

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Group"). These interim consolidated financial statements consist of interim consolidated statements of financial position of the Company as of September 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2015 and 2014, and the interim consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2015 and 2014, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to issue a report on these interim consolidated financial statements based on our reviews.

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

Conclusion

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

Other Matters

We have audited the consolidated statement of financial position of the Company as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated February 24, 2015. The consolidated statement of financial position as of December 31, 2014, presented herein for comparative purposes, is consistent, in all material respects, with the above mentioned audited consolidated statement of financial position as of December 31, 2014.

SAMIL PricewaterhouseCoopers

November 12, 2015
Seoul, Korea

This report is effective as at November 12, 2015, 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.

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.3))

	Notes	September 30, 2015 KRW	December 31, 2014 KRW	September 30, 2015 USD	December 31, 2014 USD
Assets					
Current assets					
Cash and cash equivalents	3	23,608,377	16,840,766	21,035,898	15,005,717
Short-term financial instruments	3	40,895,407	41,689,776	36,439,251	37,147,062
Short-term available-for-sale financial assets	3	5,220,977	3,286,798	4,652,075	2,928,653
Trade receivables	3	27,631,463	24,694,610	24,620,609	22,003,769
Non-trade receivables	3	3,062,872	3,539,875	2,729,127	3,154,154
Advances paid		1,781,263	1,989,470	1,587,168	1,772,688
Prepaid expenses		3,623,823	3,346,593	3,228,954	2,981,932
Inventories	5	22,841,069	17,317,504	20,352,199	15,430,507
Other current assets		1,113,148	1,795,143	991,854	1,599,536
Assets held-for-sale	28	-	645,491	-	575,155
Total current assets		129,778,399	115,146,026	115,637,135	102,599,173
Non-current assets					
Long-term available-for-sale financial assets	3, 4	8,628,872	12,667,509	7,688,629	11,287,198
Investment in associates and joint ventures	6	5,406,135	5,232,461	4,817,057	4,662,307
Property, plant and equipment	7	86,560,428	80,872,950	77,128,396	72,060,653
Intangible assets	8	5,560,298	4,785,473	4,954,422	4,264,025
Long-term prepaid expenses		4,249,552	4,857,126	3,786,501	4,327,871
Deferred income tax assets		4,522,873	4,526,595	4,030,039	4,033,356
Other non-current assets		1,861,016	2,334,818	1,658,230	2,080,406
Total assets		246,567,573	230,422,958	219,700,409	205,314,989

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.3))

Notes	September 30, 2015 KRW	December 31, 2014 KRW	September 30, 2015 USD	December 31, 2014 USD	
Liabilities and Equity					
Current liabilities					
Trade payables	3	9,842,913	7,914,704	8,770,383	7,052,281
Short-term borrowings	3, 9	11,303,099	8,029,299	10,071,460	7,154,389
Other payables	3	8,943,659	10,318,407	7,969,116	9,194,065
Advances received		1,314,436	1,427,230	1,171,209	1,271,712
Withholdings		902,629	1,161,635	804,274	1,035,058
Accrued expenses		9,801,498	12,876,777	8,733,481	11,473,663
Income tax payable		1,712,186	2,161,109	1,525,618	1,925,624
Current portion of long-term liabilities	3, 9, 10	46,910	1,778,667	41,798	1,584,855
Provisions	12	8,885,694	5,991,510	7,917,467	5,338,647
Other current liabilities		275,371	326,259	245,365	290,708
Liabilities held-for-sale	28	-	28,316	-	25,231
Total current liabilities		53,028,395	52,013,913	47,250,171	46,346,233
Non-current liabilities					
Debentures	3, 10	1,458,885	1,355,882	1,299,918	1,208,139
Long-term borrowings	3, 9	78,001	101,671	69,502	90,592
Long-term other payables	3	2,433,972	2,562,271	2,168,755	2,283,074
Net defined benefit liabilities	11	1,012,175	201,342	901,884	179,403
Deferred income tax liabilities		5,242,795	4,097,811	4,671,515	3,651,294
Provisions	12	692,508	499,290	617,049	444,885
Other non-current liabilities		1,892,206	1,502,590	1,686,022	1,338,861
Total liabilities		65,838,937	62,334,770	58,664,816	55,542,481

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.3))

	Notes	September 30, 2015 KRW	December 31, 2014 KRW	September 30, 2015 USD	December 31, 2014 USD
Equity attributable to owners of the parent					
Preferred stock	14	119,467	119,467	106,449	106,449
Common stock	14	778,047	778,047	693,267	693,267
Share premium		4,403,893	4,403,893	3,924,024	3,924,024
Retained earnings	15	181,889,556	169,529,604	162,070,014	151,056,861
Other components of equity	16	(12,796,100)	(12,729,387)	(11,401,776)	(11,342,333)
Accumulated other comprehensive income attributable to assets held-for-sale	28	-	80,101	-	71,373
		174,394,863	162,181,725	155,391,978	144,509,641
Non-controlling interests		6,333,773	5,906,463	5,643,615	5,262,867
Total equity		180,728,636	168,088,188	161,035,593	149,772,508
Total liabilities and equity		246,567,573	230,422,958	219,700,409	205,314,989

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF INCOME

(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))

	Notes	For the three-months ended September 30,				For the nine-months ended September 30,			
		2015 KRW	2014 KRW	2015 USD	2014 USD	2015 KRW	2014 KRW	2015 USD	2014 USD
Revenue		51,682,572	47,447,310	46,050,996	42,277,228	147,338,029	153,475,865	131,283,384	136,752,412
Cost of sales	17	31,609,452	30,711,398	28,165,137	27,364,940	89,520,438	94,432,732	79,765,870	84,142,897
Gross profit		20,073,120	16,735,912	17,885,859	14,912,288	57,817,591	59,043,133	51,517,514	52,609,515
Selling, general and administrative expenses	17, 18	12,679,747	12,675,390	11,298,102	11,294,220	37,546,914	39,306,489	33,455,626	35,023,469
Operating profit		7,393,373	4,060,522	6,587,757	3,618,068	20,270,677	19,736,644	18,061,888	17,586,046
Other non-operating income	19	320,297	828,296	285,396	738,041	1,335,872	3,327,828	1,190,309	2,965,212
Other non-operating expense	19	404,293	286,460	360,239	255,246	869,351	1,572,572	774,622	1,401,217
Share of profit of associates and joint ventures	6	23,694	2,076	21,112	1,850	113,872	96,217	101,464	85,733
Finance income	20	3,385,634	1,682,596	3,016,719	1,499,252	7,961,000	5,369,692	7,093,532	4,784,585
Finance expense	20	3,328,586	1,440,159	2,965,888	1,283,232	7,575,284	4,676,862	6,749,845	4,167,249
Profit before income tax		7,390,119	4,846,871	6,584,857	4,318,733	21,236,786	22,280,947	18,922,726	19,853,110
Income tax expense	21	1,931,560	624,526	1,721,088	556,475	5,400,115	4,233,380	4,811,693	3,772,091
Profit for the period		5,458,559	4,222,345	4,863,769	3,762,258	15,836,671	18,047,567	14,111,033	16,081,019
Profit attributable to owners of the parent		5,306,104	4,135,422	4,727,926	3,684,807	15,452,161	17,796,608	13,768,421	15,857,406
Profit attributable to non-controlling interests		152,455	86,923	135,843	77,451	384,510	250,959	342,612	223,613
Earnings per share for profit attributable to the owners of the parent (in Korean Won, in US dollars)	22								
- Basic		35,630	27,419	31.75	24.43	103,720	118,009	92.42	105.15
- Diluted		35,629	27,418	31.75	24.43	103,718	118,000	92.42	105.14

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))

	Notes	For the three-months ended September 30,				For the nine-months ended September 30,			
		2015 KRW	2014 KRW	2015 USD	2014 USD	2015 KRW	2014 KRW	2015 USD	2014 USD
Profit for the period		5,458,559	4,222,345	4,863,769	3,762,258	15,836,671	18,047,567	14,111,033	16,081,019
Other comprehensive income									
Items not to be reclassified subsequently to profit or loss :									
Remeasurements of the net defined benefit liability, net of tax	16	(17,309)	(15,366)	(15,423)	(13,692)	(67,240)	(35,973)	(59,913)	(32,054)
Items to be reclassified subsequently to profit or loss :									
Changes in value of available-for-sale financial assets, net of tax	16	(339,259)	(292,853)	(302,292)	(260,942)	(818,154)	(562,797)	(729,004)	(501,472)
Share of other comprehensive income(loss) of associates and joint ventures, net of tax	16	(1,729)	22,408	(1,541)	19,966	2,037	(61,509)	1,815	(54,807)
Foreign currency translation, net of tax	16	1,841,124	112,396	1,640,506	100,149	2,110,157	(1,792,533)	1,880,224	(1,597,211)
Other comprehensive income(loss) for the period, net of tax		1,482,827	(173,415)	1,321,250	(154,519)	1,226,800	(2,452,812)	1,093,122	(2,185,544)
Total consolidated comprehensive income for the period		6,941,386	4,048,930	6,185,019	3,607,739	17,063,471	15,594,755	15,204,155	13,895,475
Consolidated comprehensive income attributable to :									
Owners of the parent		6,735,178	3,977,392	6,001,281	3,543,997	16,632,865	15,400,519	14,820,470	13,722,406
Non-controlling interests		206,208	71,538	183,738	63,742	430,606	194,236	383,685	173,069

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2014 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2014		119,467	778,047	4,403,893	148,600,282	(9,459,073)	144,442,616	5,573,394	150,016,010
Profit for the period					17,796,608		17,796,608	250,959	18,047,567
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(586,312)	(586,312)	23,515	(562,797)
Share of other comprehensive loss of associates and joint ventures, net of tax	16	-	-	-	-	(61,138)	(61,138)	(371)	(61,509)
Foreign currency translation, net of tax	16	-	-	-	-	(1,710,595)	(1,710,595)	(81,938)	(1,792,533)
Remeasurements of net defined benefit liability, net of tax	16	-	-	-	-	(38,044)	(38,044)	2,071	(35,973)
Total comprehensive income		-	-	-	17,796,608	(2,396,089)	15,400,519	194,236	15,594,755
Dividends		-	-	-	(2,157,011)	-	(2,157,011)	(16,312)	(2,173,323)
Capital transaction under common control		-	-	-	-	(158)	(158)	(549)	(707)
Changes in consolidated entities		-	-	-	-	-	-	378	378
Disposal of treasury stock	16	-	-	-	-	32,763	32,763	-	32,763
Stock option	16	-	-	-	-	(9,436)	(9,436)	-	(9,436)
Others		-	-	-	4,977	2,882	7,859	(604)	7,255
Total transactions with owners		-	-	-	(2,152,034)	26,051	(2,125,983)	(17,087)	(2,143,070)
Balance as of September 30, 2014		119,467	778,047	4,403,893	164,244,856	(11,829,111)	157,717,152	5,750,543	163,467,695

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.3))

2014 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2014		106,449	693,267	3,924,024	132,408,096	(8,428,368)	128,703,468	4,966,091	133,669,559
Profit for the period		-	-	-	15,857,406	-	15,857,406	223,613	16,081,019
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(522,425)	(522,425)	20,953	(501,472)
Share of other comprehensive loss of associates and joint ventures, net of tax	16	-	-	-	-	(54,476)	(54,476)	(331)	(54,807)
Foreign currency translation, net of tax	16	-	-	-	-	(1,524,201)	(1,524,201)	(73,010)	(1,597,211)
Remeasurements of net defined benefit liability, net of tax	16	-	-	-	-	(33,899)	(33,899)	1,845	(32,054)
Total comprehensive income		-	-	-	15,857,406	(2,135,001)	13,722,405	173,070	13,895,475
Dividends		-	-	-	(1,921,973)	-	(1,921,973)	(14,535)	(1,936,508)
Capital transaction under common control		-	-	-	-	(141)	(141)	(489)	(630)
Changes in consolidated entities		-	-	-	-	-	-	337	337
Disposal of treasury stock	16	-	-	-	-	29,193	29,193	-	29,193
Stock option	16	-	-	-	-	(8,408)	(8,408)	-	(8,408)
Others		-	-	-	4,435	2,568	7,003	(538)	6,465
Total transactions with owners		-	-	-	(1,917,538)	23,212	(1,894,326)	(15,225)	(1,909,551)
Balance as of September 30, 2014		106,449	693,267	3,924,024	146,347,964	(10,540,157)	140,531,547	5,123,936	145,655,483

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2015 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2015		119,467	778,047	4,403,893	169,529,604	(12,729,387)	80,101	162,181,725	5,906,463	168,088,188
Profit for the period		-	-	-	15,452,161			15,452,161	384,510	15,836,671
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(760,372)	(28,972)	(789,344)	(28,810)	(818,154)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	16	-	-	-	-	55,943	(54,118)	1,825	212	2,037
Foreign currency translation, net of tax	16	-	-	-	-	2,036,691	(1,233)	2,035,458	74,699	2,110,157
Remeasurements of net defined benefit liability, net of tax	16	-	-	-	-	(67,235)	-	(67,235)	(5)	(67,240)
Reclassification to assets held-for-sale		-	-	-	-	(4,222)	4,222	-	-	-
Total comprehensive income (loss)		-	-	-	15,452,161	1,260,805	(80,101)	16,632,865	430,606	17,063,471
Dividends		-	-	-	(3,073,480)	-	-	(3,073,480)	(1,564)	(3,075,044)
Capital transaction under common control		-	-	-	-	(5,314)	-	(5,314)	(463)	(5,777)
Changes in consolidated entities		-	-	-	-	-	-	-	(152)	(152)
Acquisition of treasury stock	16	-	-	-	-	(1,323,059)	-	(1,323,059)	-	(1,323,059)
Others		-	-	-	(18,729)	855	-	(17,874)	(1,117)	(18,991)
Total transactions with owners		-	-	-	(3,092,209)	(1,327,518)	-	(4,419,727)	(3,296)	(4,423,023)
Balance as of September 30, 2015		119,467	778,047	4,403,893	181,889,556	(12,796,100)	-	174,394,863	6,333,773	180,728,636

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.3))

2015 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2015		106,449	693,267	3,924,024	151,056,861	(11,342,333)	71,373	144,509,641	5,262,867	149,772,508
Profit for the period		-	-	-	13,768,421	-	-	13,768,421	342,612	14,111,033
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(677,518)	(25,815)	(703,333)	(25,671)	(729,004)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	16	-	-	-	-	49,847	(48,221)	1,626	189	1,815
Foreign currency translation, net of tax	16	-	-	-	-	1,814,764	(1,099)	1,813,665	66,559	1,880,224
Remeasurements of net defined benefit liability, net of tax	16	-	-	-	-	(59,909)	-	(59,909)	(4)	(59,913)
Reclassification to assets held-for-sale		-	-	-	-	(3,762)	3,762	-	-	-
Total comprehensive income (loss)		-	-	-	13,768,421	1,123,422	(71,373)	14,820,470	383,685	15,204,155
Dividends		-	-	-	(2,738,579)	-	-	(2,738,579)	(1,394)	(2,739,973)
Capital transaction under common control		-	-	-	-	(4,735)	-	(4,735)	(413)	(5,148)
Changes in consolidated entities		-	-	-	-	-	-	-	(135)	(135)
Acquisition of treasury stock	16	-	-	-	-	(1,178,892)	-	(1,178,892)	-	(1,178,892)
Others		-	-	-	(16,689)	762	-	(15,927)	(995)	(16,922)
Total transactions with owners		-	-	-	(2,755,268)	(1,182,865)	-	(3,938,133)	(2,937)	(3,941,070)
Balance as of September 30, 2015		106,449	693,267	3,924,024	162,070,014	(11,401,776)	-	155,391,978	5,643,615	161,035,593

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))

		For the nine months ended September 30,			
	Notes	2015	2014	2015	2014
Cash flows from operating activities		KRW	KRW	USD	USD
Profit for the period		15,836,671	18,047,567	14,111,033	16,081,019
Adjustments	23	21,499,982	16,303,949	19,157,243	14,527,394
Changes in assets and liabilities arising from operating activities	23	(6,478,308)	638,514	(5,772,401)	568,939
Cash flows from operating activities		30,858,345	34,990,030	27,495,875	31,177,352
Interest received		1,740,947	1,118,831	1,551,245	996,918
Interest paid		(577,860)	(341,456)	(514,894)	(304,249)
Dividend received		227,915	1,459,641	203,080	1,300,592
Income tax paid		(4,543,937)	(5,657,246)	(4,048,808)	(5,040,806)
Net cash generated from operating activities		27,705,410	31,569,800	24,686,498	28,129,807
Cash flows from investing activities					
Net increase in short-term financial instruments		(1,141,287)	(6,524,466)	(1,016,927)	(5,813,529)
Proceeds from disposal of short-term available-for-sale financial assets		2,043,234	1,468,788	1,820,594	1,308,742
Acquisition of short-term available-for-sale financial assets		(861,548)	(2,253,454)	(767,670)	(2,007,907)
Proceeds from disposal of long-term financial instruments		2,799,709	94,089	2,494,640	83,837
Acquisition of long-term financial instruments		(132,323)	(3,248,187)	(117,904)	(2,894,249)
Proceeds from disposal of long-term available-for-sale financial assets		117,272	151,548	104,493	135,035
Acquisition of long-term available-for-sale financial assets		(102,712)	(5,940,674)	(91,520)	(5,293,350)
Proceeds from disposal of associates and joint ventures		278,009	2,014,430	247,716	1,794,928
Acquisition of associates and joint ventures		(137,917)	(653,567)	(122,889)	(582,351)
Disposal of property, plant and equipment		193,271	267,969	172,211	238,770
Purchases of property, plant and equipment		(20,116,206)	(14,478,346)	(17,924,250)	(12,900,717)
Disposal of intangible assets		803	7,865	716	7,008
Purchases of intangible assets		(1,113,338)	(951,358)	(992,023)	(847,694)
Cash outflows from business combinations		(411,445)	(176,625)	(366,612)	(157,379)
Others		438,126	202,918	390,386	180,807
Net cash used in investing activities		(18,146,352)	(30,019,070)	(16,169,039)	(26,748,049)

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))

Notes	For the nine months ended September 30,			
	2015	2014	2015	2014
	KRW	KRW	USD	USD
Cash flows from financing activities				
Net increase in short-term borrowings	3,234,626	3,474,181	2,882,166	3,095,618
Acquisition of treasury stock	(1,323,059)	-	(1,178,892)	-
Disposal of treasury stock	-	27,582	-	24,577
Proceeds from long-term borrowings and debentures	190	1,739,653	169	1,550,092
Repayment of long-term borrowings and debentures	(1,795,923)	(2,177,556)	(1,600,231)	(1,940,279)
Payment of dividends	(3,074,851)	(2,162,416)	(2,739,801)	(1,926,789)
Net increase in non-controlling interests	(26,185)	(760)	(23,332)	(677)
Net cash generated(used) in financing activities	(2,985,202)	900,684	(2,659,921)	802,542
Effect of exchange rate changes on cash and cash equivalents	193,755	(732,131)	172,643	(652,355)
Net increase(decrease) in cash and cash equivalents	6,767,611	1,719,283	6,030,181	1,531,945
Cash and cash equivalents				
Beginning of the period	16,840,766	16,284,780	15,005,717	14,510,314
End of the period	23,608,377	18,004,063	21,035,898	16,042,259

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

1.1 Company Overview

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

SEC and its subsidiaries (collectively referred to as the “Group”) operate three business divisions: Consumer Electronics (“CE”), Information technology & Mobile communications (“IM”), and Device Solution (“DS”). The CE division includes digital TVs, monitors, printers, air conditioners and refrigerators and the IM division includes mobile phones, communications system, and computers. The DS division includes products such as memory and system LSI in the semiconductor business (“Semiconductor”), and LCD and OLED panels in the display business (“DP”). The Group is domiciled in the Republic of Korea and the address of its registered office is Suwon, the Republic of Korea.

These interim consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1110, *Consolidated Financial Statements*. SEC, as the controlling Company, consolidates its 157 subsidiaries including Samsung Display and Samsung Electronics America. The Group also applies the equity method of accounting for its 33 affiliates, including Samsung Electro-Mechanics.

1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of September 30, 2015 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Display (SDC)	Manufacture and sale of display panels	84.8
	SU Materials	Manufacture of LCD components	50.0
	STECO	Manufacture of semiconductor components	70.0
	SEMES	Manufacture of semiconductor/FPD	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
Domestic	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Medison	Medical equipment	68.5
	Samsung Venture Capital Union #14	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #20	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #21	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #22	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #23	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #26	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #27	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #28	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #29	Technology business, Venture capital investments	99.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹
America	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	NexusDX (Nexus)	Medical equipment	100.0
	Samsung Receivables (SRC)	Credit management	100.0
	NeuroLogica	Medical equipment	100.0
	Samsung Semiconductor (SSI)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Canada (SECA)	Sale of electronic devices	100.0
	Samsung Research America (SRA)	R&D	100.0
	Grandis	R&D	100.0
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0
	Samsung International (SII)	Manufacture of TV/monitors	100.0
	Samsung Austin Semiconductor (SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico (SEM)	Sale of electronic devices	99.9
	SEMES America (SEMESA)	Semiconductor equipment	100.0
	Samsung Electronics Digital Appliance Mexico (SEDAM)	Manufacture of electronic devices	99.9
	Samsung Electronics Latinoamerica Miami (SEMI)	Sale of electronic devices	100.0
	Samsung Electronics Latinoamerica (SELA)	Sale of electronic devices	100.0
	Samsung Electronics Venezuela (SEVEN)	Marketing and services	100.0
	Samsung Electronica Colombia (SAMCOL)	Sale of electronic devices	100.0
	Samsung Electronics Panama (SEPA)	Consulting	100.0
	Samsung Electronica da Amazonia (SEDA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Argentina (SEASA)	Marketing and services	100.0
	Samsung Electronics Chile (SECH)	Sale of electronic devices	100.0
	Samsung Electronics Peru (SEPR)	Sale of electronic devices	100.0
	RT SV CO-INVEST (RT-SV)	Technology business, Venture capital investments	99.9
	Quietside	Sale of heating and cooling products	100.0
	SmartThings	Sale of smart home electronics	100.0
	PrinterOn	Sale of printing solutions	100.0
	PrinterOn America	Sale of printing solutions	100.0
	Simpres	Sale of printing solutions	100.0
	Samsung Pay(formerly LoopPay)	Develop and provide mobile payment service	100.0
	YESCO Electronics	Manufacture and sale of LED displays	100.0
	Beijing Integrated Circuit Industry International Fund (Beijing Fund)	Venture capital investments	99.0
Europe/CIS	Samsung Electronics (UK) (SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding (SEHG)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH (SSEG)	Sale of semiconductor/LCD	100.0
	Samsung Electronics GmbH (SEG)	Sale of electronic devices	100.0
	Samsung Electronics Iberia (SESA)	Sale of electronic devices	100.0
	Samsung Electronics France (SEF)	Sale of electronic devices	100.0
	Samsung Electronics Hungarian (SEH)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Czech and Slovak (SECZ)	Sale of electronic devices	100.0
	Samsung Electronics Italia (SEI)	Sale of electronic devices	100.0
	Samsung Electronics Europe Logistics (SELS)	Logistics	100.0
	Samsung Electronics Benelux (SEBN)	Sale of electronic devices	100.0
	Samsung Display Slovakia (SDSK)	Toll processing of LCD	100.0
	Samsung Electronics Romania (SEROM)	Sale of electronic devices	100.0
	Samsung Electronics Overseas (SEO)	Sale of electronic devices	100.0
	Samsung Electronics Polska (SEPOL)	Sale of electronic devices	100.0
	Samsung Electronics Portuguesa (SEP)	Sale of electronic devices	100.0
	Samsung Electronics Nordic (SENA)	Sale of electronic devices	100.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Semiconductor Europe (SSEL)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia (SESK)	Manufacture of TV/monitors	100.0
	Samsung Electronics Europe Holding (SEEH)	Holding Company	100.0
	Samsung Electronics Poland Manufacturing (SEPM)	Manufacture of home appliances	100.0
	Samsung Electronics Greece (SEGR)	Sale of electronic devices	100.0
	Samsung Nanoradio Design Center (SNDC)	R&D	100.0
	SonoAce Deutschland (SMDE)	Medical equipment	100.0
	Samsung Electronics Rus (SER)	Marketing	100.0
	Samsung Electronics Rus Company (SERC)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine (SEU)	Marketing	100.0
	Samsung Electronics Baltics (SEB)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine Company (SEUC)	Sale of electronic devices	100.0
Europe/CIS	Samsung R&D Institute Rus (SRR)	R&D	100.0
	Samsung Electronics Kazakhstan (SEK)	Marketing	100.0
	Samsung Electronics Central Eurasia (SECE)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga (SERK)	Manufacture of TV	100.0
	Samsung Russia Service Centre (SRSC)	Services	100.0
	Samsung Electronics (London) Limited (SEL)	Holding Company	100.0
	Samsung Denmark Research Center (SDRC)	R&D	100.0
	Samsung France Research Center (SFRC)	R&D	100.0
	Samsung Cambridge Solution Centre (SCSC)	R&D	100.0
	Samsung Electronics Switzerland GmbH (SESG)	Sale of electronic devices	100.0
	PrinterOn Europe	Sale of printing solutions	100.0
	Samsung Electronics Caucasus (SECC)	Marketing	100.0
	Samsung Electronics West Africa (SEWA)	Marketing	100.0
	Samsung Electronics East Africa (SEEA)	Marketing	100.0
	Samsung Gulf Electronics (SGE)	Sale of electronic devices	100.0
	Samsung Electronics Egypt (SEEG)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Israel (SEIL)	Marketing	100.0
	Samsung Electronics Tunisia (SETN)	Marketing	100.0
	Samsung Electronics Pakistan (SEPAK)	Marketing	100.0
Middle East and Africa	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0
	Samsung Electronics Morocco (SEMRC)	Sale of electronic devices	100.0
	Samsung Electronics South Africa Production (SSAP)	Manufacture of TV/monitors	100.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹
Asia (Except China)	Samsung Japan (SJC)	Sale of electronic devices	100.0
	Samsung R&D Institute Japan (SRJ)	R&D	100.0
	Samsung Electronics Japan (SEJ)	Sale of electronic devices	100.0
	Samsung Electronics Display (M) (SDMA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics (M) (SEMA)	Manufacture of home appliances	100.0
	Samsung Vina Electronics (SAVINA)	Manufacture and sale of electronic devices	100.0
	Samsung Asia Private (SAPL)	Sale of electronic devices	100.0
	Samsung India Electronics (SIEL)	Manufacture and sale of electronic devices	100.0
	Samsung R&D Institute India-Bangalore (SRI-B)	R&D	100.0
	Samsung Electronics Australia (SEAU)	Sale of electronic devices	100.0
	Samsung Electronics Indonesia (SEIN)	Manufacture and sale of electronic devices	100.0
	Samsung Telecommunications Indonesia (STIN)	Sale and services of communication systems	100.0
	Thai Samsung Electronics (TSE)	Manufacture and sale of electronic devices	91.8
	Samsung Electronics Philippines (SEPCO)	Sale of electronic devices	100.0
	Samsung Malaysia Electronics (SME)	Sale of electronic devices	100.0
	Samsung R&D Institute Bangladesh (SRBD)	R&D	100.0
	Samsung Electronics Vietnam (SEV)	Manufacture of electronic devices	100.0
	Samsung Telecommunications Malaysia (STM)	Communication system services	100.0
	Samsung Electronics Vietnam THAINGUYEN (SEVT)	Manufacture of communication equipment	100.0
	Samsung Medison India (SMIN)	Medical equipment	100.0
	Samsung Electronics New Zealand (SENZ)	Sale of electronic devices	100.0
	Samsung Display Vietnam (SDV)	Manufacture of LCD	100.0
	Samsung Electronics HCMC CE Complex (SEHC)	Manufacture of CE	100.0
China	Samsung Display Dongguan (SDD)	Manufacture of LCD	100.0
	Samsung Display Tianjin (SDT)	Manufacture of LCD	95.0
	Samsung Electronics Hong Kong (SEHK)	Sale of electronic devices	100.0
	Suzhou Samsung Electronics (SSEC)	Manufacture of home appliances	88.3
	Samsung Suzhou Electronics Export (SSEC-E)	Manufacture of home appliances	100.0
	Samsung (China) Investment (SCIC)	Sale of electronic devices	100.0
	Samsung Mobile R&D Center China-Guangzhou (SRC-Guangzhou)	R&D	100.0
	Samsung Tianjin Mobile Development Center (STMC)	R&D	100.0
	Samsung R&D Institute China-Shenzhen(SRC-Shenzhen)	R&D	100.0
	Samsung Electronics Suzhou Semiconductor (SESS)	Toll processing of semiconductor	100.0
	Samsung Electronics (Shandong) Digital Printing (SSDP)	Manufacture of printers	100.0
	Samsung Electronics Huizhou (SEHZ)	Manufacture of electronic devices	99.9
	Tianjin Samsung Electronics (TSEC)	Manufacture of TV/monitors	91.2
	Samsung Electronics Taiwan (SET)	Sale of electronic devices	100.0
	Beijing Samsung Telecom R&D Center (BST)	R&D	100.0
	Tianjin Samsung Telecom Technology (TSTC)	Manufacture of communication equipment	90.0
	Shanghai Samsung Semiconductor (SSS)	Sale of semiconductor/LCD	100.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Electronics Suzhou Computer (SESC)	Manufacture of electronic devices	100.0
	Samsung Suzhou Module (SSM)	Toll processing of LCD	100.0
	Samsung Suzhou LCD (SSL)	Manufacture of LCD	60.0
	Shenzhen Samsung Electronics Telecommunication (SSET)	Manufacture of communication equipment	95.0
	Samsung Electronics Shanghai Telecommunication (SSTC)	Sale of mobile communication and network equipment	100.0
	Samsung Semiconductor (China) R&D (SSCR)	R&D	100.0
China (Cont.)	Samsung Electronics China R&D Center (SCRC)	R&D	100.0
	Samsung (China) Semiconductor (SCS)	Manufacture of semiconductor	100.0
	Samsung Electronics (Beijing) Service (SBSC)	Services	100.0
	Tianjin Samsung LED (TSLED)	Manufacture of LED	100.0
	Tianjin Samsung Opto-Electronics (TSOE)	Manufacture of cameras/camcorders	90.0
	Samsung R&D Institute China-Xian (SRC-Xian)	R&D	100.0
	SEMES (Xian)	Semiconductor equipment	100.0

¹ Ownership represents the Group's ownership of voting rights in each entity.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(1) 2015

<i>(In millions of Korean won)</i>	As of September 30, 2015		For the three months ended September 30, 2015		For the nine months ended September 30, 2015	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	39,387,793	6,661,459	7,117,283	773,364	20,054,143	1,713,347
Samsung Electronics America (SEA)	16,668,150	9,401,585	8,911,077	(68,576)	25,546,201	89,782
Samsung (China) Investment (SCIC)	12,984,718	11,008,507	3,318,502	141,357	9,208,543	88,981
Samsung (China) Semiconductor (SCS)	9,938,158	6,812,170	825,268	77,346	1,728,586	85,570
Samsung Electronics Vietnam (SEV)	9,174,677	1,794,180	5,118,744	585,546	14,110,473	1,524,364
Samsung Semiconductor (SSI)	8,807,260	4,759,144	5,849,751	11,195	14,809,510	31,900
Samsung Electronics Europe Holding (SEEH)	7,556,858	5,710,968	-	1,227	-	12,079
Samsung Electronics Vietnam THAINGUYEN (SEVT)	7,208,895	4,926,024	5,456,766	373,456	14,646,759	1,207,986
Samsung Electronics Huizhou (SEHZ)	6,653,751	2,017,743	4,969,806	199,595	13,963,990	662,844
Samsung Austin Semiconductor (SAS)	6,563,152	3,099,668	832,923	23,246	2,117,895	60,770
Samsung India Electronics (SIEL)	3,831,053	2,378,295	2,100,563	97,730	5,830,237	221,651
Shanghai Samsung Semiconductor (SSS)	3,567,332	2,994,996	3,947,122	36,688	10,073,341	98,939
Samsung Asia Private (SAPL)	3,410,963	652,167	340,453	(17,441)	1,091,804	(9,068)
Samsung Electronica da Amazonia (SEDA)	3,150,270	1,145,890	1,171,639	(7,403)	4,324,964	244,289
Tianjin Samsung Telecom Technology (TSTC)	2,603,905	690,336	1,750,439	96,281	5,298,631	285,486
Samsung Electronics Slovakia (SESK)	2,299,479	712,117	696,050	35,020	2,290,874	105,984
Samsung Suzhou LCD (SSL)	2,223,677	997,044	276,285	15,204	776,696	89,504
Samsung Electronics Europe Logistics (SELS)	2,203,302	1,699,855	3,079,680	11,600	9,013,251	373,861
Thai Samsung Electronics (TSE)	1,908,402	409,313	986,636	68,860	3,036,786	192,790
Samsung Electronics GmbH (SEG)	1,903,777	1,754,422	1,473,490	134,679	4,287,618	81,462
Samsung Electronics Hungarian (SEH)	1,599,160	547,240	824,353	35,623	2,153,078	77,291
Samsung Electronics Taiwan (SET)	1,597,998	1,300,474	1,024,722	2,330	3,398,670	1,775
Samsung Display Dongguan (SDD)	1,313,721	435,884	1,319,652	55,307	3,406,445	71,068
Samsung Electronics Benelux (SEBN)	1,307,028	298,486	521,721	9,573	1,626,405	37,141
Samsung Electronics (UK) (SEUK)	1,306,598	911,304	1,178,020	(11,759)	3,285,295	100,579

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) 2014

<i>(In millions of Korean won)</i>	As of December 31, 2014		For the three months ended September 30, 2014		For the nine months ended September 30, 2014	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	37,939,965	6,728,991	6,043,529	66,017	18,191,377	1,509,567
Samsung Electronics America(SEA)	10,697,787	5,409,749	3,145,802	(75,814)	9,149,586	(220,435)
Samsung (China) Investment (SCIC)	9,603,679	7,830,941	3,395,069	(322,423)	13,411,425	(576,120)
Samsung Semiconductor (SSI)	7,577,935	3,883,673	4,681,030	47,138	13,451,383	85,071
Samsung Electronics Europe Holding (SEEH)	7,022,746	5,062,988	-	1,971	-	68,329
Samsung (China) Semiconductor (SCS)	6,765,278	3,911,166	189,080	(12,305)	268,214	(7,785)
Samsung Electronics Vietnam (SEV)	6,553,628	1,251,667	3,886,424	166,292	15,508,180	1,652,910
Samsung Austin Semiconductor (SAS)	6,503,003	3,375,099	668,145	22,956	1,756,028	51,218
Samsung Telecommunications America (STA)	5,321,014	4,573,413	4,550,285	(104,815)	16,464,805	83,974
Samsung Electronics Huizhou (SEHZ)	4,966,486	1,258,635	3,827,484	265,450	13,369,539	738,019
Samsung Electronics Vietnam THAINGUYEN (SEVT)	3,957,700	3,042,402	2,480,192	206,799	4,413,669	404,121
Samsung Electronica da Amazonia (SEDA)	3,797,166	1,330,302	1,825,010	155,794	5,887,469	565,521
Samsung Asia Private (SAPL)	3,110,433	671,729	312,590	(1,937)	1,096,470	1,054,976
Samsung India Electronics (SIEL)	2,949,605	1,776,936	1,632,698	107,337	5,167,986	454,429
Shanghai Samsung Semiconductor (SSS)	2,560,852	2,120,738	3,616,584	39,079	10,221,111	103,466
Tianjin Samsung Telecom Technology (TSTC)	2,316,054	789,395	2,809,188	322,878	9,203,231	550,952
Samsung Electronics Slovakia (SESK)	1,869,697	405,089	844,881	43,607	2,836,360	108,725
Samsung Suzhou LCD (SSL)	1,831,794	768,230	258,731	38,822	522,466	(47,802)
Thai Samsung Electronics (TSE)	1,654,988	307,109	1,018,159	58,042	3,494,346	170,537
Samsung Electronics Europe Logistics (SELS)	1,621,583	1,524,468	2,994,163	104,646	9,829,423	511,148
Samsung Electronics Taiwan (SET)	1,583,027	1,299,330	1,179,554	18,664	3,318,667	20,679
Samsung Electronics Hungarian (SEH)	1,287,972	323,972	687,212	6,686	2,076,974	83,797
Samsung Electronics (UK) (SEUK)	1,235,239	964,058	893,598	31,684	3,191,298	(187,648)
Samsung Electronics Benelux (SEBN)	1,207,723	245,237	511,153	17,769	1,854,147	5,914
Samsung Electronics GmbH (SEG)	1,142,897	1,082,420	1,600,627	141,822	4,728,311	(77,947)

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) Changes in scope of consolidation

(1) Subsidiaries newly included in the consolidation for the nine months ended September 30, 2015:

Area	Subsidiary	Description
Domestic	Samsung Venture Capital Union #28	Incorporation
	Samsung Venture Capital Union #29	Incorporation
America	Simpres	Acquisition of shares
	Samsung Pay(formerly LoopPay)	Acquisition of shares
	YESCO Electronics	Acquisition of shares
	Beijing Integrated Circuit Industry International Fund(Beijing Fund)	Acquisition of shares
	Paymate Global	Acquisition of shares
Asia (Except China)	Samsung Electronics HCMC CE Complex (SEHC)	Incorporation

(2) Subsidiaries excluded from the consolidation for the nine months ended September 30, 2015:

Area	Subsidiary	Description
Domestic	Ray	Disposal
	High Pioneer Private Investment Trust #1	Liquidation
	Samsung Venture Capital Union #6	Liquidation
America	Samsung Telecommunications America (STA)	Merger ¹
	Paymate Global	Liquidation
	Nvelo	Liquidation
Europe/CIS	Nanoradio Hellas	Disposal
China	Samsung Electronics Hainan Fiberoptics (SEHF)	Disposal
	Samsung Medison Shanghai Medical Instrument (SMS1)	Liquidation

¹ Samsung Electronics America (SEA), a subsidiary of the Group, merged with Samsung Telecommunications America (STA) on January 1, 2015.

2. Summary of Significant Accounting Policies

2.1 Basis of Presentation

The interim consolidated financial statements for the nine months ended September 30, 2015, have been prepared in accordance with K-IFRS 1034, *Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with the K-IFRS standards and interpretations effective or early adopted at the reporting date.

The Group applied the following amended and enacted standards for the annual period beginning on January 1, 2015:

Amendment to Korean IFRS 1019, Employee Benefits

According to the amendment of *K-IFRS 1019, Employee Benefits*, a practical expedient is allowed for a participant in a defined benefit plan when it receives contributions from employees or third parties. The adoption of this standard did not have a material impact on the interim consolidated financial statements.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.2 Accounting Policies

Significant accounting policies and estimates adopted in the preparation of the interim consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2014, except changes in accounting policies applied in the financial year beginning on January 1, 2015 and as described below.

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual effective income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

An emission trading scheme came into effect in January 2015 and is accounted for under Korean Generally Accepted Accounting Standard 33, *Emission Rights and Liabilities*. The emission permits granted by the government for no consideration are recognized at zero value, and emission permits purchased are stated at cost, less accumulated impairment losses. A provision was recorded for the portion of emission permits to be purchased that relate to emissions produced during the nine months ended September 30, 2015 that were in excess of government granted emission permits held by the Group, which was calculated using market rates in effect during the period.

2.3 Convenience Translation into United States Dollar Amounts

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The US dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Korean won amounts are expressed in US dollars at the rate of ₩1,122.29 to US \$1, the average exchange rate for the nine month period ended in September 30, 2015. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

2.4 Critical Accounting Estimates and Assumptions

In preparing the interim consolidated financial statements, the management of the Group makes estimates and assumptions on matters which affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates, by definition, seldom equal the related actual results.

Critical accounting estimates and assumptions made in the preparation of the interim consolidated financial statements are consistent with those made in the preparation of the annual consolidated financial statements for the year ended December 31, 2014, except for the estimation methodologies applied in deriving corporate income tax, emission rights and liabilities.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Financial Instruments by Category

Categorizations of financial assets and liabilities as of September 30, 2015 and December 31, 2014, are as follows:

(1) As of September 30, 2015

<i>(In millions of Korean won)</i>	Assets at fair value through profit and loss		Loans and receivables		Available-for-sale financial assets		Total
Assets							
Cash and cash equivalents	₩	-	₩	23,608,377	₩	-	₩ 23,608,377
Short-term financial instruments		-		40,895,407		-	40,895,407
Short-term available-for-sale financial assets		-		-		5,220,977	5,220,977
Trade receivables		-		27,631,463		-	27,631,463
Long-term available-for-sale financial assets		-		-		8,628,872	8,628,872
Other		67,000		3,484,301		-	3,551,301
Total	₩	67,000	₩	95,619,548	₩	13,849,849	₩ 109,536,397

<i>(In millions of Korean won)</i>	Liabilities at fair value through profit and loss		Financial liabilities measured at amortized cost		Other financial liabilities		Total
Liabilities							
Trade payables	₩	-	₩	9,842,913	₩	-	₩ 9,842,913
Short-term borrowings		-		2,423,299		8,879,800	11,303,099
Other payables		-		7,672,000		-	7,672,000
Current portion of long-term liabilities		-		46,910		-	46,910
Debentures		-		1,458,885		-	1,458,885
Long-term borrowings		-		78,001		-	78,001
Long-term other payables		-		2,214,367		-	2,214,367
Other		44,643		8,817,145		-	8,861,788
Total	₩	44,643	₩	32,553,520	₩	8,879,800	₩ 41,477,963

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) As of December 31, 2014

<i>(In millions of Korean won)</i>	Assets at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total	
Assets								
Cash and cash equivalents	₩	-	₩	16,840,766	₩	-	₩	16,840,766
Short-term financial instruments		-		41,689,776		-		41,689,776
Short-term available-for-sale financial assets		-		-		3,286,798		3,286,798
Trade receivables		-		24,694,610		-		24,694,610
Long-term available-for-sale financial assets		-		-		12,667,509		12,667,509
Other		48,360		4,614,560		100,051		4,762,971
Total	₩	48,360	₩	87,839,712	₩	16,054,358	₩	103,942,430

<i>(In millions of Korean won)</i>	Liabilities at fair value through profit and loss		Financial liabilities measured at amortized cost		Other financial liabilities		Total	
Liabilities								
Trade payables	₩	-	₩	7,914,704	₩	-	₩	7,914,704
Short-term borrowings		-		3,367,915		4,661,384		8,029,299
Other payables		-		9,258,344		-		9,258,344
Current portion of long-term liabilities		-		1,778,667		-		1,778,667
Debentures		-		1,355,882		-		1,355,882
Long-term borrowings		-		101,671		-		101,671
Long-term other payables		-		2,520,277		-		2,520,277
Other		78,348		11,395,781		-		11,474,129
Total	₩	78,348	₩	37,693,241	₩	4,661,384	₩	42,432,973

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. Long-Term Available-for-Sale Financial Assets

(A) Details of long-term available-for-sale financial assets as of September 30, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
Equity securities - Listed	₩	4,889,610	₩	5,776,836
Equity securities - Non-listed		3,593,869		3,746,393
Debt securities ¹		145,393		3,144,280
Total	₩	8,628,872	₩	12,667,509

¹ The maximum exposure to credit risk of available-for-sale debt securities is the carrying value at the reporting date.

(B) Details of listed equity securities as of September 30, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won, number of shares and percentage)</i>	September 30, 2015			December 31, 2014	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Value (Market Value)	Book Value (Market Value)
Samsung SDI	13,462,673	19.6	₩ 2,180,953	₩ 1,460,700	₩ 1,561,670
Samsung Heavy Industries	40,675,641	17.6	258,299	500,310	811,479
Samsung Fine Chemicals	2,164,970	8.4	45,678	87,140	70,795
Hotel Shilla	2,004,717	5.1	13,957	230,542	183,231
Cheil Worldwide	14,498,725	12.6	223,941	263,877	249,378
iMarket Korea	647,320	1.8	324	19,031	18,384
SFA	1,822,000	10.2	38,262	81,990	90,462
Wonik IPS	7,220,216	9.0	63,250	65,992	100,722
ASML	12,595,575	2.8	726,024	1,317,038	1,506,664
Rambus	4,788,125	4.1	92,682	67,489	58,368
Seagate Technology	12,539,490	4.2	218,543	671,034	916,597
Sharp	35,804,000	2.1	122,535	48,894	88,292
SunEdison Semiconductor	-	-	-	-	49,510
Wacom	8,398,400	5.0	62,013	36,857	36,084
Other			48,022	38,716	35,200
Total			₩ 4,094,483	₩ 4,889,610	₩ 5,776,836

Acquisition cost includes impairment loss on available-for-sale financial assets recognized due to the decline in realizable value below acquisition cost.

The difference between the acquisition cost and the current fair value, after income tax effects, is recorded within other components of equity (unrealized gains or losses on available-for-sale financial assets).

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. Inventories

Inventories as of September 30, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015			December 31, 2014		
	Gross Amount	Valuation Allowance	Book Value	Gross Amount	Valuation Allowance	Book Value
Finished goods	₩ 7,285,098	₩ (174,987)	₩ 7,110,111	₩ 6,011,078	₩ (237,630)	₩ 5,773,448
Work in process	6,542,848	(385,295)	6,157,553	5,018,416	(553,345)	4,465,071
Raw materials and supplies	8,254,137	(317,438)	7,936,699	6,244,161	(287,155)	5,957,006
Materials in transit	1,636,706	-	1,636,706	1,121,979	-	1,121,979
Total	₩ 23,718,789	₩ (877,720)	₩ 22,841,069	₩ 18,395,634	₩ (1,078,130)	₩ 17,317,504

6. Investments in Associates and Joint Ventures

(A) Changes in investments in associates and joint ventures for the nine months ended September 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015	September 30, 2014
Balance as of January 1	₩ 5,232,461	₩ 6,422,292
Acquisition	137,917	655,067
Disposal	(19,323)	(28,268)
Share of profit	113,872	96,217
Other ¹	(58,792)	(1,753,384)
Balance as of September 30	₩ 5,406,135	₩ 5,391,924

¹ Other consists of dividends, business combinations, and effects of changes in foreign currency exchange rates. And, due to decrease in shareholding ratio during the nine months ended September 30, 2014, the Group reclassified investment in Samsung SDI as available-for-sale financial assets.

(B) Major investments in associates and joint ventures as of September 30, 2015, are as follows:

(1) Investments in associates

Investee	Nature of Relationship with Associate	Percentage of Ownership ¹ (%)	Principal Business Location
Samsung Card	Business alliance	37.5	Korea
Samsung Electro-Mechanics	Manufacture and supply electronic components including passive components, circuit boards, and modules	23.7	Korea
Samsung SDS	Provide IT services including computer programming, system integration and management	22.6	Korea

¹ Ownership represents the Group's ownership of common stock in each entity.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in joint ventures

Investee	Nature of Relationship with Joint Venture	Percentage of Ownership ¹ (%)	Principal Business Location
Samsung Corning Advanced Glass	Manufacture and supply industrial glass devices	50.0	Korea

¹ Ownership represents the Group's ownership of common stock in each entity.

(C) Details of investments in associates and joint ventures as of September 30, 2015 and December 31, 2014, are as follows:

(1) Investments in associates

(In millions of Korean won)

Investee	September 30, 2015				
	Acquisition cost		Net asset value ¹		Book value
Samsung Card	₩	1,538,540	₩	2,464,095	₩ 2,421,664
Samsung Electro-Mechanics		359,237		1,020,258	1,011,778
Samsung SDS		147,963		991,733	1,014,893
Other		1,127,679		552,798	695,556
Total	₩	3,173,419	₩	5,028,884	₩ 5,143,891

¹ Company's portion of net asset value of associates is based on the Group's ownership percentage.

(In millions of Korean won)

Investee	December 31, 2014				
	Acquisition cost		Net asset value ¹		Book value
Samsung Card	₩	1,538,540	₩	2,393,185	₩ 2,354,026
Samsung Electro-Mechanics		359,237		1,038,184	1,040,404
Samsung SDS		147,963		928,548	951,776
Other		1,012,517		483,413	623,480
Total	₩	3,058,257	₩	4,843,330	₩ 4,969,686

¹ Company's portion of net asset value of associates is based on the Group's ownership percentage.

(2) Investments in joint ventures

(In millions of Korean won)

Investee	September 30, 2015				
	Acquisition cost		Net asset value ¹		Book value
Samsung Corning Advanced Glass	₩	215,000	₩	189,965	₩ 189,899
Other		259,977		107,618	72,345
Total	₩	474,977	₩	297,583	₩ 262,244

¹ Company's portion of net asset value of associates is based on the Group's ownership percentage.

(In millions of Korean won)

Investee	December 31, 2014				
	Acquisition cost		Net asset value ¹		Book value
Samsung Corning Advanced Glass	₩	215,000	₩	196,015	₩ 195,930
Other		260,255		102,865	66,845
Total	₩	475,255	₩	298,880	₩ 262,775

¹ Company's portion of net asset value of joint ventures is based on the Group's ownership percentage.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(D) Details of changes in equity-method investments, including associates and joint ventures, are as follows:

(1) For the nine months ended September 30, 2015

<i>(In millions of Korean won)</i>	Balance as of January 1	Gain/loss on valuation	Other comprehensive income/loss	Other¹	Balance as of September 30
Samsung Card	₩ 2,354,026	₩ 96,536	₩ 14,321	₩ (43,219)	₩ 2,421,664
Samsung Electro-Mechanics	1,040,404	1,616	(16,154)	(14,088)	1,011,778
Samsung SDS	951,776	70,380	1,470	(8,733)	1,014,893
Samsung Corning Advanced Glass	195,930	(6,120)	89	-	189,899
Other	690,325	(48,540)	2,311	123,805	767,901
Total	₩ 5,232,461	₩ 113,872	₩ 2,037	₩ 57,765	₩ 5,406,135

¹ Other consists of acquisitions, disposals, dividends, and effects of changes in foreign currency exchange rates.

(2) For the nine months ended September 30, 2014

<i>(In millions of Korean won)</i>	Balance as of January 1	Gain/loss on valuation	Other comprehensive income/loss	Other¹	Balance as of September 30
Samsung Card	₩ 2,340,009	₩ 85,496	₩ (68,269)	₩ (30,375)	₩ 2,326,861
Samsung Electro-Mechanics	954,496	(13,253)	(25,519)	(13,270)	902,454
Samsung SDI	1,175,204	11,636	32,795	(1,219,635)	-
Samsung SDS	879,956	65,455	(10,618)	(4,367)	930,426
Samsung Techwin	402,745	(4,377)	18,063	(6,762)	409,669
Samsung Corning Advanced Glass	111,961	(10,579)	(33)	99,893	201,242
Other	557,921	(38,161)	(7,928)	109,440	621,272
Total	₩ 6,422,292	₩ 96,217	₩ (61,509)	₩ (1,065,076)	₩ 5,391,924

¹ Other consists of acquisitions, disposals, dividends, and effects of changes in foreign currency exchange rates.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(E) Summary of condensed financial information of major associates and joint ventures

(1) A summary of condensed financial information of major associates and dividends received from associates as of September 30, 2015 and December 31, 2014, and for the nine months ended September 30, 2015 and 2014, is as follows:

(In millions of Korean won)

Investee	2015		
	Samsung Card ¹	Samsung Electro-Mechanics	Samsung SDS
1. Condensed financial information			
Condensed statement of financial position			
Current assets	₩ 19,284,457	₩ 3,277,624	₩ 3,613,473
Non-current assets		4,534,515	2,482,667
Current liabilities	12,713,538	1,815,353	1,230,883
Non-current liabilities		1,591,645	306,509
Non-controlling interests	-	100,252	170,549
Condensed statement of comprehensive income			
Revenue	2,456,493	4,814,227	5,748,700
Profit from continuing operations ²	257,733	294,687	308,105
Post-tax profit or loss from discontinued operations ²	-	(266,830)	-
Other comprehensive income (loss) ²	38,240	(72,341)	6,523
Total comprehensive income ²	295,973	(44,484)	314,628
2. Dividends from associates			
Dividends	₩ 43,393	₩ 13,270	₩ 8,736

¹ Samsung Card does not present current and non-current classifications of assets and liabilities in its statement of financial position.

² Income (loss) attributable to owners of the parent.

(In millions of Korean won)

Investee	2014		
	Samsung Card ¹	Samsung Electro-Mechanics	Samsung SDS
1. Condensed financial information			
Condensed statement of financial position			
Current assets	₩ 17,736,627	₩ 3,553,987	₩ 3,228,074
Non-current assets		4,164,625	2,317,971
Current liabilities	11,346,281	2,151,002	1,117,969
Non-current liabilities		924,814	214,051
Non-controlling interests	-	89,390	101,766
Condensed statement of comprehensive income			
Revenue	2,421,895	5,311,155	5,728,672
Profit from continuing operations ²	378,239	(55,161)	282,987
Other comprehensive loss ²	(182,294)	(112,371)	(46,942)
Total comprehensive income (loss) ²	195,945	(167,532)	236,045
2. Dividends from associates			
Dividends	₩ 30,375	₩ 13,270	₩ 4,368

¹ Samsung Card does not present current and non-current classifications of assets and liabilities in its statement of financial position.

² Income (loss) attributable to owners of the parent

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (2) A summary of the condensed financial information of major joint ventures and dividends received from joint ventures as of September 30, 2015 and December 31, 2014, and for the nine months ended September 30, 2015 and 2014, is as follows:

<i>(In millions of Korean won)</i>	Samsung Corning Advanced Glass			
	2015		2014	
1. Condensed financial information				
Condensed statements of financial position				
Current assets	₩	227,929	₩	228,312
- Cash and cash equivalent		15,931		14,696
Non-current assets		188,861		200,105
Current liabilities		33,479		34,719
- Current financial liabilities ¹		15,672		18,718
Non-current liabilities		3,381		1,669
Condensed statements of comprehensive income²				
Revenue		200,676		190,632
Depreciation and amortization		1,412		436
Interest income		865		574
Income tax expense		(927)		(2,863)
Net loss from continuing operations		(12,279)		(21,195)
Other comprehensive income (loss)		179		(65)
Total comprehensive loss		(12,100)		(21,260)
2. Dividends from joint ventures				
Dividends	₩	-	₩	-

¹ Accounts payable, other payables, and provisions are excluded.

² Amounts relate to the nine months ended September 30, 2015 and 2014.

- (3) Profit (loss) amounts attributable to owners of the parent from associates and joint ventures which are not individually material for the nine months ended September 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
	Associates	Joint ventures	Associates	Joint ventures
Income (loss) from continuing operations ¹	₩ (47,869)	₩ 926	₩ (38,805)	₩ (12,700)
Other comprehensive income (loss) ¹	(618)	3,865	(3,547)	3,764
Total comprehensive loss ¹	₩ (48,487)	₩ 4,791	₩ (42,352)	₩ (8,936)

¹ Income (loss) attributable to owners of the parent.

- (F) Fair value of marketable investments in associates as of September 30, 2015 and December 31, 2014, is as follows:

<i>(In millions of Korean won and number of shares)</i>	September 30, 2015		December 31, 2014	
	Number of shares held	Market value	Market value	
Samsung Card	43,393,170	₩ 1,573,002	₩	1,917,978
Samsung Electro-Mechanics	17,693,084	1,137,665		967,812
Samsung SDS	17,472,110	5,031,968		5,128,064

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the nine months ended September 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
Balance as of January 1	₩	80,872,950	₩	75,496,388
Acquisition and capital expenditures		19,177,723		14,460,046
Business combinations		34,776		940
Depreciation		(14,614,029)		(12,531,487)
Disposals/scrap/impairment		(247,927)		(711,738)
Other ¹		1,336,935		(702,084)
Balance as of September 30	₩	86,560,428	₩	76,012,065

¹ Other includes effects of changes in foreign currency exchange rates.

(B) Allocation of depreciation of property, plant and equipment for the nine months ended September 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
Cost of sales	₩	13,284,416	₩	11,351,213
Selling and administrative expenses		1,329,613		1,180,274
Total	₩	14,614,029	₩	12,531,487

8. Intangible Assets

(A) Changes in intangible assets for the nine months ended September 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
Balance as of January 1	₩	4,785,473	₩	3,980,600
Internally generated (development costs)		858,982		679,094
External acquisitions		254,356		272,263
Business combinations		374,224		239,890
Amortization		(933,624)		(845,103)
Disposals/scrap/impairment		(75,986)		(30,287)
Other ¹		296,873		388,295
Balance as of September 30	₩	5,560,298	₩	4,684,752

¹ Other includes effects of changes in foreign currency exchange rates.

(B) Allocation of amortization of intangible assets for the nine months ended September 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
Cost of sales	₩	579,190	₩	405,886
Selling and administrative expenses		354,434		439,217
Total	₩	933,624	₩	845,103

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Borrowings

Details of the carrying amounts of borrowings as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	Financial Institutions	Annual Interest Rates (%) as of September 30, 2015	September 30, 2015	December 31, 2014
Short-term borrowings				
Collateralized borrowings ¹	Woori Bank and others	0.3 ~ 13.8	₩ 8,879,800	₩ 4,661,384
Non-collateralized borrowings	Citibank and others	0.1 ~ 14.6	2,423,299	3,367,915
Total			₩ 11,303,099	₩ 8,029,299
Current portion of long-term borrowings				
Bank borrowings	SMBC and others	1.1 ~ 18.8	₩ 24,945	₩ 1,758,556
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	16,182	14,807
Total			₩ 41,127	₩ 1,773,363
Long-term borrowings				
Bank borrowings	SMBC and others	1.1 ~ 19.8	₩ 203	₩ 23,989
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	77,798	77,682
Total			₩ 78,001	₩ 101,671

¹ Collateralized borrowings are secured by trade receivables.

² Leased property, plant and equipment were pledged as collateral.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10. Debentures

Details of the carrying amount of debentures as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
Korean won denominated debentures (A)	₩	199,727	₩	199,515
Foreign currency denominated debentures (B)		1,259,158		1,156,367
Total	₩	1,458,885	₩	1,355,882

(A) Details of Korean won denominated debentures as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of September 30, 2015	September 30, 2015		December 31, 2014	
Unsecured debentures	2011.11.17	2016.11.17	4.2	₩	200,000	₩	200,000
Less: Discounts					(273)		(485)
Total				₩	199,727	₩	199,515

All the above debentures have been issued by Samsung Display and will be repaid upon maturity.

(B) Details of foreign currency denominated debentures as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of September 30, 2015	September 30, 2015		December 31, 2014	
US dollar denominated straight bonds ¹	1997.10.02	2027.10.01	7.7	₩	77,643 (US\$65 million)	₩	71,448 (US\$65 million)
US dollar denominated unsecured bonds ²	2012.4.10	2017.4.10	1.8		1,194,500 (US\$1,000 million)		1,099,200 (US\$1,000 million)
Less: Current Portion					(5,973)		(5,496)
Less: Discounts					(7,012)		(8,785)
Total				₩	1,259,158	₩	1,156,367

¹ US dollar denominated straight bonds are repaid annually for twenty years after a ten-year grace period from the date of issuance. Interest is paid semi-annually.

² US dollar denominated unsecured bonds are issued by Samsung Electronics America, a subsidiary of the Group, and are repaid in full upon maturity. Interest is paid semi-annually.

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11. Net Defined Benefit Liabilities

(A) Details of net defined benefit liabilities recognized on the consolidated statements of financial position as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
Present value of funded defined benefit obligations	₩	8,173,051	₩	7,404,205
Present value of unfunded defined benefit obligations		138,025		138,042
Subtotal		8,311,076		7,542,247
Fair value of plan assets		(7,298,901)		(7,340,905)
Total	₩	1,012,175	₩	201,342

(B) The amounts recognized in the consolidated statements of income for the nine months ended September 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
Current service cost	₩	859,768	₩	741,684
Interest cost		4,720		77,393
Past service cost		-		110,397
Other		2,075		(34)
Total	₩	866,563	₩	929,440

(C) The pension expenses related to defined benefit plans recognized on the consolidated statements of income for the nine months ended September 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
Cost of sales	₩	375,371	₩	388,346
Selling and administrative expenses		491,192		541,094
Total	₩	866,563	₩	929,440

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12. Provisions

Changes in the provisions during the nine months ended September 30, 2015 are as follows:

<i>(In millions of Korean won)</i>	Warranty (A)	Royalty expenses (B)	Long-term incentives (C)	Bonus (D)	Other (E)	Total
Balance as of January 1, 2015	₩ 1,829,068	₩ 3,917,792	₩ 730,464	₩ -	₩ 13,476	₩ 6,490,800
Charged to the statement of income	1,358,330	1,036,211	170,288	2,465,072	37,974	5,067,875
Payment	(1,403,974)	(352,394)	(210,509)	(270,133)	(6,083)	(2,243,093)
Other ¹	(3,222)	265,306	-	-	536	262,620
Balance as of September 30, 2015	₩ 1,780,202	₩ 4,866,915	₩ 690,243	₩2,194,939	₩ 45,903	₩ 9,578,202

¹ Other includes effects of changes in foreign currency exchange rates.

(A) The Group accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs.

(B) The Group makes provisions for the estimated royalty expenses under negotiation with counterparties. The timing of payment depends on the settlement of the negotiation.

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

(D) The Group provides bonuses for its executives and employees, which are determined based on current-period performance. The estimated bonus cost for the accrued period has been recognized as a provision.

(E) The Group makes provisions for the estimated emission expense for the emission in excess of the permits held by the Group for the applicable years. Details of emission rights and liabilities as of September 30, 2015 are as follows:

(1) Allocated amount of emission permits and estimated amount of emission for the next three years as of September 30, 2015 are as follows:

<i>(In metric tons)</i>	2015	2016	2017
Allocated emission permits	5,774,375	5,662,429	5,548,627
Estimated volume of emission	6,569,385	7,328,034	8,248,797

(2) Changes in the certified emission reductions as of September 30, 2015 are as follows:

<i>(In millions of Korean won)</i>	2015	
Balance as of January 1	₩	-
Acquisition		5,100
Balance as of September 30	₩	5,100

(3) Changes in the provisions for emissions as of September 30, 2015 are as follows:

<i>(In millions of Korean won)</i>	2015	
Balance as of January 1	₩	-
Charged to the statement of income		5,960
Balance as of September 30	₩	5,960

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13. Commitments and Contingencies

(A) Guarantees

Details of guarantees of debt provided by the Group as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
Guarantees of debt for housing rental ¹	₩	66,401	₩	76,558

¹ Represents the maximum amount of debt guarantee, which was provided for employees who took debt from financial institutions in order to finance employee housing rental.

As of September 30, 2015, the Group's investments in Pusan Newport are pledged as collateral against the investee's debt.

(B) Litigation

- (1) The litigation with Apple Inc. ("Apple") is ongoing in the United States as of the reporting date. Regarding the ongoing lawsuit in the United States, on August 24, 2012, the jury determined that the Group partially infringed Apple's design and utility patent and should pay damages to Apple. On March 1, 2013, however, the Judge ordered a new trial for a certain portion of the damages, ruling that it was originally miscalculated. On March 6, 2014, the Judge denied Apple's bid for a permanent injunction against the Group and made a final judgment restating the total damages amount determined by a jury verdict. The Group appealed the decision on the damages amount on March 7, 2014, and a hearing on the appeal was held on December 4, 2014. On May 18, 2015, the appeals court upheld the prior design infringement verdict, but reversed and remanded a previous decision related to a trademark finding. On June 17, 2015, the Group petitioned for an en banc rehearing regarding the design infringement, and on August 13, 2015, the federal court dismissed the Group's request. After remand procedure, the court of first trial announced partial final judgment on the appeals on September 18, 2015. On October 19, 2015, the Group petitioned for an en banc rehearing since the immediate appeal had been dismissed on October 13, 2015. The final conclusion and the effect of the patent lawsuits with Apple are uncertain as at the reporting date.

In August 2014, the Group and Apple reached an agreement to withdraw from ongoing litigation in all regions other than the United States, and the Group has withdrawn all non-United States based lawsuits.

Additionally, on May 5, 2014, the jury in another ongoing lawsuit determined that the Group partially infringed Apple's utility patent and should pay damages to Apple. On November 25, 2014, the first trial judgment was pronounced to confirm the jury's verdict. The Group appealed the decision on the damages and the appeal is currently on-going. On October 19, 2015, the Group requested an en banc hearing following the remand and reversal by the appellate court on September 17, 2015 of a first trial decision to deny a sales ban on the Company's products on August 27, 2014.

- (2) The Group is involved in claims, disputes, and investigations conducted by regulatory bodies at the reporting date, including civil claims from some overseas buyers for price-fixing related to the sale of TFT-LCD. Although the outflow of resources and timing of these matters are uncertain, the Group believes the outcome will not have a material impact on the financial condition of the Group.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (3) In addition, during the normal course of business with numerous companies, the Group has been involved in various claims, disputes, and investigations conducted by regulatory bodies. Although the outflow of resources and timing of these matters are uncertain, the Group believes the outcome will not have a material impact on the financial condition of the Group.

(C) Other commitments

The Group entered into a comprehensive business cooperation agreement with Corning Incorporated on October 23, 2013. The respective agreement includes ex-post settlement conditions based on the business performance of Samsung Corning Precision Materials which may result in the future outflow of or inflow to the Group's resource. As of the reporting date, the future inflow or outflow are uncertain and thus, its impact to the Group's financial statements cannot be estimated. The Group's management, however, believes the future inflow or outflow will not have a material impact on the financial conditions of the Group.

14. Share Capital

The Group's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Group has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as of September 30, 2015, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩850,664 million (common stock ₩736,497 million and preferred stock ₩114,167 million), which differs from paid-in capital of ₩897,514 million.

15. Retained Earnings

- (A) Retained earnings as of September 30, 2015 and December 31, 2014 consist of:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
Appropriated	₩	131,539,595	₩	119,947,785
Unappropriated		50,349,961		49,581,819
Total	₩	181,889,556	₩	169,529,604

- (B) On July 30, 2015, the Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-months ended June 30, 2015.

Details of the interim dividends for the nine-months ended September 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>		September 30, 2015		September 30, 2014	
Number of shares eligible for dividends	Common stock		129,312,651		130,962,651
	Preferred stock		19,603,734		19,853,734
Dividend rate (based on par value)			20%		10%
Dividend amount	Common stock	₩	129,313	₩	65,481
	Preferred stock		19,603		9,927
	Total	₩	148,916	₩	75,408

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16. Other Components of Equity

(A) Other components of equity as of September 30, 2015 and December 31, 2014 consist of:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
Treasury stock	₩	(9,752,372)	₩	(8,429,313)
Stock options		806		806
Unrealized gains on available-for-sale financial assets		1,085,601		1,850,195
Share of other comprehensive income of associates and joint ventures		615,223		559,280
Foreign currency translation		(2,530,196)		(4,566,887)
Remeasurements of net defined benefit liability		(2,064,027)		(1,996,792)
Other		(151,135)		(146,676)
Total	₩	(12,796,100)	₩	(12,729,387)

(B) The Group repurchases registered common stock and non-voting preferred stock and recognizes the repurchase amount in other components of equity. Such stock will be distributed upon exercise of stock options. Treasury stock as of September 30, 2015 and December 31, 2014 consists of the following:

<i>(In millions of Korean won and number of shares)</i>	September 30, 2015		December 31, 2014	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Number of shares	17,986,686	3,229,693	17,094,741	3,110,943
Acquisition cost	₩ 8,873,555	₩ 878,817	₩ 7,673,549	₩ 755,764

17. Expenses by Nature

Expenses by nature for the three and nine months ended September 30, 2015 and 2014 consist of the following:

<i>(In millions of Korean won)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Changes in finished goods and work in process	₩ (1,406,662)	₩ (3,029,145)	₩ 196,927	₩ 770,729
Raw materials and goods	20,841,438	57,616,337	19,768,884	62,216,017
Wages and salaries	4,587,111	13,793,828	4,409,601	13,326,624
Pension	311,100	921,394	287,956	975,262
Depreciation	5,103,838	14,614,029	4,326,214	12,531,487
Amortization	318,966	933,624	312,151	845,103
Welfare	987,832	2,878,007	838,033	2,598,983
Commission and service charges	2,209,595	6,289,172	1,941,816	6,417,942
Other	11,335,981	33,050,106	11,305,206	34,057,074
Total¹	₩ 44,289,199	₩ 127,067,352	₩ 43,386,788	₩ 133,739,221

¹ Expenses above are equal to the sum of cost of sales and selling and administrative expenses on the interim consolidated statements of income.

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18. Selling and Administrative Expenses

Selling and administrative expenses for the three and nine months ended September 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
1) Selling and administrative expenses				
Wages and salaries	₩ 1,372,254	₩ 4,070,527	₩ 1,309,046	₩ 3,943,049
Pension	74,435	207,898	69,470	226,538
Commission and service charges	2,209,595	6,289,172	1,941,816	6,417,942
Depreciation	181,608	527,978	170,368	498,853
Amortization	56,682	197,964	100,314	298,508
Advertising	1,033,184	2,733,017	849,261	2,665,563
Sales promotion	1,795,875	5,176,128	2,020,609	5,751,672
Transportation	920,651	2,539,462	927,563	2,742,874
Warranty	758,418	2,178,845	724,495	2,397,659
Other	861,118	3,383,208	1,222,763	3,630,630
2) Research and development expenses				
Total expenses	3,690,644	11,101,697	3,677,237	11,412,295
Capitalized expenses	(274,717)	(858,982)	(337,552)	(679,094)
Total	₩ 12,679,747	₩ 37,546,914	₩ 12,675,390	₩ 39,306,489

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19. Other Non-Operating Income and Expense

Details of other non-operating income and expense for the three and nine months ended September 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Non-operating income				
Dividend income	₩ 35,735	₩ 146,235	₩ 30,599	₩ 1,381,208
Rental income	23,120	70,256	21,390	67,246
Gain on disposal of investments	27,043	220,652	16,890	142,103
Gain on disposal of property, plant and equipment	38,748	103,151	34,838	162,585
Gain on disposal of assets classified as held-for-sale	3,772	211,568	-	-
Other	191,879	584,010	724,579	1,574,686
Total	₩ 320,297	₩ 1,335,872	₩ 828,296	₩ 3,327,828

<i>(In millions of Korean won)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Non-operating expense				
Loss on disposal of property, plant and equipment	₩ 45,462	₩ 91,968	₩ 28,861	₩ 120,503
Donations	165,392	326,890	149,260	369,317
Loss on disposal of assets classified as held for sale	-	-	-	723,869
Other	193,439	450,493	108,339	358,883
Total	₩ 404,293	₩ 869,351	₩ 286,460	₩ 1,572,572

20. Finance Income and Expense

(A) Details of finance income and expense for the three and nine months ended September 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Finance income				
Interest income:	₩ 445,531	₩ 1,314,685	₩ 480,149	₩ 1,343,255
Interest income from loans and receivables	422,926	1,241,037	449,731	1,283,582
Interest income from available-for-sale financial assets	22,605	73,648	30,418	59,673
Foreign exchange differences	2,628,557	5,887,792	1,058,158	3,603,871
Gain on derivatives	311,546	758,523	144,289	422,566
Total	₩ 3,385,634	₩ 7,961,000	₩ 1,682,596	₩ 5,369,692

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<i>(In millions of Korean won)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Finance expense				
Interest expense:	₩ 205,234	₩ 561,371	₩ 154,360	₩ 442,545
Interest expense from financial liabilities measured at amortized cost	123,444	340,561	96,161	288,964
Other financial liabilities	81,790	220,810	58,199	153,581
Foreign exchange differences	2,875,464	6,250,109	1,131,322	3,768,362
Loss on derivatives	247,888	763,804	154,477	465,955
Total	₩ 3,328,586	₩ 7,575,284	₩ 1,440,159	₩ 4,676,862

(B) The Group recognizes foreign exchange gains and losses arising from foreign currency transactions and translation as finance income and expense.

21. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the average annual income tax rate expected for the full financial year. The average annual tax rate expected as of September 30, 2015 to be effective for the year ended December 31, 2015 is 25.4%.

22. Earnings per Share

(A) Basic earnings per share

Basic earnings per share for the three and nine months ended September 30, 2015 and 2014 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Net income as reported on the statements of income	₩ 5,306,104	₩ 15,452,161	₩ 4,135,422	₩ 17,796,608
Net income available for common stock	4,607,382	13,417,361	3,590,812	15,453,185
Weighted-average number of common shares outstanding	129,313	129,362	130,963	130,949
Basic earnings per share (in Korean won)	₩ 35,630	₩ 103,720	₩ 27,419	₩ 118,009

(2) Preferred stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Net income as reported on the statements of income	₩ 5,306,104	₩ 15,452,161	₩ 4,135,422	₩ 17,796,608
Net income available for preferred stock	698,722	2,034,800	544,610	2,343,423
Weighted-average number of preferred shares outstanding	19,604	19,611	19,854	19,854
Basic earnings per preferred share (in Korean won)	₩ 35,642	₩ 103,760	₩ 27,431	₩ 118,034

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(B) Diluted earnings per share

The Group has one category of potentially dilutive ordinary shares: stock options. Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share for the three and nine months ended September 30, 2015 and 2014 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Net income available for common stock and common stock equivalents	₩ 4,607,405	₩ 13,417,429	₩ 3,590,822	₩ 15,453,227
Weighted-average number of shares of common stock and common stock equivalents	129,315	129,365	130,965	130,959
Diluted earnings per share (in Korean won)	₩ 35,629	₩ 103,718	₩ 27,418	₩ 118,000

(2) Preferred stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	September 30, 2015		September 30, 2014	
	3 Months	9 Months	3 Months	9 Months
Net income available for preferred stock and preferred stock equivalents	₩ 698,699	₩ 2,034,732	₩ 544,600	₩ 2,343,381
Weighted-average number of shares of preferred stock and preferred stock equivalents	19,604	19,611	19,854	19,854
Diluted earnings per preferred share (in Korean won)	₩ 35,641	₩ 103,756	₩ 27,431	₩ 118,032

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23. Cash Flows Generated from Operating Activities

Adjustments and changes in assets and liabilities arising from operating activities for the nine months ended September 30, 2015 and 2014 are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	2015	2014
Adjustments for:		
Income tax expense	₩ 5,400,115	₩ 4,233,380
Finance income	(2,704,801)	(2,722,916)
Finance expense	2,426,990	1,420,957
Pension	921,394	975,262
Depreciation	14,614,029	12,531,487
Amortization	933,624	845,103
Bad debt expense	295,441	290,893
Dividend income	(146,235)	(1,381,208)
Gain on valuation of equity method	(113,872)	(96,217)
Gain on disposal of property, plant and equipment	(103,151)	(162,585)
Loss on disposal of property, plant and equipment	91,968	120,503
Obsolescence and scrapping of inventories	470,125	645,220
Gain on disposal of investments	(220,652)	(142,103)
Gain on disposal of assets classified as held-for-sale	(211,568)	-
Loss on disposal of assets classified as held-for-sale	-	723,869
Other income/expense	(153,425)	(977,696)
Adjustments, total	₩ 21,499,982	₩ 16,303,949

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	2015	2014
Changes in assets and liabilities :		
Increase in trade receivables	₩ (1,475,321)	₩ (538,733)
Decrease in other receivables	696,564	477,583
Decrease(Increase) in advances	(14,879)	113,763
Decrease(Increase) in prepaid expenses	378,853	(2,704,279)
Increase in inventories	(5,620,212)	(860,536)
Increase in trade payables	532,619	2,549,339
Increase (Decrease) in other payables	(571,847)	1,323,115
Increase (Decrease) in advances received	(96,459)	558,201
Decrease in withholdings	(266,293)	(101,171)
Decrease in accrued expenses	(3,218,994)	(1,929,725)
Increase in provisions	3,055,284	1,323,833
Payment of severance benefits	(355,656)	(251,242)
Other	478,033	678,366
Changes in net working capital, total	₩ (6,478,308)	₩ 638,514

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24. Financial Risk Management

The Group's financial risk management focuses on minimizing market risk, credit risk, and liquidity risk arising from operating activities. To mitigate these risks, the Group implements and operates a financial risk policy and program that closely monitors and manages such risks.

The Group's financial risk management is mainly performed by the finance team. With the cooperation of the Group's divisions, domestic and foreign subsidiaries, the finance team periodically measures, evaluates and hedges financial risk and also establishes and implements the global financial risk management policy.

Also, financial risk management officers are dispatched to the regional headquarters of each area including the United States, England, Singapore, China, Japan, Brazil and Russia to operate the local finance center in accordance with global financial risk management.

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

(A) Market risk

(1) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States, European Union, South America, Japan and other Asian countries. Revenues and expenses arise from foreign currency transactions and exchange positions, and the most widely used currencies are the US Dollar, European Euro, Japanese Yen and Chinese Yuan.

Foreign exchange risk management of the Group is carried out by both SEC and its subsidiaries. To minimize foreign exchange risk arising from operating activities, the Group's foreign exchange management policy requires normal business transactions to be in local currency or for the cash-in currency to be matched up with the cash-out currency. The Group's foreign exchange risk management policy also defines foreign exchange risk, measuring period, controlling responsibilities, management procedures, hedging period and hedge ratio.

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

(2) Price risk

The Group's investment portfolio consists of direct and indirect investments in equity securities classified as available-for-sale, which is in line with the Group's strategy.

As of September 30, 2015 and December 31, 2014, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩48,896 million and ₩57,768 million, respectively.

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(3) Interest rate risk

Risk of changes in interest rates for floating interest rate financial instruments is defined as the risk that the fair value of components of the statement of financial position, and future cash flows of interest income (expenses) of a financial instrument, will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk mainly through interest bearing liabilities and assets. The Group's position with regard to interest rate risk exposure is mainly driven by its floating interest rate debt obligations and interest-bearing deposits. The Group implemented policies and operates to minimize uncertainty arising from changes in interest rates and finance costs.

In order to avoid risk of changes in interest rates, the Group maintains minimum external borrowings by facilitating cash pooling systems on a regional and global basis. The Group manages exposed risk of changes in interest rates via periodic monitoring and handles risk factors on a timely basis.

(B) Credit risk

Credit risk arises during the normal course of transactions and investing activities where clients or other parties fail to discharge an obligation. The Group monitors and sets the client's and counterparty's credit limit on a periodic basis based on the client's and counterparty's financial conditions, default history and other important factors. Adequate insurance coverage is maintained for accounts receivables related to trading partners situated in higher risk countries.

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

The Group estimates that its maximum exposure to credit risk is the carrying value of its financial assets, net of impairment losses.

(C) Liquidity risk

Due to large investments made by the Group, maintaining adequate levels of liquidity risk is critical. The Group strives to achieve this goal by periodically forecasting its capital balance, estimating required cash levels, and managing income and expenses.

The Group manages its liquidity risk by periodically forecasting projected cash flows. If material implications are identified, the Group works with the local finance center and provides liquidity support by utilizing a globally integrated finance structure, such as Cash Pooling. In addition, the Group maintains a liquidity management process which provides additional financial support by the local finance center and the Group. The Cash Pooling program allows sharing of surplus funds among entities and contributes to minimizing liquidity risk and strengthening the Group's competitive position by reducing capital operation expenses and financial expenses.

In addition, the Group mitigates liquidity risk by contracting with financial institutions with respect to bank overdrafts and foreign trade finance, and by providing payment guarantees to subsidiaries. For large scale facility investments, liquidity risk is minimized by utilizing internal reserves and long term borrowings according to the capital injection schedule.

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(D) Capital risk management

The purpose of capital management is to maintain a sound capital structure. The Group monitors capital on the basis of the ratio of total liabilities to total equity. This ratio is calculated by dividing total liabilities by total equity in the consolidated financial statements.

The Group's capital risk management policy has not changed since the fiscal year ended December 31, 2014. As of September 30, 2015, the Group has maintained an A+ and A1 credit rating from S&P and Moody's, respectively, on its long term debt.

The total liabilities to equity ratios as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
Total liabilities	₩	65,838,937	₩	62,334,770
Total equity		180,728,636		168,088,188
Total liabilities to equity ratio		36.4%		37.1%

(E) Fair value estimation

(1) Carrying amounts and fair values of financial instruments by category as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents ¹	₩ 23,608,377	₩ -	₩ 16,840,766	₩ -
Short-term financial instruments ¹	40,895,407	-	41,689,776	-
Short-term available-for-sale financial assets	5,220,977	5,220,977	3,286,798	3,286,798
Trade receivables ¹	27,631,463	-	24,694,610	-
Long-term available-for-sale financial assets ²	8,628,872	8,211,414	12,667,509	12,272,756
Other	3,551,301	3,530,398	4,762,971	4,725,263
Total financial assets	₩ 109,536,397		₩ 103,942,430	
Financial liabilities				
Trade payables ¹	₩ 9,842,913	₩ -	₩ 7,914,704	₩ -
Short-term borrowings ¹	11,303,099	-	8,029,299	-
Other payables ¹	7,672,000	-	9,258,344	-
Current portion of long-term liabilities ¹	46,910	-	1,778,667	-
Debentures	1,458,885	1,488,220	1,355,882	1,377,113
Long-term borrowings	78,001	61,846	101,671	82,271
Long-term other payables	2,214,367	2,256,516	2,520,277	2,606,179
Other ¹	8,861,788	-	11,474,129	-
Total financial liabilities	₩ 41,477,963		₩ 42,432,973	

¹ Assets and liabilities whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

² Amounts measured at cost (September 30, 2015: ₩417,458 million, December 31, 2014: ₩394,753 million) are excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

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(2) The following table presents the assets and liabilities, by level, that are measured at fair value:

September 30, 2015				
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
1) Assets				
Short-term available-for-sale financial assets	₩ -	₩ 5,220,977	₩ -	₩ 5,220,977
Long-term available-for-sale financial assets ¹	4,889,610	33,379	3,288,425	8,211,414
Other	-	66,160	840	67,000
2) Liabilities				
Other	₩ -	₩ 44,643	₩ -	₩ 44,643

December 31, 2014				
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
1) Assets				
Short-term available-for-sale financial assets	₩ 1,016,878	₩ 2,269,920	₩ -	₩ 3,286,798
Long-term available-for-sale financial assets ¹	5,776,836	3,050,338	3,445,582	12,272,756
Other	-	45,898	102,513	148,411
2) Liabilities				
Other	-	78,348	-	78,348

¹ Amounts measured at cost (September 30, 2015: ₩417,458 million, December 31, 2014: ₩394,753 million) are excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

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

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

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

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

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

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The Group performs the fair value measurements required for financial reporting purposes, including Level 3 fair values and discusses valuation processes and results at least once every quarter in line with the Group's quarterly reporting dates. The Group's policy is to recognize transfers between levels at the end of the reporting period, if corresponding events or changes in circumstances have occurred.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the 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. For trade and other receivables, the book value approximates a reasonable estimate of fair value.

(3) Valuation technique and the inputs

The Group utilizes a present value technique to discount future cash flows at a proper interest rate for corporate bonds, government and public bonds, and bank debentures that are classified as Level 2 in the fair value hierarchy.

The following table presents the valuation technique and the inputs used for major financial instruments classified as Level 3.

(In millions of Korean won)

Classification	Fair Value	Valuation Technique	Level 3 Inputs	Input Range (Weighted Average)
Long-term available-for-sale financial assets				
Taewon Lighting	₩ 17,094	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.76% ~ 9.76% (8.76%)
Samsung Venture Investment	6,586	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.74% ~ 9.74% (8.74%)
Corning Incorporated convertible preferred stock	2,871,758	Trinomial model	Risk adjusted discount rate Price volatility	5.46% ~ 7.46% (6.46%) 29.8% ~ 35.8% (32.8%)
Derivatives				
Embedded derivatives (convertible bonds)	840	Binomial model	Discount rate Stock price volatility	3.31% ~ 7.44% (5.22%) 15.84% ~ 22.28% (18.93%)

(4) Changes in Level 3 instruments:

(In millions of Korean won)

	September 30, 2015	September 30, 2014
Balance as of January 1	₩ 3,548,095	₩ 493,378
Purchases	77,227	2,498,800
Disposals	(123,798)	(10,871)
Amount recognized in profit or loss	(11,230)	(14,518)
Amount recognized in other comprehensive income	(195,051)	192,453
Other	(5,978)	(41,731)
Balance as of September 30	₩ 3,289,265	₩ 3,117,511

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(5) Sensitivity analysis for recurring fair value measurements categorized within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

The results of the sensitivity analysis for the effect on profit or loss (before-tax amount for other comprehensive income or loss) from changes in inputs for major financial instruments which are categorized within Level 3 and subject to sensitivity analysis, are as follows:

(In millions of Korean won)	Favorable Changes				Unfavorable Changes	
	Profit or Loss		Equity		Equity	
Classification						
Long-term available-for-sale financial assets ¹	₩	-	₩	247,116	₩	-
Embedded derivatives (convertible bonds) ²		262		262	(261)	(261)
Total	₩	262	₩	247,378	₩	(261)
						₩ (216,450)

¹ Changes in fair value are calculated by increasing or decreasing the correlation between volatility (29.8%~35.8%) and discount rate for convertible preferred stock. Similarly, for other equity securities, changes in fair value are calculated with the correlation between growth ratio (-1% to 1%) and discount rate, which are significant unobservable inputs.

² For equity derivatives, changes in their fair value are calculated by increasing or decreasing the correlation between discount rate and volatility by 10%.

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25. Segment Information

(A) Operating segment information

The Management Committee is responsible for making strategic decisions based on review of the Group's internal reporting. The Management Committee has determined the operating segments based on these reports.

The Management Committee reviews operating profits of each operating segment in order to assess performance and to make decisions about allocating resources to the segment. The operating segments are product based and include CE, IM, Semiconductor, DP and others.

Operating segment information was prepared after depreciation, amortization of intangible assets and the allocation of internal transaction adjustments. Total assets and liabilities of each operating segment are excluded from the disclosure as these have not been provided regularly to the Management Committee.

(1) For the nine months ended September 30, 2015

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total ¹	Semi- conductor	DP	Total ¹		
Total segment revenue	84,299,333	169,253,449	109,196,883	64,753,973	41,162,726	363,165,879	(215,827,850)	147,338,029
Intercompany revenue	(51,254,388)	(90,700,242)	(53,911,422)	(30,375,730)	(20,201,594)	(215,827,850)	215,827,850	-
Net revenue ²	33,044,945	78,553,207	55,285,461	34,378,243	20,961,132	147,338,029	-	147,338,029
Depreciation	460,308	852,159	12,824,193	9,271,232	3,384,729	14,614,029	-	14,614,029
Amortization	76,117	140,316	566,295	459,094	97,075	933,624	-	933,624
Operating profit	438,205	7,908,699	11,910,394	9,990,399	1,996,987	20,270,677	-	20,270,677

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(2) For the three months ended September 30, 2015

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total ¹	Semi- conductor	DP	Total ¹		
Total segment revenue	30,827,459	57,866,896	41,055,677	24,837,416	15,063,382	129,928,744	(78,246,172)	51,682,572
Intercompany revenue	(19,242,367)	(31,255,601)	(20,746,233)	(12,018,972)	(7,575,305)	(78,246,172)	78,246,172	-
Net revenue ²	11,585,092	26,611,295	20,309,444	12,818,444	7,488,077	51,682,572	-	51,682,572
Depreciation	151,143	323,062	4,468,168	3,242,521	1,162,569	5,103,838	-	5,103,838
Amortization	20,632	45,121	206,687	170,002	33,249	318,966	-	318,966
Operating profit	362,024	2,404,001	4,653,904	3,657,889	927,941	7,393,373	-	7,393,373

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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(3) For the nine months ended September 30, 2014

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total ¹	Semi-conductor	DP	Total ¹		
Total segment revenue	88,921,865	180,415,490	96,024,484	54,357,702	38,553,383	366,719,594	(213,243,729)	153,475,865
Intercompany revenue	(53,005,877)	(94,943,836)	(47,948,414)	(25,289,738)	(19,872,808)	(213,243,729)	213,243,729	-
Net revenue ²	35,915,988	85,471,654	48,076,070	29,067,964	18,680,575	153,475,865	-	153,475,865
Depreciation	444,546	552,221	11,018,437	7,736,673	3,195,519	12,531,487	-	12,531,487
Amortization	72,794	138,126	394,232	296,337	86,665	845,103	-	845,103
Operating profit	1,004,513	12,601,764	6,295,992	6,074,097	187,880	19,736,644	-	19,736,644

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(4) For the three months ended September 30, 2014

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total ¹	Semi-conductor	DP	Total ¹		
Total segment revenue	29,440,211	51,069,111	32,768,424	18,964,059	12,828,069	113,821,900	(66,374,590)	47,447,310
Intercompany revenue	(17,843,894)	(26,491,816)	(16,479,645)	(9,074,068)	(6,573,334)	(66,374,590)	66,374,590	-
Net revenue ²	11,596,317	24,577,295	16,288,779	9,889,991	6,254,735	47,447,310	-	47,447,310
Depreciation	146,442	193,609	3,765,499	2,729,683	1,053,466	4,326,214	-	4,326,214
Amortization	24,655	46,511	157,752	124,487	29,646	312,151	-	312,151
Operating profit	46,179	1,750,723	2,331,290	2,263,497	55,129	4,060,522	-	4,060,522

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as of and for the three and nine months ended September 30, 2015 and 2014, is as follows:

(1) As of and for the nine months ended September 30, 2015

<i>(In millions of Korean won)</i>	Region					Intercompany elimination within the Group	Consolidated
	Korea	America	Europe	Asia and Africa	China		
Net segment revenue	15,856,271	48,644,451	27,667,871	31,758,763	23,410,673	-	147,338,029
Non-current assets ¹	63,617,140	8,175,173	790,529	7,297,840	12,710,177	(470,133)	92,120,726

¹ Total of non-current assets other than financial instruments, deferred tax assets, and investments in associates and joint ventures.

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(2) As of and for the three months ended September 30, 2015

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the Group	Consolidated
Net segment revenue	5,437,509	17,337,009	9,788,950	10,465,717	8,653,387	-	51,682,572
Non-current assets ¹	63,617,140	8,175,173	790,529	7,297,840	12,710,177	(470,133)	92,120,726

¹ Total of non-current assets other than financial instruments, deferred tax assets, and investments in associates and joint ventures.

(3) As of and for the nine months ended September 30, 2014

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the Group	Consolidated
Net segment revenue	16,270,185	48,433,424	31,545,843	31,631,619	25,594,794	-	153,475,865
Non-current assets ¹	60,478,871	7,206,280	906,949	3,515,095	9,118,247	(528,625)	80,696,817

¹ Total of non-current assets other than financial instruments, deferred tax assets, and investments in associates and joint ventures.

(4) As of and for the three months ended September 30, 2014

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the Group	Consolidated
Net segment revenue	5,010,254	15,104,078	9,982,172	9,669,548	7,681,258	-	₩47,447,310
Non-current assets ¹	60,478,871	7,206,280	906,949	3,515,095	9,118,247	(528,625)	80,696,817

¹ Total of non-current assets other than financial instruments, deferred tax assets, and investments in associates and joint ventures.

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26. Related Party Transactions

(A) Sale and purchase transactions

Sales and purchases with related parties for the nine months ended September 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>		September 30, 2015			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates and Joint ventures	Samsung SDS	₩21,475	₩ -	₩1,198,281	₩ 142,574
	Samsung Electro-Mechanics	9,042	-	2,142,304	2
	Samsung Card	5,036	-	27,226	-
	Other	209,427	3,525	4,043,370	231,508
	Total (Associates and Joint ventures)	244,980	3,525	7,411,181	374,084
Other related parties	Samsung C&T. ²	4,401	-	56,515	578,764
	Samsung SDI	33,955	20	1,166,700	23,722
	Other	87,332	-	754,819	231,682
	Total (Other related parties)	₩125,688	₩ 20	₩1,978,034	₩ 834,168

¹ Transactions with separate entities that are related parties of the Group.

² During the nine months ended September 30, 2015, Cheil Industries Inc. merged Samsung C&T and changed its name to Samsung C&T.

<i>(In millions of Korean won)</i>		September 30, 2014			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates and Joint ventures	Samsung SDS	₩ 23,858	₩ -	₩1,425,420	₩ 165,878
	Samsung Electro-Mechanics	25,487	110	1,791,478	-
	Samsung Card	6,574	-	30,429	169,049
	Other	344,575	11,080	3,950,970	328,931
	Total (Associates and Joint ventures)	400,494	11,190	7,198,297	663,858
Other related parties	Samsung C&T. ²	5,259	-	73,637	312,696
	Samsung SDI	49,695	324,246	785,149	354,004
	Other	191,589	-	1,503,008	81,602
	Total (Other related parties)	₩246,543	₩324,246	₩2,361,794	₩748,302

¹ Transactions with separate entities that are related parties of the Group

² During the nine months ended September 30, 2015, Cheil Industries Inc. merged Samsung C&T and changed its name to Samsung C&T.

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(B) Balances of receivables and payables

Balances of receivables and payables arising from sales and purchases of goods and services as of September 30, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	Name of Company ¹	September 30, 2015	
		Receivables	Payables
Associates and Joint ventures	Samsung SDS	₩ 4,085	₩ 277,816
	Samsung Electro-Mechanics	451	345,956
	Samsung Card	13,174	1,158,643
	Other	65,247	464,561
	Total (Associates and Joint ventures)	82,957	2,246,976
Other related parties	Samsung C&T ²	204,139	363,604
	Samsung SDI	919	148,122
	Other	24,433	143,296
	Total (Other related parties)	₩ 229,491	₩ 655,022

¹ Balances due from and to separate entities that are related parties of the Group.

² During the nine months ended September 30, 2015, Cheil Industries Inc. merged Samsung C&T and changed its name to Samsung C&T.

<i>(In millions of Korean won)</i>	Name of Company ¹	December 31, 2014	
		Receivables	Payables
Associates and Joint ventures	Samsung SDS	₩ 3,353	₩ 359,001
	Samsung Electro-Mechanics	1,431	237,816
	Samsung Card	5,431	1,124,240
	Other	82,873	463,647
	Total (Associates and Joint ventures)	93,088	2,184,704
Other related parties	Samsung C&T ²	187,108	288,984
	Samsung SDI	4,771	122,936
	Other	18,052	126,422
	Total (Other related parties)	₩ 209,931	₩ 538,342

¹ Balances due from and to separate entities that are related parties of the Group.

² During the nine months ended September 30, 2015, Cheil Industries Inc. merged Samsung C&T and changed its name to Samsung C&T.

(C) The Group invested 137,917 million Korean won in associates and joint ventures including 133,600 million Korean won in Samsung Biologics during the nine months ended September 30, 2015 (655,067 million Korean won during the nine months ended September 30, 2014)

(D) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable for employee services for the nine months ended September 30, 2015 and 2014 consists of:

<i>(In millions of Korean won)</i>	September 30, 2015	September 30, 2014
Salaries and other short-term employee benefits	₩ 6,944	₩ 17,865
Termination benefits	420	730
Other long-term benefits	6,237	5,353

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27. Business Combination

Significant business combinations for the nine months ended September 30, 2015 are as follow:

Samsung Electronics America, the Group's subsidiary, acquired 100% of the equity shares of Samsung Pay(formerly LoopPay) on February 23, 2015.

(A) Overview of the acquired company

Name of the acquired company	LoopPay(currently Samsung Pay, Inc.)
Headquarters location	Burlington, MA. USA
Representative director	Will Graylin
Industry	Mobile payments development and services

(B) Purchase price allocation

<i>(In millions of Korean Won)</i>	Amount
I. Consideration transferred	₩ 275,325
II. Identifiable assets and liabilities	
Cash and cash equivalents	3,042
Short-term financial instruments	57
Trade and other receivables	17,559
Property, plant and equipment	122
Intangible assets	20,293
Other assets	22
Trade and other payables	(23,268)
Deferred income tax liabilities	(5,220)
Total net identifiable assets	12,607
III. Goodwill (I – II)	₩ 262,718

Had Samsung Pay(formerly LoopPay) been consolidated from January 1, 2015, revenues would increase by ₩85 million and net income would decrease by ₩2,151 million on the interim consolidated statement of income. The revenues and net loss contributed by Samsung Pay(formerly LoopPay) since acquisition amount to ₩112 million and ₩13,790 million, respectively.

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28. Non-current Assets Held-for-Sale (Assets of disposal group)

(A) Summary

(1) Sale of Samsung Techwin Co., Ltd.

During the year ended December 31, 2014, management of the Group decided to sell all its shares in Samsung Techwin Co., Ltd. to Hanwha Corporation. The contract was entered into on November 26, 2014, and the transaction was completed in June 2015.

(2) Sale of Samsung General Chemicals Co., Ltd.

During the year ended December 31, 2014, management of the Group decided to sell all its shares of Samsung General Chemicals Co., Ltd. to Hanwha Chemical and Hanwha Energy Corporation, and the transaction was completed in April 2015.

(3) Sale of Optical Materials business segment

During the year ended December 31, 2014, management of the Group decided to sell the Optical Materials business segment and accordingly, the related assets and liabilities are classified as held-for-sale. Since the business does not represent a separate major line of the Group, related profit or loss was not presented as profit or loss of discontinued operations. The contract was entered into on December 2, 2014, and the transaction was completed in March 2015.

(B) Details of assets and liabilities reclassified as held-for-sale, as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean Won)</i>	September 30, 2015		December 31, 2014	
Assets held-for-sale				
Trade receivables	₩	-	₩	60,173
Inventories		-		9,703
Other current assets		-		22,523
Property, plant and equipment		-		37,955
Investment		-		511,441
Other non-current assets		-		3,696
Total		-		645,491
Liabilities held-for-sale				
Current liabilities		-		25,939
Non-current liabilities		-		2,377
Total	₩	-	₩	28,316

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(C) Details of cumulative income or expense recognized in other comprehensive income relating to the disposal group classified as held-for-sale as of September 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean Won)</i>	September 30, 2015		December 31, 2014	
Gain on valuation of available-for-sale securities	₩	-	₩	24,750
Changes in equity under the equity-method		-		54,118
Foreign exchange translation adjustment		-		1,233
Total	₩	-	₩	80,101

29. Events after the Reporting Period

(A) On October 29, 2015, the board of directors approved share buyback and retirement of common and preferred stocks. Estimated total number of shares to be repurchased is 3.47 million (common stock 2.23 million, preferred stock 1.24 million) and all repurchased shares will be cancelled after the buyback is completed. Period of Purchase will be ended on January 29, 2016.

(B) On October 30, 2015, the Group has authorized the sale of its entire stake in Samsung Fine Chemicals Co., LTD. to Lotte Chemical Corporation. The transaction is expected to be closed within the first half of 2016.