	(14,255)
Others	(3,136)	(22,280)
At December 31	**47,492**	**57,044**

[1] Net of income tax effect of ₩ 371 million (2010: ₩ 1,297 million).

Changes in accumulated impairment loss on available-for-sale securities for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	(15,883)	(14,588)
Impairment loss	(21,847)	(1,295)
Write-off	8,747	-
At December 31	**(28,983)**	**(15,883)**

The Group transferred ₩ 8,282 million (2010: nil) of losses on available-for-sale financial assets from other comprehensive income to the current operations due to impairment.

12. Investments in Jointly Controlled Entities and Associates

Details of investments in jointly controlled entities and associates as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)		December 31, 2011					December 31, 2010	January 1, 2010
Type	**Investee**	**Number of Stock**	**Ownership (%)**	**Acquisition cost**	**Net asset value**	**Book value**	**Book value**	**Book value**
Associate	Siliconfile Technologies Inc.[1]	2,358,832	29.69	22,835	7,161	8,138	15,858	17,649
Jointly controlled entity	HITECH Semiconductor (Wuxi) Co.,Ltd.(HITECH)	Certificate	45.00	90,149	95,475	95,475	82,305	80,427
				112,984	102,636	103,613	98,163	98,076

[1] As of December 31, 2011, fair value on the active market amounting to ₩ 8,138 million (2010: ₩ 5,921 million).

Changes in investments in jointly controlled entities and associates for the years ended December 31, 2011 and 2010, are as follows:

	2011	
(in millions of Korean won)	**Siliconfile Technologies Inc.**	**HITECH**
At January 1	15,858	82,305
Acquisition	-	12,181
Dividend	-	(8,838)
Share of profit(loss)	(35)	10,568
Impairment loss	(7,691)	-
Other equity movement: available-for-sale investments reserve	6	(741)
At December 31	**8,138**	**95,475**

	2010	
(in millions of Korean won)	**Siliconfile Technologies Inc.**	**HITECH**
At January 1	17,649	80,427
Acquisition	-	-
Dividend	-	-
Share of profit(loss)	(1,768)	3,888
Impairment loss	-	-
Other equity movement: available-for-sale investments reserve	(23)	(2,010)
At December 31	**15,858**	**82,305**

The summary of the investees' assets and liabilities as of December 31, 2011 and 2010, follows:

		2011			
(in millions of Korean won)	**Locations**	**Current Assets**	**Non-Current Assets**	**Current liabilities**	**Non-current liabilities**
Siliconfile Technologies Inc.	Korea	27,402	11,218	10,730	3,769
HITECH Semiconductor(Wuxi) Co., Ltd.(HITECH)	China	217,026	374,765	189,212	190,413
		244,428	**385,983**	**199,942**	**194,182**

		2010			
(in millions of Korean won)	**Locations**	**Current Assets**	**Non-Current Assets**	**Current liabilities**	**Non-current liabilities**
Siliconfile Technologies Inc.	Korea	26,250	9,938	9,372	2,947
HITECH Semiconductor(Wuxi) Co., Ltd.(HITECH)	China	147,225	394,101	130,644	227,780
		173,475	**404,039**	**140,016**	**230,727**

The summary of sales, cost of sales and net income (loss) of the investees for the years ended December 31, 2011 and 2010, follows:

		2011			2010		
(in millions of Korean won)	**Locations**	**Sales**	**Cost of sales**	**Net Income(loss)**	**Sales**	**Cost of sales**	**Net Income(loss)**
Siliconfile Technologies Inc.	Korea	77,527	62,477	(118)	72,415	63,643	(3,704)
HITECH Semiconductor(Wuxi) Co., Ltd.(HITECH)	China	403,096	350,342	23,485	285,901	246,930	14,012
		480,623	**412,819**	**23,367**	**358,316**	**310,573**	**10,308**

13. Credit Risk of Financial Instruments

The aging analysis of trade receivables, loans and other receivables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	December 31, 2011					
		Over due				
(in millions of Korean won)	**Not Past due**	**Less than 3 months**	**Over 3 months and less than 6 months**	**Over 6 months**	**Impaired**	**Total**
Trade receivables	1,538,979	3,974	170	132	1,525	1,544,780
Current loans and other receivables	213,068	-	-	-	4,498	217,566
Non-current loans and other receivables	38,819	-	-	-	12,626	51,445
	1,790,866	**3,974**	**170**	**132**	**18,649**	**1,813,791**

	December 31, 2010					
		Over due				
(in millions of Korean won)	**Not Past due**	**Less than 3 months**	**Over 3 months and less than 6 months**	**Over 6 months**	**Impaired**	**Total**
Trade receivables	1,605,872	1,163	316	121	1,546	1,609,018
Current loans and other receivables	167,951	-	-	-	4,521	172,472
Non-current loans and other receivables	93,185	-	-	-	12,621	105,806
	1,867,008	**1,163**	**316**	**121**	**18,688**	**1,887,296**

	January 1, 2010					
		Over due				
(in millions of Korean won)	**Not Past due**	**Less than 3 months**	**Over 3 months and less than 6 months**	**Over 6 months**	**Impaired**	**Total**
Trade receivables	1,810,326	1,062	40	148	492	1,812,068
Current loans and other receivables	242,723	-	1	-	3,869	246,593
Non-current loans and other receivables	42,608	-	-	-	29,716	72,324
	2,095,657	**1,062**	**41**	**148**	**34,077**	**2,130,985**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of December 31, 2011, maximum exposure of credit risk relating guarantees provided by the Group is ₩ 35 million (2010: ₩ 47 million) which will be paid upon request of warrantee as mentioned in Note 38.

The Group has an export sales insurance contract with Korea Trade Insurance Corporation and holds the counterparty’s collateral as security.

14. Financial Instruments by Categories

Details of financial assets by category as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	December 31, 2011				
(in millions of Korean won)	**Assets at fair value through the profit and loss**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Loans and receivables**	**Total**
Cash and cash equivalents	-	-	-	1,243,788	1,243,788
Short-term financial instruments	-	-	-	632,139	632,139
Trade receivables	-	-	-	1,540,925	1,540,925
Other receivables	-	-	-	251,102	251,102
Other financial assets	3,114	-	1	326	3,441
Available-for-sale financial assets	-	47,492	-	-	47,492
	3,114	**47,492**	**1**	**3,668,280**	**3,718,887**

	December 31, 2010				
(in millions of Korean won)	**Assets at fair value through the profit and loss**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Loans and receivables**	**Total**
Cash and cash equivalents	-	-	-	1,253,226	1,253,226
Short-term financial instruments	-	-	-	948,476	948,476
Trade receivables	-	-	-	1,604,952	1,604,952
Other receivables	-	-	-	260,777	260,777
Other financial assets	7,695	-	1	389	8,085
Available-for-sale financial assets	-	57,044	-	-	57,044
	7,695	**57,044**	**1**	**4,067,820**	**4,132,560**

(in millions of Korean won)	**January 1, 2010** Assets at fair value through the profit and loss	Available-for-sale financial assets	Held-to-maturity financial assets	Loans and receivables	Total
Cash and cash equivalents	-	-	-	1,212,356	1,212,356
Short-term financial instruments	-	-	-	309,851	309,851
Trade receivables	-	-	-	1,808,548	1,808,548
Other receivables	-	-	-	285,094	285,094
Other financial assets	4,390	-	2	1,330	5,722
Available-for-sale financial assets	-	87,167	-	-	87,167
	4,390	**87,167**	**2**	**3,617,179**	**3,708,738**

Details of financial liabilities by category of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011** Liabilities at fair value through the profit and loss	Liabilities measured at amortized cost	Total
Trade payables	-	678,408	678,408
Other payables	-	516,724	516,724
Other non-trade payables	-	440,204	440,204
Borrowings	-	6,776,465	6,776,465
Other financial liabilities	46,474	-	46,474
	46,474	**8,411,801**	**8,458,275**

(in millions of Korean won)	**December 31, 2010** Liabilities at fair value through the profit and loss	Liabilities measured at amortized cost	Total
Trade payables	-	875,174	875,174
Other payables	-	649,797	649,797
Other non-trade payables	-	727,528	727,528
Borrowings	-	6,054,689	6,054,689
Other financial liabilities	59,768	-	59,768
	59,768	**8,307,188**	**8,366,956**

(in millions of Korean won)	**January 1, 2010** Liabilities at fair value through the profit and loss	Liabilities measured at amortized cost	Total
Trade payables	-	740,442	740,442
Other payables	-	568,962	568,962
Other non-trade payables	-	451,738	451,738
Borrowings	-	7,320,666	7,320,666
Other financial liabilities	40,392	-	40,392
	40,392	**9,081,808**	**9,122,200**

Details of gain and loss of financial assets and liabilities by category for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Loans and receivables		
Interest income	55,685	67,708
Foreign exchange difference	(2,370)	(32,074)
Impairment reversal	(578)	(1,659)
	52,737	33,975
Available-for-sale		
Other comprehensive income(loss)	7,129	(28,947)
Gain or loss on disposal	-	-
Interest income	785	-
Impairment	(21,847)	(1,295)
Dividend income	45	687
	(13,888)	(29,555)
Assets at fair value through the profit and loss		
Gain(loss) on valuation of derivatives	(4,581)	3,305
Gain on derivative transactions	-	-
	(4,581)	3,305
Liabilities measured at amortized cost		
Interest expense	(310,397)	(346,377)
Loss on redemption of debenture	-	(27,266)
Foreign exchange difference	(20,034)	79,950
	(330,431)	(293,693)
Liabilities at fair value through the profit and loss		
Gain(loss) on valuation of derivatives	12,710	67,621
Gain on derivative transactions	13,268	4,384
	25,978	72,005
	(270,185)	**(213,963)**

15. Property, Plant and Equipment

Details of changes in property, plant and equipment for the years ended December 31, 2011 and 2010, are as follows:

	2011							
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Machinery**	**Vehicles**	**Others**	**CIP**	**Total**
At January 1								
Acquisition cost	463,515	1,619,522	438,070	22,381,802	2,973	570,115	514,274	25,990,271
Accumulated depreciation	-	(372,423)	(244,835)	(14,025,954)	(2,251)	(419,287)	-	(15,064,750)
Accumulated impairment	-	(23,877)	(19,931)	(279,223)	-	(2,886)	-	(325,917)
Government grants	-	-	-	(9,024)	-	-	-	(9,024)
Net book amount	**463,515**	**1,223,222**	**173,304**	**8,067,601**	**722**	**147,942**	**514,274**	**10,590,580**
Changes during 2011								
Additions	-	117	16	22,476	9	3,019	3,574,176	3,599,813
Disposals	-	(197)	-	(9,815)	(1)	(202)	(7,057)	(17,272)
Depreciation charge	-	(45,989)	(24,393)	(3,265,027)	(285)	(64,216)	-	(3,399,910)
Transfers	-	35,526	42,087	3,508,545	(1)	67,878	(3,636,962)	17,073
Impairment losses	-	-	(10,660)	(40,116)	-	(2)	-	(50,778)
Exchange differences	(929)	11,841	5,607	142,048	8	684	543	159,802
Closing net book amount	**462,586**	**1,224,520**	**185,961**	**8,425,712**	**452**	**155,103**	**444,974**	**10,899,308**
At December 31								
Acquisition cost	462,586	1,670,585	487,426	26,297,598	2,906	618,529	444,974	29,984,604
Accumulated depreciation	-	(422,188)	(270,826)	(17,522,850)	(2,454)	(460,559)	-	(18,678,877)
Accumulated impairment	-	(23,877)	(30,639)	(340,580)	-	(2,867)	-	(397,963)
Government grants	-	-	-	(8,456)	-	-	-	(8,456)
Net book amount	**462,586**	**1,224,520**	**185,961**	**8,425,712**	**452**	**155,103**	**444,974**	**10,899,308**

	2010							
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Machinery**	**Vehicles**	**Others**	**CIP**	**Total**
At January 1								
Acquisition cost	453,220	1,759,430	516,315	20,798,906	2,581	530,725	211,443	24,272,620
Accumulated depreciation	-	(358,351)	(299,666)	(12,494,331)	(2,002)	(370,011)	-	(13,524,361)
Accumulated impairment	-	(23,877)	(60,500)	(362,726)	-	(4,415)	-	(451,518)
Government grants	-	-	-	(9,773)	-	-	-	(9,773)
Net book amount	**453,220**	**1,377,202**	**156,149**	**7,932,076**	**579**	**156,299**	**211,443**	**10,286,968**
Changes during 2010								
Additions	-	185	97	1,349	293	1,770	3,412,541	3,416,235
Disposals	-	(12,558)	(1,213)	(10,171)	(9)	(1,342)	-	(25,293)
Depreciation charge	-	(46,303)	(23,939)	(2,988,534)	(378)	(67,558)	-	(3,126,712)
Transfers	10,594	(96,552)	41,580	3,109,541	231	58,594	(3,109,827)	14,161
Exchange differences	(299)	1,248	630	23,340	6	179	117	25,221
Closing net book amount	**463,515**	**1,223,222**	**173,304**	**8,067,601**	**722**	**147,942**	**514,274**	**10,590,580**
At December 31								
Acquisition cost	463,515	1,619,522	438,070	22,381,802	2,973	570,115	514,274	25,990,271
Accumulated depreciation	-	(372,423)	(244,835)	(14,025,954)	(2,251)	(419,287)	-	(15,064,750)
Accumulated impairment	-	(23,877)	(19,931)	(279,223)	-	(2,886)	-	(325,917)
Government grants	-	-	-	(9,024)	-	-	-	(9,024)
Net book amount	**463,515**	**1,223,222**	**173,304**	**8,067,601**	**722**	**147,942**	**514,274**	**10,590,580**

Depreciation expense of ₩ 3,174,146 million (2010: ₩ 2,885,950 million) has been charged to 'cost of sales', ₩ 195,112 million (2010: ₩ 235,621 million) to 'selling, administration and ordinary development expenses' and other and ₩ 30,652 million (2010: ₩ 5,141 million) has been capitalized as development cost for the year ended December 31, 2011.

Certain amount of the property, plant and equipment are pledged as collateral for borrowings of the Group as of December 31, 2011 (Note 38).

During the year, the Group has capitalized borrowing costs amounting to ₩ 31,575 million (2010: ₩ 24,325 million) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 6.50% (2010: 6.75%) for the year ended December 31, 2011.

The Group leases certain machinery and others from HP Financial Service Co., Ltd. under sale and leaseback agreements, in a form of finance lease. The Group also leases certain buildings, machinery and others from GE Capital and Lian Xian under finance lease agreements.

The book value of the machinery and others subject to finance lease agreement, and sale and leaseback agreement amounted to ₩ 560,251 million (2010: ₩ 484,510 million) as of December 31, 2011. The machinery are pledged as collateral for the finance lease liabilities.

The Group leases certain machinery and others from GE Capital and Macquarie Capital under operating lease agreements. The payment schedule of minimum lease payments under operating lease agreements as of December 31, 2011, is as follows:

(in millions of Korean won)	**Total lease payment**
No later than 1 year	23,911
Later than 1 year	14,069
	37,980

As of December 31, 2011, certain inventories, property, plant and equipment, and investment properties are insured and details of insured assets are as follows:

(in millions of Korean won)	**Insured assets**	**Insured amount**	**Insurance company**
Package insurance	Property, plant and equipment Inventories and others	30,061,624	Hyundai Marine & Fire Insurance Co.,Ltd. and others
Fire Insurance	Property, plant and equipment, investment property	7,659	
		30,069,283	

The insurance policies of the Group have been provided to the Korea Exchange Bank and other creditors as collaterals for borrowings as of December 31, 2011.

16. Investment Property

Details of changes in investment property during the years ended December 31, 2011 and 2010, are as follows:

	2011			
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Total**
At January 1				
Acquisition Cost	3,439	55,195	2,571	61,205
Accumulated depreciation	-	(17,700)	(1,793)	(19,493)
Accumulated impairment	-	(3,748)	(778)	(4,526)
Net book amount	**3,439**	**33,747**	**-**	**37,186**
Changes during 2011				
Disposal	(3,439)	(1,266)	-	(4,705)
Depreciation charge	-	(1,313)	-	(1,313)
Closing net book amount	**-**	**31,168**	**-**	**31,168**
At December 31				
Acquisition cost	-	48,390	-	48,390
Accumulated depreciation	-	(17,222)	-	(17,222)
Accumulated impairment	-	-	-	-
Net book amount	**-**	**31,168**	**-**	**31,168**

	2010			
(in millions of Korean won)	**Land**	**Buildings**	**Structures**	**Total**
At January 1				
Acquisition cost	3,439	55,195	2,571	61,205
Accumulated depreciation	-	(16,384)	(1,793)	(18,177)
Accumulated impairment	-	(3,748)	(778)	(4,526)
Net book amount	**3,439**	**35,063**	**-**	**38,502**
Changes during 2010				
Depreciation charge	-	(1,316)	-	(1,316)
Closing net book amount	**3,439**	**33,747**	**-**	**37,186**
At December 31				
Acquisition cost	3,439	55,195	2,571	61,205
Accumulated depreciation	-	(17,700)	(1,793)	(19,493)
Accumulated impairment	-	(3,748)	(778)	(4,526)
Net book amount	**3,439**	**33,747**	**-**	**37,186**

The depreciation expense of ₩ 1,313 million (2010: ₩ 1,316 million) has been charged in the statement of comprehensive income for the year ended December 31, 2011.

Rental income from investment property during the year ended December 31, 2011, is ₩ 4,859 million (2010: ₩ 4,759 million).

17. Intangible Assets

Intangible assets as of December 31, 2011 and 2010, are as follows:

	2011				
(in millions of Korean won)	**Goodwill**	**Industrial property rights**	**Development costs**	**Others**	**Total**
At January 1					
Acquisition cost	386,450	185,581	120,503	28,331	720,865
Accumulated amortization and impairment	-	(100,800)	(3,514)	(12,898)	(117,212)
Net book amount	**386,450**	**84,781**	**116,989**	**15,433**	**603,653**
Changes during 2011					
Additions	-	20,647	154,592	872	176,111
Disposals	-	(5,738)	-	(3,841)	(9,579)
Impairment charge	-	-	-	(726)	(726)
Amortization charge	-	(15,289)	(49,671)	(732)	(65,692)
Other	-	-	-	3,881	3,881
Closing net book amount	**386,450**	**84,401**	**221,910**	**14,887**	**707,648**
At December 31					
Acquisition cost	386,450	187,607	275,095	25,371	874,523
Accumulated amortization and impairment	-	(103,206)	(53,185)	(10,484)	(166,875)
Net book amount	**386,450**	**84,401**	**221,910**	**14,887**	**707,648**

	2010				
(in millions of Korean won)	**Goodwill**	**Industrial property rights**	**Development costs**	**Others**	**Total**
At January 1					
Acquisition cost	386,450	168,405	-	25,469	580,324
Accumulated amortization	-	(93,362)	-	(10,113)	(103,475)
Net book amount	**386,450**	**75,043**	**-**	**15,356**	**476,849**
Changes during 2010					
Additions	-	28,064	120,503	3,289	151,856
Disposals	-	(3,406)	-	(66)	(3,472)
Amortization charge	-	(14,932)	(3,514)	(2,749)	(21,195)
Impairment charge	-	-	-	(350)	(350)
Other	-	12	-	(47)	(35)
Closing net book amount	**386,450**	**84,781**	**116,989**	**15,433**	**603,653**
At December 31					
Acquisition cost	386,450	185,581	120,503	28,331	720,865
Accumulated amortization and impairment	-	(100,800)	(3,514)	(12,898)	(117,212)
Net book amount	**386,450**	**84,781**	**116,989**	**15,433**	**603,653**

Amortization of ₩ 162 million (2010: ₩ 150 million) is included in the 'cost of sales, ₩ 512 million (2010: ₩ 2,542 million) in the 'ordinary development expenses', and ₩ 65,018 million (2010: ₩ 18,503 million) in 'selling and administrative expenses' in the statements of comprehensive income.

Among costs associated with research and development activities, ₩ 154,592 million (2010: ₩ 120,503 million), that were directly attributable and met capitalization criteria, were capitalized as development cost for the year ended December 31, 2011. However, other development expenditures that did not meet the criteria amounted to ₩ 857,268 million (2010: ₩ 801,627 million) and were recognized as an expense as incurred in the statement of comprehensive income for the year ended December 31, 2011.

The Group allocates goodwill into the semiconductor operating segment. The Group used the same goodwill allocation method for both years ended December 31, 2011 and 2010. Goodwill impairment reviews are undertaken annually. Impairment test suggests that the carrying value of cash generating units does not exceed the recoverable amount. The recoverable amounts of cash generating units have been determined based on the net realizable value, which exceeds the value in use. The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period.

18. Non-current assets held for sale

Details of changes in non-current assets held for sale during the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	53,204	162,416
Transfer[1]	(17,068)	(14,338)
Disposal	(7,463)	(86,309)
Impairment	-	(7,390)
Other	360	(1,175)
At December 31	**29,033**	**53,204**

[1]Non-current assets held for sale were transferred to the property, plant and equipment as these assets were no longer held for sale as of December 31, 2011.

19. Other Non-trade Payables

Details of other non-trade payables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Accrued expenses	345,878	494,635	240,019
Non-current			
Long-term other payables	64,470	121,374	185,365
Long-term accrued expense	6,073	74,739	3,550
Rent deposit payables	23,783	36,780	22,804
	94,326	232,893	211,719
	440,204	**727,528**	**451,738**

20. Borrowings

Details of borrowings as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Short-term borrowings	1,416,158	511,389	1,496,430
Current maturities of debentures	299,844	549,669	69,948
Current maturities of convertible bonds	40,418	491,329	645,247
Current maturities of long-term borrowings	1,074,006	1,025,320	1,003,731
	2,830,426	2,577,707	3,215,356
Non-current			
Long-term borrowings	1,482,824	1,772,276	2,172,134
Debentures	1,489,999	1,186,628	1,453,375
Convertible bonds	973,216	518,078	479,801
	3,946,039	3,476,982	4,105,310
	6,776,465	**6,054,689**	**7,320,666**

Details of short-term borrowings as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(in millions of Korean won)	Financial Institutions	Annual Interest Rate(%) at 2011	December 31, 2011	December 31, 2010	January 1, 2010
Usance borrowings	Korea Development Bank and other	0.99 ~ 2.39	873,131	271,693	579,541
Borrowings on import financing	Export Import Korea Bank	3M Libor+ 1.96~2.40	23,066	68,334	70,056
Borrowings on Trade receivables collateral	Shinhan Bank and other	3M Libor + 1.20~3.30	422,213	-	532,943
	Agricultural Bank of China and other	3.92~4.47	97,748	159,938	-
Refinancing	China Construction Bank and other	-	-	11,424	-
Syndicated loans	Korea Development Bank and other	-	-	-	300,000
General borrowings	Korea exchange Bank	-	-	-	13,890
			1,416,158	**511,389**	**1,496,430**

Details of long-term borrowings as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(in millions of Korean won)	**Financial Institutions**	**Annual Interest Rate(%) at 2011**	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Local currency loans					
Borrowing for housing	Kookmin Bank	5.20	38	46	52
Borrowings for childcare facilities	NH Bank	2.00	308	308	308
Funds for equipment	Kookmin Bank	CD(91days)+2.00	12,857	38,571	90,000
Funds for equipment	Korea Finance Corporation	Industrial Financial Debentures(1year)+1.6	150,000	200,000	-
Finance lease liabilities	Macquarie Capital Korea Co., Ltd.	5.00	140,086	-	-
Finance lease liabilities	HP Financial Services Co., Ltd.	5.80~6.49	1,390	5,898	19,907
Security purchase	NH, Hana and Dongyang Bank	-	-	46,600	84,700
			304,679	291,423	194,967
Foreign currency loans					
General borrowings	Export Import Korea Bank	-	-	203,104	242,666
General borrowings	NH Bank	3M Libor + 0.69	38,412	75,893	116,760
General borrowings[1]	SC First Bank[1]	3M Libor + 3.00~3.90	168,382	56,945	-
General borrowings	Hana Bank	3M Libor + 3.10	51,899	-	-
General borrowings	Korea Development Bank	3M Libor + 3.24	115,330	-	-
Syndicated loans	Korea Exchange Bank	3M Libor + 1.90	345,990	478,338	630,504
Syndicated loans	Agricultural Bank of China and other	1.97~3.43	772,785	557,498	1,009,179
Mortgage loans	HITECH	7.9~15.73	316,260	401,821	210,730
Finance lease liabilities	HITECH	13.1	22,236	-	-
Finance lease liabilities	GE Capital	5.18~7.16	51,182	127,774	120,264
Finance lease liabilities	Lian Xian	6.12	399,710	383,386	392,752
General borrowings	Comerica Bank	6.48	37,756	38,065	39,774
General borrowings	Development Bank of Singapore	-	-	285,604	292,008
Finance lease liabilities	Other	-	-	13	29
			2,319,942	2,608,441	3,054,666
Less: Discount on present value			(67,791)	(102,268)	(73,768)
Current maturities			(1,074,006)	(1,025,320)	(1,003,731)
			1,482,824	**1,772,276**	**2,172,134**

[1]The Group entered into interest swap contracts with SC First Bank for the interest on the foreign currency loans.

Details of debentures as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	Maturity Date	Annual Interest Rate (%) at 2011	December 31, 2011	December 31, 2010	January 1, 2010
Unsecured notes in local currency:					
202nd[1]	May 25, 2012	5.70	150,000	150,000	150,000
203rd	Sep. 05, 2012	6.19	150,000	150,000	150,000
204th	Dec. 20, 2010	-	-	-	70,000
205th	Feb. 15, 2011	-	-	150,000	150,000
206th	May 15, 2011	-	-	200,000	200,000
208th	Oct. 06, 2011	-	-	200,000	200,000
209th	Sep. 09, 2013	6.35	300,000	300,000	-
210th	Jan. 14, 2015	6.35	200,000	-	-
211th	May 05, 2016	6.20	400,000	-	-
Unsecured notes in foreign currency					
Foreign 5th[2]	June 27, 2017	7.88	576,650	569,450	583,800
Secured debenture	Feb. 20, 2012	-	-	50	50
			1,776,650	1,719,500	1,503,850
Add: Adjust embedded derivatives[2]			20,426	23,060	26,397
Less: Discount on debentures			(7,233)	(6,263)	(6,924)
Current maturities			(299,844)	(549,669)	(69,948)
			1,489,999	**1,186,628**	**1,453,375**

[1] The Group entered into interest swap contracts with Korea Exchange Bank, Korea Development Bank and Woori Bank for the principal and interest of the local currency loans.

[2] Compound financial instruments in which callable options (early settlement options) are accounted for as embedded derivatives.

Details of convertible bonds as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	Maturity Date	Annual Interest Rate(%) at 2011	December 31, 2011	December 31, 2010	January 1, 2010
Convertible bond in local currency					
207th	Sep. 05, 2013	3.00	440,741	484,964	497,376
Convertible bond in foreign currency					
Foreign 6th	Dec. 14, 2012	4.50	41,173	40,659	681,178
Foreign 7th	May 14, 2015	2.65	576,650	569,450	-
			1,058,564	1,095,073	1,178,554
Add: Call premium on bonds			70,991	78,114	80,502
Less: Conversion rights adjustment			(107,473)	(151,941)	(123,965)
Discount on bonds			(8,448)	(11,839)	(10,043)
Current maturities			(40,418)	(491,329)	(645,247)
			973,216	**518,078**	**479,801**

Details of terms and conditions of conversion rights of convertible bonds as of December 31, 2011, are as follows:

	Details		
	Local 207th	**Foreign 6th**	**Foreign 7th**
Face value of convertible bond	KRW 440,741,000,000	USD 35,700,000	USD 500,000,000
Convertible rate at face value	100%	100%	100%
Conversion term (per share)	Par value of ₩23,328	Par value of ₩ 35,862 (KRW 919.9/USD)	Par value of ₩ 34,394 (KRW 1,133.8/USD)
Number of convertible shares	18,893,000 shares	916,000 shares	16,483,000 shares
Convertible periods	Oct.5,2008~Aug.5,2013	Dec.15,2008~Nov.29,2012	May 15,2011~Apr.28,2015
Deemed exercise date	The first date of year of conversion	The first date of year of conversion	The first date of year of conversion

Finance lease liability

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Details of minimum lease payments to the lessor as of December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Total minimum lease payment		
No later than 1 year	134,877	112,748
Between 1 and 5 years	449,812	289,227
Later than 5 years	186,034	264,054
Total	**770,723**	**666,029**
Unearned finance income	(156,119)	(148,958)
Net minimum lease payment		
No later than 1 year	100,420	85,182
Between 1 and 5 years	339,518	221,559
Later than 5 years	174,666	210,330
	614,604	**517,071**

Details of book value and fair value of non-current borrowings as of December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**		**2010**	
	Book value	**Fair value**	**Book value**	**Fair value**
Long-term borrowings	1,482,824	1,482,824	1,772,276	1,772,275
Debentures	1,489,999	1,534,502	1,186,628	1,182,078
Convertible bond	973,216	1,054,442	518,078	580,985
	3,946,039	**4,071,768**	**3,476,982**	**3,535,338**

21. Provisions

Details of changes in provisions during the years ended December 31, 2011 and 2010, are as follows:

	2011		
(in millions of Korean won)	**Sales returns**	**Legal claims**	**Total**
At January 1	14,276	517,847	532,123
Addition	-	52,584	52,584
Reversal and utilization	(10,470)	(293,743)	(304,213)
Foreign exchange difference and other	-	72,973	72,973
At December 31	**3,806**	**349,661**	**353,467**

	2010		
(in millions of Korean won)	**Sales returns**	**Legal claims**	**Total**
At January 1	11,872	634,550	646,422
Addition	2,404	40,291	42,695
Reversal and utilization	-	(108,899)	(108,899)
Foreign exchange difference and other	-	(48,095)	(48,095)
At December 31	**14,276**	**517,847**	**532,123**

Provisions for sales returns

The Group estimates the expected sales returns based on historical results and adjusts sales and cost of sales, respectively. Accordingly, related gross profit and estimated expenses are recorded as provisions for sales returns.

Provisions for legal claims

The Group recognizes provisions for legal claims when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and the amount can be reliably estimated (Note 38).

22. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Current			
Derivative liabilities (Note 39)	38,678	4,805	7,639
Non-current			
Derivative liabilities (Note 39)	7,796	54,963	32,753
	46,474	**59,768**	**40,392**

23. Other Current and Non-current Liabilities

Details of other current and non-current liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Current			
Unearned income	2,509	2,928	5,179
Withholdings	22,707	29,103	35,550
Deposits received	901	357	436
Advance receipts	16,384	174,299	523,182
Other	34	43	29
	42,535	206,730	564,376
Non-current			
Long-term withholdings	4,133	3,775	3,689
Other long-term employee benefit liabilities	34,569	27,307	24,552
Other	29	-	641
	38,731	31,082	28,882
	81,266	**237,812**	**593,258**

24. Defined Benefit Liabilities

Defined benefit liabilities recognized in the statements of financial position as of December 31, 2011 and 2010, and January 1, 2010, are determined as follows:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Present value of obligations	471,290	372,296	291,558
Fair value of plan assets[1]	(12,591)	(13,234)	(13,496)
Liability in the statement of financial position	**458,699**	**359,062**	**278,062**

[1] Includes deposits to the National Pension Fund in accordance with the National Pension Law amounting to ₩ 2,151 million (2010: ₩ 2,371 million).

The amounts recognized in the statements of comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Current service cost	65,253	51,842
Interest expenses	24,884	21,461
Expected return on plan assets	(543)	(625)
Total expenses	**89,594**	**72,678**

The line items in which severance benefits are included for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Cost of Sales (manufacturing costs)	54,683	44,638
Selling, administrative and ordinary development expenses	34,911	28,040
Total expenses	**89,594**	**72,678**

The actuarial losses recognized as other comprehensive income for the year ended December 31, 2011, amount to ₩ 60,780 million (2010: ₩ 57,420 million), and cumulative actuarial losses recognized as other comprehensive income as of December 31, 2011, amount to ₩ 118,200 million.

As of December 31, 2011, the Group funded at approximately 2.22% of the total retirement benefit obligations through insurance plans with Samsung Insurance Co., Ltd. and Korea Life Insurance Co., Ltd.

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	372,296	291,558
Current service cost	65,253	51,842
Interest expense	24,884	21,461
Benefits paid	(51,892)	(50,849)
Actuarial gain	60,593	58,233
Other	156	51
At December 31	**471,290**	**372,296**

The movements in the fair value of plan assets for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	13,234	13,496
Expected return on plan assets	543	625
Employer contribution	397	555
Benefits paid	(1,396)	(1,960)
Actuarial losses	(187)	(50)
Other	-	568
At December 31	**12,591**	**13,234**

The actual return of plan assets for the year ended December 31, 2011, was ₩ 356 million (2010: ₩ 575 million).

The principal actuarial assumptions as of December 31, 2011 and 2010, and January 1, 2010, were as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Future salary increase rate	4.25% ~ 5.92%	4.25% ~ 5.70%	4.29% ~ 5.76%
Discount rate	1.81% ~ 6.36%	1.77% ~ 6.93%	7.50%
Expected rate of return on plan assets [1]	2.48% ~ 6.67%	4.74% ~ 5.84%	4.74%~5.84%

[1]Expected rate of return on plan assets is calculated by weighted average of actual rate of return.

Plan assets as of December 31, 2011 and 2010, and January 1, 2010, consist of the following:

(in millions of Korean won)	December 31, 2011	December 31, 2010	January 1, 2010
Deposits	10,440	10,863	10,820
Other	2,151	2,371	2,676
	12,591	**13,234**	**13,496**

Adjustments for the differences between initial assumptions and actual figures as of December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Defined benefit liability adjustments	26,339	30,241
Defined benefit asset adjustments	187	50

25. Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	98,659	89,124
Deferred tax asset to be recovered within 12 months	400,652	477,881
	499,311	567,005
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(104,909)	(97,695)
Deferred tax liability to be recovered within 12 months	(78,684)	(80,537)
	(183,593)	(178,232)
Deferred tax assets, net	**315,718**	**388,773**

The gross movements on the deferred income tax account as of December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
At January 1	388,773	451,891
Income statement charge (Note 35)	(76,948)	(67,919)
Tax charge/(credit) relating to components of other comprehensive income (Note 35)	372	1,297
Exchange differences	3,521	3,504
At December 31	**315,718**	**388,773**

The movements in deferred income tax assets and liabilities for the years ended December 31, 2011 and 2010 during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	2011					
(in millions of Korean won)	**January 1, 2011**	**Income statement**	**OCI(*)**	**Others**	**Currency translation differences**	**December 31, 2011**
Deferred tax liabilities						
Advanced depreciation provision	(55,666)	-	-	-	-	(55,666)
Valuation of derivatives	(12,945)	(2,871)	-	-	-	(15,816)
Gains on foreign currency translation	(67,034)	4,671	-	-	-	(62,363)
Conversion rights adjustment	(18,264)	(7,659)	-	-	-	(25,923)
Others	(23,385)	915	372	-	(16)	(22,114)
	(177,294)	**(4,944)**	**372**	**-**	**(16)**	**(181,882)**
Deferred tax assets						
Losses on valuation of inventories	14,331	25,005	-	-	35	39,371
Valuation of equity-method investments	341,924	80,528	-	-	-	422,452
Accumulated depreciation	169,203	(17,722)	-	-	7,376	158,857
Allowance for retirement liability	70,375	24,575	-	-	18	94,968
Deemed interest of suspense payment and other	147,507	14,806	-	-	-	162,313
Provisions and others	244,654	(121,672)	-	-	-	122,982
Impairment of available-for-sale financial assets	13,996	22,191	-	-	-	36,187
Losses on foreign currency translation	117,370	(16,853)	-	-	-	100,517
Property, plant and equipment	22,409	2,280	-	-	-	24,689
Losses on valuation of derivative	31,643	(4,799)	-	-	-	26,844
Others	68,365	50,435	-	-	1,828	120,628
	1,241,777	**58,774**	**-**	**-**	**9,257**	**1,309,808**
Deferred income tax due to temporary differences	1,064,483	53,830	372	-	9,241	1,127,926
Deferred income tax due to tax loss	438,844	-	-	26,438	1,765	467,047
Tax credit carryforwards	593,506	-	-	(19,068)	35	574,473
Others	711	-	-	210	-	921
Total deferred income tax assets	2,097,544	53,830	372	7,580	11,041	2,170,367
Deferred income tax assets not recognized	(1,708,772)	-	-	-	-	(1,854,649)
	388,772	**-**	**-**	**-**	**-**	**315,718**

	2010					
(in millions of Korean won)	**January 1, 2010**	**Income statement**	**OCI(*)**	**Others**	**Currency translation differences**	**December 31, 2010**
Deferred tax liabilities						
Advanced depreciation provision	(55,666)	-	-	-	-	(55,666)
Valuation of derivative	(3,311)	(9,634)	-	-	-	(12,945)
Gains on Foreign Currency Translation	(61,334)	(5,700)	-	-	-	(67,034)
Conversion Rights adjustment	(34,696)	16,432	-	-	-	(18,264)
Others	(13,829)	(10,839)	1,297	-	(14)	(23,385)
	(168,836)	(9,741)	1,297	-	(14)	(177,294)
Deferred tax assets						
Losses on Valuation of inventories	12,438	1,838	-	-	55	14,331
Valuation of equity-method investments	389,175	(47,251)	-	-	-	341,924
Accumulated depreciation	70,828	98,375	-	-	-	169,203
Allowance for retirement liability	65,580	4,780	-	-	15	70,375
Deemed interest of suspense payment and other	151,101	(3,594)	-	-	-	147,507
Provisions and others	207,768	36,886	-	-	-	244,654
Impairment of available-for-sale financial assets	474	13,522	-	-	-	13,996
Losses on Foreign Currency Translation	129,728	(12,358)	-	-	-	117,370
Property, plant and equipment	-	22,409	-	-	-	22,409
Losses on valuation of derivative	24,419	7,224	-	-	-	31,643
Others	192,540	(125,950)	-	-	1,775	68,365
	1,244,051	**(4,119)**	**-**	**-**	**1,845**	**1,241,777**
Deferred income tax due to temporary differences	1,075,215	(13,860)	1,297	-	1,831	1,064,483
Deferred income tax due to tax loss	1,063,146	-	-	(626,273)	1,971	438,844
Tax credit carryforward	720,601	-	-	(127,124)	29	593,506
Others	650	-	-	61	-	711
Total deferred income tax assets	2,859,612	(13,860)	1,297	(753,336)	3,831	2,097,544
Deferred income tax assets not recognized	(2,407,721)	-	-	-	-	(1,708,772)
	451,891	**-**	**-**	**-**	**-**	**388,772**

(*) OCI: Other comprehensive income

Deferred income tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of ₩ 157,976 million (2010: ₩ 52,060 million) in respect of losses amounting to ₩632,370 million (2010: ₩131,619 million) that can be carried forward against future taxable income. Also, the Group did not recognize deferred income tax assets of ₩ 1,122,200 million (2010: ₩ 1,063,206 million) in respect of deductable temporary differences amounting to ₩4,943,772 million (2010: ₩4,579,823 million) that can be carried forward against future taxable income.

Deferred income tax assets of ₩574,473 million (2010: ₩593,506 million) have not been recognized for unused tax credit as of December 31, 2011.

Expiry periods of tax loss carryforwards and tax credit carryforwards are as follows:

(in millions of Korean won)	**Tax loss carryforwards**	**Tax credit carryforwards**
2012	1,186	195,055
2013	20,304	132,987
2014	-	56,565
2015	11,893	186,871
2016~2019	1,359,506	-
Thereafter	445,951	2,995
	1,838,840	**574,473**

Deferred income tax liabilities of ₩9,752 million (2010: ₩8,816 million) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totaled ₩44,326 million at December 31, 2011 (2010: ₩40,071 million).

26. Share capital and Capital Surplus

Details of share capital and capital surplus as of December 31, 2011, are as follows:

(in thousands of share capital, except for par value and paid-in capital)

Authorized shares	**Outstanding shares**	**Outstanding shares after the merger of shares[1]**	**Par value (per share)**	**Paid in capital**
9,000,000	5,586,149	595,700	₩ 5,000	₩ 2,978,498 million

[1]As of December 31, 2011, the actual number of shares which the shareholders own is 592,172 thousand shares. The difference of 3,528 thousand shares is the result of stock retirement.

Changes in share capital and capital surplus during the years ended December 31, 2011 and 2010, are as follows:

		Paid in Capital	**Capital Surplus**			
(in millions of Korean won and in thousands of shares)	**Total owned shares**	**Share capital**	**Share premium**	**Conversion right consideration**	**Other**	**Total**
At January 1, 2010	589,639	2,965,833	633,028	76,985	528,076	4,203,922
Exercise of conversion rights	635	3,177	12,478	(1,164)	-	14,491
Exercise of stock options	3	13	7	-	-	20
Effect of changes in Subsidiaries' interests[1]	-	-	-	-	(56,310)	(56,310)
At December 31, 2010	590,277	2,969,023	645,513	75,821	471,766	4,162,123
At January 1, 2011	590,277	2,969,023	645,513	75,821	471,766	4,162,123
Exercise of conversion rights	1,895	9,475	39,664	(3,471)	-	45,668
Others[1]	-	-	-	-	(241)	(241)
At December 31, 2011	**592,172**	**2,978,498**	**685,177**	**72,350**	**471,525**	**4,207,550**

[1]The changes in ownership interests that did not result in a loss of control over a subsidiary and resulted from transactions (issuance of share capital, acquisition of non-controlling interests) of the shares of HSCL.

In accordance with the Articles of Incorporation, shares can be retired and be distributed as dividends to the shareholders, and the total of number of shares retired as of December 31, 2011, is 3,528 thousand shares.

27. Retained Earnings

Retained earnings as of December 31, 2011 and 2010, and January 1, 2010, consist of:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Legal reserve[1]	8,854	-	-
Discretionary reserve[2]	235,506	235,506	-
Unappropriated retained earnings	3,310,963	3,525,793	1,201,918
Total	**3,555,323**	**3,761,299**	**1,201,918**

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

[2]Discretionary reserve is a reserve for technology development.

28. Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2011 and 2010, and January 1, 2010, consist of the following:

(in millions of Korean won)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Gain(loss) arising on revaluation of available-for-sale financial assets	10,375	2,470	15,428
Changes of equity arising from equity-method investments	(2,768)	(2,033)	-
Cumulative effect of foreign currency translation adjustments	99,500	(23,698)	-
	107,107	**(23,261)**	**15,428**

Details of changes in accumulated other comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

	2011			
(in millions of Korean won)	**Beginning**	**Increase (Decrease)**	**Reclassification to profit or loss**	**Ending**
Gain(loss) arising on revaluation of available-for-sale financial assets	2,470	(377)	8,282	10,375
Changes of equity arising from equity-method investments	(2,033)	(735)	-	(2,768)
Cumulative effect of foreign currency translation adjustments	(23,698)	123,198	-	99,500
	(23,261)	**122,086**	**8,282**	**107,107**

	2010			
(in millions of Korean won)	**Beginning**	**Increase (Decrease)**	**Reclassification to profit or loss**	**Ending**
Gain(loss) arising on revaluation of available-for-sale financial assets	15,428	(12,958)	-	2,470
Changes of equity arising from equity-method investments	-	(2,033)	-	(2,033)
Cumulative effect of foreign currency translation adjustments	-	(23,698)	-	(23,698)
	15,428	**(38,689)**	**-**	**(23,261)**

29. Dividends

Dividend distribution to the Parent Company's shareholders amounted to ₩ 88,541 million for the year ended December 31, 2010, as approved by the shareholders in April 2011.

30. Classification of Operating Income

Operating income (loss) is calculated as gross profit net of selling, administration and ordinary development expenses and other operating income and expenses (Notes 32 and 33).

Under the former accounting standards, operating income (loss) was calculated as gross profit net of selling, administration and ordinary development expenses. Under the Korean IFRS, operating income (loss) was calculated as gross profit, net of selling, administration and ordinary development expenses and other operating income and expenses. Hence operating income (loss) amount differs between the previous K-GAAP to Korean IFRS by the amount of other net income(loss), and other income and expenses (Notes 32 and 33).

31. Expenses by Nature

Expense that are recorded as cost of sales, selling, administration and ordinary development expenses and other operating expenses in the statements of comprehensive income for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	**2011**	**2010**
Changes in inventories	97,911	(224,077)
Raw materials and consumables used	2,409,091	2,186,625
Employee benefit expenses	1,248,790	1,390,789
Depreciation, amortization and impairment charge	3,518,419	3,158,727
Royalty expense	178,072	131,870
Commission expense	340,476	343,012
Utilities expense	423,589	372,432
Repair expense	848,089	739,976
Outsourcing expense	856,491	683,237
Other	499,743	496,080
	10,420,671	**9,278,671**

Employee benefit expense for the years ended December 31, 2011 and 2010, consists of

(in millions of Korean won)	**2011**	**2010**
Wages and salaries	1,058,245	1,238,834
Defined benefits	89,594	72,678
Termination benefits	2,657	1,756
Other long-term employee benefits	10,231	7,099
Social security costs and other	88,063	70,422
	1,248,790	**1,390,789**

32. Selling, Administration and Ordinary Development Expenses

Selling, administration and ordinary development expenses for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Salaries	178,193	196,587
Severance benefits	14,117	11,651
Employee benefits	52,360	37,376
Commission expense	141,249	163,173
Depreciation	55,528	56,435
Amortization	65,018	18,503
Research and development	857,268	801,627
Exporting expense	25,083	18,993
Legal cost	41,875	36,015
Rental expense	14,638	16,204
Taxes and dues	11,595	8,379
Training Expenses	15,280	13,547
Sales Promotional Expenses	13,902	15,855
Utility Expenses	9,458	8,866
Storage cost	11,048	10,042
Supplies Expenses	10,872	10,898
Repairs Expenses	10,570	8,482
Other	41,281	28,539
	1,569,335	**1,461,172**

33. Other Operating Income and Expense

Other operating income for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	**2011**	**2010**
Rental income	17,361	17,265
Gain on disposal of assets held-for-sale	6,440	12,681
Gain on disposal of property, plant and equipment	1,206	26,362
Gain on disposal of intangible assets	9,352	-
Other	315,975	91,544
Total	**350,334**	**147,852**

Other operating expenses for the years ended December 31, 2011 and 2010, consist of:

(in millions of Korean won)	**2011**	**2010**
Loss on disposal of assets held-for-sale	6,972	39,385
Loss on disposal of property, plant and equipment	3,386	5,175
Loss on disposal of intangible assets	4,985	3,410
Donation	1,587	1,679
Loss on disposal of trade receivables	1,456	1,053
Impairment losses of property, plant and equipment	50,778	289
Impairment losses of intangible assets	726	1,827
Amortization of suspended assets	16,599	31,977
Other	43,590	89,187
Total	**130,079**	**173,982**

The other operating income and expenses, included in calculating the operating income during the years ended December 31, 2011 and 2010, were not included in calculating the operating income under the previous accounting standard (K-GAAP).

34. Financial Income and Expense

Financial income and expense for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	**2011**	**2010**
Finance income		
Interest income	56,470	67,708
Dividend income	45	687
Foreign exchange differences	532,684	716,815
Gain from derivative instruments	41,111	80,695
Other	-	617
	630,310	866,522
Finance expense		
Interest expenses	310,397	346,377
Foreign exchange differences	551,750	654,166
Loss from derivative instruments	19,714	5,385
Loss on redemption of debentures	-	27,266
Impairment of Available-for-sale financial assets	21,847	1,295
Impairment loss on equity investments in associates	7,691	-
	911,399	1,034,489
Net finance income (expense)	**(281,089)**	**(167,967)**

35. Income Tax

Income tax expense for the years ended December 31, 2011 and 2010, consists of:

(*in millions of Korean won*)	**2011**	**2010**
Current tax:		
Current tax on profits for the year	24,738	7,875
Adjustments in respect of prior years	(568)	(6,987)
Total current tax	24,170	888
Deferred tax (Note 25):		
Origination and reversal of temporary differences	76,948	67,919
Total deferred tax	76,948	67,919
Income tax expense	**101,118**	**68,807**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

(*in millions of Korean won*)	**2011**	**2010**
Profit before tax	45,147	2,666,382
Tax calculated at domestic tax rates applicable to profits in the respective countries	27,619	703,364
Tax effects of:		
Income not subject to tax	(335)	(3,050)
Expenses not deductible for tax purposes	2,480	38,968
Changes in temporary differences not recognized	145,877	(698,950)
Re-measurement of deferred tax - change in the Korean tax rate	(74,523)	300
Others	-	28,175
	73,499	(634,557)
Tax charge	**101,118**	**68,807**

The income tax (charged)/credited directly to equity as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

	December 31, 2011			December 31, 2010			January 1, 2010		
(in millions of Korean won)	**Before Tax**	**Tax (charge) credit**	**After tax**	**Before tax**	**Tax (charge) credit**	**After tax**	**Before tax**	**Tax (charge) credit**	**After tax**
Fair value gains from available-for-sale financial assets	13,357	(2,982)	10,375	5,823	(3,353)	2,470	20,078	(4,650)	15,428
Actuarial loss on retirement benefit obligations	(118,200)	-	(118,200)	(57,420)	-	(57,420)	-	-	-
	(104,843)	**(2,982)**	**(107,825)**	**(51,597)**	**(3,353)**	**(54,950)**	**20,078**	**(4,650)**	**15,428**

During the year 2011, as a result of the change in the Korean corporate tax rate from 22% to 24.2% that was substantively enacted on December 31, 2011, and that is effective from January 1, 2012, the relevant deferred tax balances have been re-measured. Deferred tax expected to be realized in the year 2012 and thereafter, has been measured using the effective rate of 24.2%.

36. Earnings per Share

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

Basic earnings per ordinary share as of December 31, 2011 and 2010, is as follows:

(in millions of Korean won except for shares and per share amounts)	**2011**	**2010**
Profit(loss) attributable to ordinary shareholders	(56,641)	2,620,962
Weighted average number of ordinary shares outstanding	592,171,582	590,275,971
Basic earnings(loss) per share	**(96)**	**4,440**

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bond and share options. The convertible bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

(in millions of Korean won except for shares and per share amounts)	**2011**	**2010**
Profit(loss) attributable to ordinary shares	(56,641)	2,620,962
Add : Convertible bond related costs	-	(39)
Adjusted profit attributable to ordinary shares	(56,641)	2,620,923
Adjusted weighted average number of ordinary shares outstanding[1]	592,171,582	628,387,645
Basic earnings(loss) per share	**(96)**	**4,171**

[1]Adjusted weighted average number of ordinary shares outstanding is calculated as follows:

(in shares)	**2011**	**2010**
Weighted average number of ordinary shares outstanding	592,171,582	590,275,971
Dilutive potential ordinary shares		
Convertible bond	-	38,093,742
Share options	-	17,932
Adjusted weighted average number of ordinary shares outstanding	**592,171,582**	**628,387,645**

After the reporting date, the Share Management Council, the major shareholder of the Company, sold 44.25 million shares to SK Telecom Co., Ltd. Also, the Company issued 101.85 million shares to SK Telecom Co., Ltd. If this transaction event occurred within the reporting date, the ordinary share and dilutive potential outstanding shares would have been significantly influenced (Note 44).

37. Related Parties

Details of related parties as of December 31, 2011, are as follows:

Type	**Investee**
Associates	Siliconfile Technologies Inc.
Jointly controlled entities	HITECH Semiconductor (Wuxi) Co., Ltd.(HITECH)

Significant transactions for the years ended December 31, 2011 and 2010, are as follows:

	2011		**2010**	
(in millions of Korean won)	**Sales**	**Purchases**	**Sales**	**Purchases**
Associates	54,556	618	37,466	102
Jointly controlled entities	48,031	444,463	44,825	329,840
Total	**102,587**	**445,081**	**82,291**	**329,942**

The balances of significant transactions as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011		December 31, 2010		January 1, 2010,	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Associates	9,100	-	8,123	-	5,182	-
Jointly controlled entities	14,478	295,693	12,052	328,691	4,033	315,901
Total	**23,578**	**295,693**	**20,175**	**328,691**	**9,215**	**315,901**

Key management compensation

Key management includes the chief executive officer, 14 subsidiary's executives, 39 directors, 13 internal auditors and 43 others. The compensation paid to key management for employee services for the years ended December 31, 2011and 2010, consists of:

(in millions of Korean won)	Details	2011	2010
Short-term employee benefits	Wages, salaries, bonus and other	21,184	16,428
Post-employment benefits	Retirement payment and other	2,391	1,660
Other long-term benefits	Long-term employment allowance	1	11
		23,576	**18,099**

38. Commitments and contingencies

Special agreement with Creditor Financial Institutions' Council

On July 12, 2005, the Creditor Financial Institutions ("Creditor Council") operational control over the Parent Company since October 4, 2001, was terminated by entering into a special agreement between the Parent Company and the Share Management Council (formerly the Creditor Council). Under the special agreement, the Parent Company is required to consult with the Share Management Council in advance on events that could have significant influence on the Parent Company' management including (a) appointment and dismissal of directors, (b) adoption of annual budgets, (c) investments in subsidiaries, (d) mergers, acquisitions or other strategic projects, and (e) organization and operation of corporate governance structures. The special agreement remains in effect until the members of the Share Management Council substantially sell their equity interests in the Parent Company (Note 44).

In 2010, the Parent Company entered into an additional credit agreement with six financial institutions, including Korea Exchange Bank, which is a member of the Share Management Council. In accordance with the agreement, when the Share Management Council determines that a change in the controlling shareholders or a majority of the Parent Company's Board of Directors significantly affects the Parent Company's capability to repay its borrowings, the Share Management Council reserves the right to request for an early redemption on all the borrowings from the six financial institutions. The additional agreement remains in effect until change in the controlling shareholders, or in the majority of the Parent Company’s Board of Directors is approved by the Share Management Council.

Anti-Trust Act

In June 2002, the United States Department of Justice (“DOJ”) notified the Group that the DOJ had commenced an investigation whether certain Dynamic Random Access Memory (“DRAM”) manufacturers had breached the US Anti-Trust Act. In order to settle the investigation commenced by the DOJ, on April 22, 2005, the Group entered into a plea agreement with the DOJ to pay a fine in the amount of US$ 185 million in instalments over the next five years without interest. Meanwhile, DRAM product users in the United States filed lawsuits claiming damages for the breach of the US Anti-trust Act by the Parent Company and Hynix Semiconductor America Inc. (“HSA”), its sales subsidiary located in the United States.

In relation to the lawsuits, the Group reached settlements through separate negotiations with the direct purchaser classes and individual companies. Also, in November 2010, the Group reached settlements with the indirect purchaser classes to pay US$ 50 million.

The Ninth Circuit Court of Appeals denied the plaintiffs' motion for rehearing en banc in the Rule 23(f) petition asking the Court to accept an appeal of the District Court's ruling denying Flash indirect purchaser class certification in August 2011. As a result, the flash indirect purchaser action, consisting of 23 individual purchasers, is pending as of December 31, 2011. In addition, civil suits filed by the direct and indirect purchaser classes in three provinces in Canada in connection with DRAM, SRAM and Flash memory are also pending.

As of December 31, 2011, the ultimate outcome of the lawsuits described above cannot be determined, but will not have a material effect on the Group’s consolidated financial statements. The accompanying consolidated financial statements do not include any additional adjustments in excess of managements’ current expectation in relation to such uncertainty.

Group’s pending litigations as of December 31, 2011

(a) Litigation filed by Rambus

The Group is a defendant in litigations brought by Rambus Inc. (“Rambus”), a developer of high-bandwidth chip connection technologies, with respect to the alleged infringement of Rambus’ patents by the Group’ manufacture, sales, offer for sales, use or otherwise disposal of Single Data Rate (“SDR”) Synchronous Dynamic Random Access Memory (“SDRAM”) and Double Data Rate (“DDR”) SDRAM products. The litigations have been brought in Germany, France, the United Kingdom and the United States. In 2004, the European Patent Office revoked Rambus’ certain key patents subject to such litigation against the Group in the European Union jurisdiction. Accordingly, in 2005, the litigation in the United Kingdom was dismissed, the litigation in France ceased further proceedings, and the litigation in Germany has been deferred without any progress.

Meanwhile, in connection with the litigation in the United States, on March 10, 2009, the United States

District Court for the Northern District of California issued the judgment that ordered the Group to pay for damages for the infringement of Rambus' patents and to pay royalties of 1% for SDR SDRAM products and 4.25% for DDR SDRAM products manufactured or sold in the United States from February 1, 2009 to April 17, 2010. The Group appealed the court's final judgment to the United States Court of Appeals for the Federal Circuit on April 6, 2009.

On May 13, 2011, the United States Court of Appeals for the Federal Circuit vacated the original judgment issued by the United States District Court for the Northern District of California concluding the court used the wrong legal standard and remanded the case for further proceedings to the court. On January 11, 2012, in light of the fact that the court's judgment has been vacated, the court ordered that Hynix's obligation to maintain the bond was released, while declining to lift Hynix's obligation to make continuing on-going royalties amounting to US$ 59 million into the escrow account.

Separately, Rambus also brought another lawsuit against the Group and its US subsidiary by alleging that the Group and its subsidiary's DDR2 and Graphic DD R SDRAM products had infringed on Rambus' patents. In addition, Rambus filed a lawsuit in the San Francisco Superior_Court against the Group together with its US subsidiary, and other major memory chip manufacturers alleging that the defendants conspired to prevent Rambus' proprietary DRAM technology from becoming the standard computer memory technology. However, on February 15, 2012, the court issued the final judgment rejecting Rambus' claims.

As of December 31, 2011, the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect on the Group's consolidated financial statements. The accompanying consolidated financial statements do not include any additional adjustments in excess of managements' current expectation in relation to such uncertainty.

(b) Lawsuit from Hyundai Heavy Industries Co., Ltd.("HHI")

On July 24, 1997, the Group sold 13 million shares of Hyundai Investment & Securities Co., Ltd. ("HIS") to Canadian Imperial Bank of Commerce ("CIBC"). In relation to this transaction, HHI entered into a share option agreement with CIBC in which HHI was obligated to buy back the 13 million shares of HIS if CIBC exercised its put option. In return, the Group and Hyundai Securities Co., Ltd. ("HSC") provided HHI with a comfort letter stating that HHI would not suffer any burden as a result of the transaction. The Group, in turn, received a similar letter from HSC. Upon CIBC's exercise of its put option, HHI repurchased the shares in July 2000 and requested approximately US$ 220 million of compensation for damage which is equivalent to the repurchase price to the Group and HSC.

However, the Group rejected the request by asserting that the Group was not a party connected directly to the transaction between HHI and CIBC and the comfort letter was not a legal guarantee. In response, on July 28, 2000, HHI sued the Group, HSC and the former CEO of HSC at the Seoul Central District Court.

In January 2002, the court rendered a ruling that the Group, HSC and the former CEO of HSC jointly and severally pay 70% of the claim amount (₩ 171,822 million) and interest thereon to HHI. The Group paid HHI ₩ 123,677 million, which represented the estimated portion of its share of compensation pursuant to the ruling and interest thereon. However, the Group made an appeal to the Seoul High Court on February 15, 2002, and on June 14, 2006, the court rendered a ruling that the Group and HSC should pay approximately 80% of the claim amount (₩ 192,942 million).

With respect to the revised ruling, the Group paid HHI an additional amount of ₩ 1,926 million for the estimated portion of its share of compensation, including interest. The Group further contested this case by making an appeal to the Supreme Court of Korea on June 30, 2006, and in a third ruling, the Supreme Court upheld the second ruling in part for HSC and the former CEO of HSC. The Supreme Court, however, reversed and remanded the second ruling for the Group on the grounds that the Group has the expense reimbursement obligation to HHI. On August 21, 2009, the Seoul High Court rendered a ruling that the Group should pay ₩ 167,219 million and related interest after deducting payments previously made by HSC, recognizing the obligation based on the comfort letter provided by the Group. Subsequently, the Group paid ₩ 86,226 million, in addition to the payments the Group already made to HHI pursuant to the first and second rulings.

HHI, however, made another appeal to the Supreme Court of Korea on September 10, 2009. The Supreme Court of Korea, on February 2, 2012, reversed and remanded the above Seoul High Court ruling to the extent it excluded ₩ 4,284 million and related interest, on the grounds that Seoul High Court erred in deducting the market value of the shares from the compensation.

The Group, in order to minimize the possible payment of interest, made a conditional/provisional payment of ₩ 7,971 million in principal and interest as the litigation mentioned above is in progress in Seoul High Court. As of December 31, 2011, the ultimate outcome of the lawsuits described cannot be determined, but may have a material effect. The accompanying consolidated financial statements do not include any additional adjustments in excess of managements' current expectation in relation to such uncertainty.

In addition, HHI initiated a separate lawsuit in December 2004 seeking the Group, HSC and the former CEO of HSC to compensate for the taxes levied on HHI and any related losses incurred by HHI amounting to ₩ 50,303 million in connection with HHI's repurchase of shares. As a result of the litigation described above, the Seoul Central District Court rendered its ruling on October 22, 2009, that the Group, HSC and the former CEO of HSC jointly and severally shall pay the total amount of compensation and related interest. Subsequently, the Group and HSC paid ₩ 73,692 million pursuant to the first ruling.

However, the Group appealed to the Seoul High Court on November 11, 2009, and on November 10, 2011, the court rendered a ruling that the Group and HSC should only pay ₩ 48,770 million and related interest. The Group, HSC and HHI appealed to the Supreme Court of Korea on November 25, 2011. As of December 31, 2011 the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect.

(c) Lawsuit against Hyundai Securities Co., Ltd. ("HSC")

On August 27, 2009, Hyundai Securities Co., Ltd. ("HSC") filed a lawsuit against the Group at the Seoul Central District Court with respect to the lawsuit described above, seeking the Group to pay ₩ 99,172 million and interest to HSC on the grounds that the Group has the ultimate expense reimbursement obligation.

As a result of the lawsuit, on December 17, 2010, the Seoul Central District Court ruled that HSC's payment to HHI were on behalf of the Group as an agency and therefore, the Group had responsibility to repay the amounts that HSC had paid to HHI. The Group made a provisional payment amounting to ₩ 160,724 million to HSC and appealed to the Seoul High Court on January 7, 2011. On September 28, 2011, the Seoul High Court rejected the Group's appeal by stating that the Group was liable to HSC as ruled by the Seoul Central District Court. The Group filed an appeal to the Supreme Court of Korea on October 19, 2011.

As of December 31, 2011, the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect.

Separately, the Group filed a lawsuit against HSC on September 21, 2009 at Seoul Central District Court in connection with the agreed payment claim of ₩ 211,829 million and interest on the grounds that HSC provided the Group with a comfort letter similar to what HSC provided to HHI in which HSC guaranteed that the Group would not suffer any legal or economic losses in connection with the transactions described above, and the agreement for loss compensation. As a result of the lawsuit, the Seoul Central District Court ruled against the Group on the grounds that the comfort letter is restricted to a loss incurred by the sanctions from the government and therefore, the comfort letter was not an agreement for compensation for all legal or economic losses. However, the Group appealed to the Seoul High Court on January 7, 2011.

On September 22, 2011, the Seoul High Court rejected the Group's appeal stating the same reason as judged in the first ruling. After considering any benefit from an appeal to a higher court, the Group decided not to appeal any more. Therefore, this lawsuit has been finalized.

Meanwhile, on February 25, 2011, HSC filed a lawsuit against the Group seeking the Group to pay ₩ 27,917 million and delay interest on the grounds that the Group is finally liable to HSC's payment to HHI in relation to the taxes levied on HHI and any related losses incurred by HHI in connection with HHI's repurchase of shares of HIS. the Group brought a counteraction against this claim at Seoul Central District Court and made a provisional payment amounting to ₩ 30,235 million to HSC to avoid any delay interest in case of unfavourable ruling against the Group.

As of December 31, 2011, the ultimate outcome of the lawsuits described above cannot be determined, but could have a material effect.

(d) Other litigation and patent-related claims

Apart from the above litigation, the Group is in the midst of defending itself against other various lawsuits and claims regarding patent infringements. As a result, as of December 31, 2011, the Group recognized a liability for the expected future losses that are probable and can be reliably estimated. However, the final outcome of these matters cannot be determined, but could have a material effect on the Group's consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments in relation to such uncertainty.

Technology and patent license agreements

The Group has entered into a number of patent license agreements with several companies. The related royalties are paid in a lump sum or running basis in accordance with the respective agreements. Lump-sum royalties are expensed over the contract period using the straight-line method.

Contract for supply of industrial water

In March 2001, the Group and Veolia Water Industrial Development Co., Ltd. ("VWID", formerly Vivendi Water Industrial Development Co., Ltd.) entered into a contract for the purpose of purchasing industrial water from VWID for 12 years from March 2001 to March 2013. The contract was subsequently extended to March 2018 in December 2006, and amended in March 2007 due to the establishment of additional plants. According to the amended contract, the Group is obligated to pay base service charges which are predetermined and additional service charges which are variable according to the amount of water used.

Post- process service contract with HITECH

The Parent Company entered into an agreement with HITECH to be provided with post-process service by HITECH. In addition, HITECH entered into agreements to purchase machinery of US$ 177 million and US$ 128 million, from the Parent Company and the Parent Company's subsidiary (HSMC), respectively. According to the contract, HITECH should use the machinery only for the purpose of providing the post-process service to the Group exclusively for the five years from its establishment. In 2011, the Parent Company entered into an additional contract for the purpose of module service and HITECH purchased machinery of US$ 9.5 million from the Parent Company. In connection with agreement, the Group is liable to guarantee a certain level of margin to HITECH.

Repurchase agreement of Sithe Ichon power plants

The Parent Company has previously entered into a long-term service agreement for the purchase of steam and electricity from Sithe Ichon Power Generating Corp. ("Sithe Ichon"). In March 2005, the Sithe Ichon and Hynix Engineering Co., Ltd. ("Hynix Engineering", formerly Astec Co., Ltd.), the Parent Company' subsidiary, entered into an agreement to purchase the power generating facility from Sithe Ichon for ₩ 119,000 million. In connection with the agreement, in July 2005, the Parent Company entered into an agreement with Sithe Ichon and Hynix Engineering under which the Parent Company provides Sithe Ichon a guarantee for Hynix Engineering's performance under the purchase contract, and also the Parent Company entered into an agreement with Hynix Engineering to pay ₩ 56,319 million, which consisted of ₩ 39,106 million of compensation to Sithe Ichon for the early termination of the previously entered service agreement between the Parent Company and Sithe Ichon, and ₩ 17,213 million of indemnity for expected losses from the planned disposal of a part of the facility. In 2005, the Parent Company recognized the related liabilities and charged the losses in the statement of operations. As of December 31, 2011, the aforementioned agreement and all the related assets have been transferred to Ami Power Co., Ltd. ("Ami Power"), a newly incorporated entity that was spun off from Hynix Engineering. In addition, the Parent Company, Hynix Engineering and Ami Power entered into agreements under which Ami Power provides steam and electricity ("Energy") to the Parent Company. In November 2011, Ami Power received notice of the cancellation of a contract related the purchase of Energy from the Parent Company. Accordingly, Ami Power is scheduled to dispose of the related facility and will be liquidated. In connection with the onerous contract, the Parent Company charged ₩30,530 million of indemnity for expected losses. The compensation for losses on disposal of Ami Power's assets above is to be settled based on actual losses sustained from the disposal. The accompanying consolidated financial statements do not include any adjustments in relation to such uncertainty.

Assets provided as collaterals

Details of assets provided as collaterals as of December 31, 2011, are as follows:

(in millions of Korean won)	**Book value**	**Pledged amount**	**Remark**
Land	417,136		
Buildings	819,753	4,003,692	Borrowings and others[1]
Structures	72,075		
Machinery	5,754,216		
	7,063,180	**4,003,692**	

[1]The Group provides newly acquired assets as additional collaterals every six months for revolving credit facility and syndicated loan which were obtained in July 2005 and May 2007, respectively.

Bank overdraft agreement

As of December 31, 2011, the Group has bank overdraft agreement with a limit of ₩41,000 million (2010: ₩41,000 million) with Korea Exchange Bank and other.

Details of credit lines with financial institutions as of December 31, 2011, are as follows:

(in millions of US dollars and Chinese Renminbi)	**Financial Institution**	**commitment**		
The Parent Company	Korea Exchange Bank and others	Import finance like usance	USD	832
		Export finance like bills bought	USD	525
		Comprehensive limit contract about Import & Export	USD	535
Hynix Semiconductor (China) Ltd. (HSCL)	Agricultural Bank of China	Import finance like usance	RMB	1,100
			USD	360
Hynix Semiconductor America Inc. (HSA) and other sales entities	Citibank	Accounts receivable factoring contract which have no right to recourse	USD	321

Guarantees provided to others

Details of guarantees provided to others as of December 31, 2011, are as follows:

(in millions of Korean won)	**Amount**	**Remark**
Employees	35	Guarantees for employees' borrowings relating to employee stock ownership

39. Derivative Financial Instruments

The Group has managed foreign exchange risk and cash-flow interest risk through interest and principal swaps, forward exchange, interest swap and currency option, and other derivative instruments. In addition, the Group bifurcated the call option and convertible option, and separately accounted for these as derivative instruments which were embedded in the unsecured public debenture and foreign convertible bond. The Group recognized those options at fair value and resulting gain or loss is reflected in current operations.

Details of derivative financial assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

	December 31, 2011		December 31, 2010		January 1, 2010,	
(in millions of Korean won)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current						
Foreign currency forward contract	-	-	-	230	-	-
Interest and principal swap	-	33,696	-	-	-	-
Interest rates swap	-	4,982	-	4,575	-	3,892
Embedded derivatives	-	-	-	-	-	3,747
	-	38,678	-	4,805	-	7,639
Non-current						
Interest and principle swap	-	-	-	25,861	-	31,596
Interest rates swap	-	1,325	-	1,803	-	1,157
Embedded derivative instruments	3,114	6,471	7,695	27,299	4,390	-
	3,114	7,796	7,695	54,963	4,390	32,753
	3,114	**46,474**	**7,695**	**59,768**	**4,390**	**40,392**

Details of gains and losses from derivative instruments during the years ended December 31, 2011 and 2010, are as follows:

	2011			
(in millions of Korean won)	Gain on valuation	Loss on valuation	Gain on transaction	Loss on transaction
Interest and principal swap	-	7,834	6,295	-
Interest rates swap	1,040	1,325	-	1,241
Foreign currency forward contract	-	-	9,082	2,290
Foreign currency option contract	-	-	3,865	2,443
Embedded derivative instruments	20,829	4,581	-	-
	21,869	**13,740**	**19,242**	**5,974**

	2010			
(in millions of Korean won)	Gain on valuation	Loss on valuation	Gain on transaction	Loss on transaction
Interest and principal swap	5,735	-	6,091	-
Interest rates swap	-	3,448	-	227
Foreign currency forward contract	-	230	-	1,480
Embedded derivative instruments	68,869	-	-	-
Total	**74,604**	**3,678**	**6,091**	**1,707**

40. Cash Generated from Operations

Reconciliations between operating profit and net cash inflow from operating activities for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
Profit for the period before income tax	45,147	2,666,382
Adjustments		
Defined benefits	89,594	72,678
Depreciation	3,401,222	3,128,028
Amortization	65,692	21,195
Loss on foreign currency translation	75,810	51,059
Loss on disposal of assets held-for-sale	6,972	39,385
Impairment loss on assets held-for-sale	-	7,390
Impairment loss on available-for-sale financial assets	21,847	1,295
Impairment loss on equity investment in associates	7,691	-
Impairment loss on property, plant and equipment	50,778	289
Impairment loss on intangible assets	726	1,827
Loss from redemption of debentures	-	27,266
Loss on disposal of property, plant and equipment	3,386	5,175
Loss on disposal of intangible assets	4,985	3,410
Interest expenses	310,397	346,377
Gain on foreign currency translation	(46,380)	(127,834)
Gain on disposal of assets held-for-sale	(6,440)	(12,681)
Recovery of impairment loss for assets held-for-sale	-	(29,937)
Gain on disposal of property, plant and equipment	(1,206)	(26,362)
Gain on disposal of intangible assets	(9,352)	-
Gain on disposal of investment property	(7,447)	-
Interest income	(56,470)	(67,708)
Gain (loss) on derivative instruments	(21,397)	(75,310)
Others	(43,232)	151,988
Changes in operating assets and liabilities		
Decrease in trade receivables	137,565	228,776
Decrease(Increase) in loans and other receivables	31,904	(43,033)
Decrease(Increase) inventories	99,702	(226,645)
Increase in other assets	(18,256)	(233,453)
Increase(Decrease) in trade payables	(230,393)	73,054
Increase(Decrease) in non-trade and other payables	(358,411)	146,344
Increase(Decrease) in provision	(260,524)	599
Increase(Decrease) in other liabilities	(164,221)	35,025
Payment of defined benefit liability	(50,496)	(48,889)
Others	-	38,059
Cash Generated from Operations	**3,079,193**	**6,153,749**

41. Share-based Payments

The Group grants share options to directors and selected employees with approval of the shareholders and the Board of Directors. As of December 31, 2011, details of the share options are as follows:

- Type of shares issued for the exercise of share options: Registered ordinary shares
- Grant method: Distribute newly issued common shares
- Exercisable condition: Over two years of employment after the grant dates
- Details of the stock options which have been granted as of December 31, 2011, are as follows:

Grant dates	Number of shares to be issued (thousands)	Exercise price Per share		Exercise period
October 24, 2005	334	₩	22,800	Oct. 25, 2007~Oct. 24, 2012

Changes in details of share-based payments during the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)	2011	2010
At January 1	5,762	5,769
Exercised/ Expired	-	(7)
At December 31	**5,762**	**5,762**

Changes in details of options and weighted-average exercisable prices during the years ended December 31, 2011 and 2010, are as follows:

(in thousands of shares, except for price)	2011			2010		
	Weighted average exercise price		Options	Weighted average exercise price		Options
At January 1	₩	22,800	324	₩	22,655	327
Granted		-	-		-	-
Exercised		-	-		5,000	(3)
Expired		-	-		-	-
At December 31	₩	**22,800**	**324**	₩	**22,800**	**324**

The weighted average fair value of options was determined using the Black-Scholes valuation model. The significant inputs into the model were weighted average share price at the grant date, exercise price, volatility of share price, dividend yield, an expected option life and an annual risk-free interest rate. For the year ended December 31, 2011, there is no expense recognized in the statement of comprehensive income for share options granted to directors and employees.

42. Transactions with Non-controlling Interests

Acquisition of additional interest in a subsidiary

On August 31, 2010, the Parent Company acquired the remaining 18.92% of the issued shares of Hynix Semiconductor (China) Ltd. ("HSCL"), a subsidiary, for a purchase consideration of ₩ 496,604 million. The Group now holds 100% of the equity share capital of HSCL. The carrying amount of the non-controlling interests in HSCL on the date of acquisition was ₩ 436,199 million. The Group derecognized non-controlling interests of ₩ 436,199 million and recorded a decrease in equity attributable to owners of the Parent Company of ₩ 60,405 million.

43. Transition to Korean-IFRS

43.1 First-time Adoption of Korean-IFRS

The Group's transition date to Korean-IFRS is January 1, 2010, and adoption date is January 1, 2011.

In preparing consolidated financial statements in accordance with Korean-IFRS 1101(First-time Adoption of Korean International Financial Reporting Standards), the Group has applied the mandatory exceptions and certain optional exemptions allowed by Korean-IFRS.

43.2 Exemption Options under Korean-IFRS 1101

The Group elected to apply the following optional exemptions from full retrospective application.

(1) Business combinations

The Group elected to apply the exemption for business combinations allowed under Korean-IFRS 1101 and has not retrospectively applied Korean-IFRS 1103 to past business combinations that occurred before the transition date.

(2) Cumulative translation differences

The Group elected to deem the cumulative translation differences for all foreign operations to be zero at January 1, 2010, in accordance with Korean-IFRS 1101.

(3) Fair value as deemed cost

The Group elected to use the revaluations of certain property, plant and equipment prior to the date of transition to Korean-IFRS as deemed cost at the transition date.

The Group elected to measure certain property, plant and equipment at fair value as of the transition date to Korean-IFRS and use that fair value as its deemed cost at that date as follows

(in millions of Korean won)

Reported amount under previous K-GAAP	Adjusted amount	Fair value as of the transition date
259,399	181,633	441,032

43.3 Mandatory Exceptions to Retroactive Application of Other Korean-IFRS

Exceptions to other Korean-IFRS applied by the Group are as follows:

(1) Derecognition of financial assets

The Company applied the derecognition requirements in Korean-IFRS 1039, Financial Instruments: Recognition and Measurement, prospectively for transfers of financial assets occurring on or after the transition date. Where the Company had derecognized financial assets before the transition date in accordance with previous K-GAAP, the Company did not recognize these assets even when the transfers did not meet the derecognition criteria under Korean-IFRS.

(2) Exception for estimates

The Company's Korean-IFRS estimates at the transition date are consistent with the estimates as at the same date made in accordance with previous K-GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error

43.4 Reconciliations between Previous K-GAAP and Korean-IFRS

Effects of Korean-IFRS adoption on the Group's total assets, liabilities and equity as of January 1, 2010, the date of Korean-IFRS transition, are as follows:

(In millions of Korean won)	Total assets	Total liabilities	Total equity
Reported amount under previous K-GAAP	16,303,533	10,384,255	5,919,278
Adjustments for:			
Transfer of receivables [1]	16,275	16,275	-
Investments in associates [2]	60,387	70,270	(9,883)
Land revaluation [4]	181,633	-	181,633
Fair value measurement and other [5]	4,390	197,460	(193,071)
Other long-term employee benefit obligations [6]	-	(49,205)	49,205
Changes in scope of consolidation [7]	33,451	25,292	8,160
Recognition of deferred tax liabilities of advanced depreciation provision relating previous revaluation [8]	(55,666)	-	(55,666)
Total adjustments	240,470	260,092	(19,622)
Adjusted amount under Korean-IFRS	**16,544,003**	**10,644,347**	**5,899,656**

Effects of Korean-IFRS adoption on the Group's total assets, liabilities and equity as of December 31, 2010, are as follows:

(In millions of Korean won)	**Total assets**	**Total liabilities**	**Total equity**
Reported amount under previous K-GAAP	17,584,252	9,414,758	8,169,494
Adjustments for:			
Investments in associates [2]	(350,803)	13,583	(364,386)
Amortization of goodwill [3]	39,636	-	39,636
Land revaluation[4]	181,633	-	181,633
Fair value measurement and other [5]	7,695	97,720	(90,025)
Other long-term employee benefit obligations [6]	-	(29,550)	29,550
Changes in scope of consolidation [7]	5,370	8,030	(2,660)
Recognition of deferred tax liabilities of advanced depreciation provision relating previous revaluation [8]	(55,666)	-	(55,666)
Total adjustments	(172,135)	89,783	(261,918)
Adjusted amount under Korean-IFRS	**17,412,117**	**9,504,541**	**7,907,576**

Effects of Korean-IFRS adoption on the Group's profit and comprehensive income for the year ended December 31, 2010, are as follows:

(In millions of Korean won)	**Profit**	**Comprehensive income**
Reported amount under previous K-GAAP	2,656,475	2,630,488
Adjustments for:		
Investments in associates [2]	(347,407)	(367,388)
Amortization of goodwill [3]	39,636	39,636
Fair value measurement and other [5]	204,851	204,851
Other long-term employee benefit obligations [6]	36,345	(21,082)
Changes in scope of consolidation [7]	7,675	7,675
Total adjustments	(58,900)	(136,308)
Adjusted amount under Korean-IFRS	**2,597,575**	**2,494,180**

[1] The factoring of trade receivables with no transfer of risk and rewards are treated as borrowings.

[2] The effects of the changes in associates' financial statements on adoption of Korean IFRS.

[3] Amortization effect of goodwill acquired from business combination in accordance with the previous K-GAAP was eliminated.

[4] Certain land was measured at the fair value on the transition date and the value was used for replacement cost for the period.

[5] Conversion rights are separated from convertible bonds and are measured at fair value with gains (losses) recognized in profit or loss.

[6] Defined benefit liability is calculated by using an actuarial method and actuarial losses (gains) on defined benefit liability is recognized in other comprehensive income (immediately recognized in retained earnings). And other long-term employee benefit obligations are calculated by using an

actuarial method. Actuarial losses (gains) on other long-term employee benefit obligations are recognized in profit or loss for the period.

[7] Changes in total assets and liabilities due to changes in scope of consolidation

[8] Recognition of deferred tax liabilities of advanced depreciation provision relating previous revaluation of lands unlikely to dispose of.

(2) Effects on the cash flows

On adoption of Korean-IFRS, cash flows from interest received, interest paid, dividends received, and income taxes paid, which had not been separated presented, are presented separately on the face of the statement of cash flows. In order to accommodate the change, cash flows related to relevant income/expenses, assets/liabilities have been adjusted. The effects of the change in exchange rate on cash and cash equivalents in a foreign currency are presented separately from cash flows from operating, investing and financing activities.

Cash flows from operating and financing activities are adjusted due to certain transfers of trade receivables that were derecognized under the previous K-GAAP but are treated as collateralized borrowings under Korean-IFRS. Also, other Korean-IFRS transition effects are reflected on cash flows where they have an effect on cash flows.

44. Event after the Reporting Period

On November 14, 2011, the Share Management Council and the Company entered into a share purchase agreement with SK telecom Co., Ltd. In accordance with the terms of the agreement, SK Telecom Co., Ltd., on February 14, 2012, purchased 44.25 million shares of the Company from the Share Management Council and acquired newly issued 101.85 million shares of the Company through an allotment to a third party. Consequently, SK Telecom Co., Ltd. acquired 146.1 million shares of common stock of the Company, representing approximately 21.05% of the outstanding common stock and became a largest shareholder of the Company. The special agreement with the Share Management Council, explained in Note 38, is not valid anymore.