

# Samsung Electronics Co., Ltd. and its Subsidiaries

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### 1.1 Company Overview

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

The Company and its subsidiaries (collectively referred to as the “Group”) operate three business divisions: Consumer Electronics (“CE”), Information technology & Mobile communications (“IM”), and Device Solutions (“DS”). The CE division includes digital TVs, monitors, printers, air conditioners and refrigerators and the IM division includes mobile phones, communication systems, 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 Company 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*. The Company, as the controlling company, consolidates its 165 subsidiaries including Samsung Display and Samsung Electronics America. The Group also applies the equity method of accounting for its 36 affiliates, including Samsung Electro-Mechanics.

#### 1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of September 30, 2016 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Medison	Medical equipment	68.5
Domestic	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 Venture Capital Union #32	Technology business, Venture capital investments	99.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
	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
America	Samsung Electronics Peru (SEPR)	Sale of electronic devices	100.0
	RT SV CO-INVEST (RT-SV)	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	Develop and provide mobile payment service	100.0
	Prismview(formerly YESCO Electronics)	Manufacture and sale of LED displays	100.0
	Beijing Integrated Circuit Industry International Fund (Beijing Fund)	Venture capital investments	61.4
	Stellus Technologies	Manufacture and sale of server semiconductor system	100.0
	Samsung Oak Holdings (SHI)	Holding company	100.0
	AdGear Technologies	Digital advertising platforms	100.0
	Joyent	Cloud Services	100.0
	Samsung Next	Holding Company	100.0
	Samsung Next Fund	Technology business, Venture capital investments	100.0
	Dacor Holdings	Holding Company	100.0
	Dacor	Manufacture and sale of Home appliances	100.0
	Dacor(Canada)	Sale of Home appliances	100.0
	EverythingDacor.com	Sale of Home appliances	100.0
	Distinctive Appliances of California	Sale of Home appliances	100.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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 Semiconductor Europe (SSEL)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0
Europe/CIS	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
	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
	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 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
	Joyent (UK)	Cloud services	100.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
Middle East and Africa	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
	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 Maghreb Arab (SEMAG)	Sale of electronic devices	100.0
	Samsung Electronics South Africa Production (SSAP)	Manufacture of TV/monitors	100.0
	Asia (Except China)	Samsung Japan (SJC)	Sale of electronic devices
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 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 and sale of electronic devices	100.0
Laos Samsung Electronics Sole(LSE)	Marketing	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

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
China (Cont.)	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 Semiconductor (China) R&D (SSCR)	R&D	100.0
	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
	SEMES (Xian)	Semiconductor equipment	100.0
	Samsung Semiconductor Xian (SSCX)	Sale of semiconductor/LCD	100.0

<sup>1</sup> Ownership represents the Group's ownership of voting rights in each entity.

**Samsung Electronics Co., Ltd. and its Subsidiaries**

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

(1) 2016

<i>(In millions of Korean won)</i>	As of September 30, 2016		For the three months ended September 30, 2016		For the nine months ended September 30, 2016	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	41,631,223	7,949,326	6,414,151	673,820	17,835,088	674,392
Samsung Electronics America (SEA)	17,782,762	10,654,666	7,766,088	(136,460)	25,436,935	(109,068)
Samsung (China) Investment (SCIC)	12,581,646	11,009,492	2,054,118	(70,040)	7,355,547	18,498
Samsung (China) Semiconductor (SCS)	9,117,152	4,234,830	1,142,365	443,747	3,246,258	1,088,226
Samsung Electronics Vietnam (SEV)	8,655,663	1,784,520	3,860,960	(146,487)	14,523,801	1,239,415
Samsung Electronics Europe Holding (SEEH)	8,395,869	6,631,375	-	324,671	-	346,862
Samsung Semiconductor (SSI)	7,237,630	3,568,646	5,314,807	6,255	14,336,301	17,423
Samsung Electronics Vietnam THAINGUYEN (SEVT)	6,577,122	2,151,121	6,106,956	679,282	17,111,850	2,078,399
Samsung Electronics Huizhou (SEHZ)	5,519,582	1,488,696	2,166,777	(363,541)	9,200,702	104,392
Samsung Asia Private (SAPL)	4,504,970	548,709	341,848	(5,213)	1,094,505	505,107
Samsung Electronica da Amazonia (SEDA)	4,456,296	1,416,601	1,510,287	301,265	4,389,671	653,723
Shanghai Samsung Semiconductor (SSS)	4,416,960	3,772,135	5,201,842	52,086	14,140,965	127,506
Samsung Austin Semiconductor (SAS)	4,405,102	1,115,988	729,271	23,050	2,816,143	83,752
Samsung India Electronics (SIEL)	4,381,919	2,327,521	2,160,168	228,108	6,626,652	677,503
Samsung Electronics Europe Logistics (SELS)	2,702,956	2,105,431	2,831,375	(7,039)	9,464,001	534,611
Samsung Suzhou LCD (SSL)	2,442,537	1,446,495	463,937	18,399	1,004,650	(68,178)
Samsung Display Vietnam (SDV)	2,030,477	2,237,763	1,525,101	(22,053)	3,749,833	(55,615)
Samsung Electronics Slovakia (SESK)	2,009,642	487,554	756,621	15,104	2,412,604	71,238
Thai Samsung Electronics (TSE)	1,935,281	378,510	969,584	31,281	3,164,274	140,161
Tianjin Samsung Telecom Technology (TSTC)	1,687,478	323,238	1,136,673	60,766	3,382,422	185,293
Samsung Electronics GmbH (SEG)	1,585,792	1,520,424	1,419,834	47,173	4,680,212	64,620
Samsung Electronics HCMC CE Complex (SEHC)	1,549,714	1,311,028	715,814	101,870	1,314,590	140,657
Samsung Electronics Hungarian (SEH)	1,462,057	375,591	511,257	13,334	1,704,176	90,631
Samsung Display Dongguan (SDD)	1,385,962	434,926	1,285,994	62,370	3,847,981	140,526
Samsung Electronics Taiwan (SET)	1,385,458	1,061,767	897,876	2,356	2,546,328	636

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(2) 2015

<i>(In millions of Korean won)</i>	<b>As of December 31, 2015</b>		<b>For the three months ended September 30, 2015</b>		<b>For the nine months ended September 30, 2015</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net Income (Loss)</b>	<b>Sales</b>	<b>Net Income (Loss)</b>
Samsung Display (SDC)	39,225,460	6,586,259	7,117,283	773,364	20,054,143	1,713,347
Samsung Electronics America (SEA)	14,875,687	7,562,099	8,911,077	(68,576)	25,546,201	89,782
Samsung (China) Investment (SCIC)	12,748,395	11,040,055	3,318,502	141,357	9,208,543	88,981
Samsung (China) Semiconductor (SCS)	9,742,388	5,537,446	825,268	77,346	1,728,586	85,570
Samsung Semiconductor (SSI)	8,288,391	4,379,980	5,849,751	11,195	14,809,510	31,900
Samsung Electronics Vietnam (SEV)	7,829,507	1,155,075	5,118,744	585,546	14,110,473	1,524,364
Samsung Electronics Europe Holding (SEEH)	6,989,207	5,223,523	-	1,227	-	12,079
Samsung Electronics Vietnam THAINGUYEN (SEVT)	6,571,798	3,940,926	5,456,766	373,456	14,646,759	1,207,986
Samsung Electronics Huizhou (SEHZ)	6,192,974	1,738,095	4,969,806	199,595	13,963,990	662,844
Samsung Austin Semiconductor (SAS)	6,179,289	2,746,852	832,923	23,246	2,117,895	60,770
Samsung Asia Private (SAPL)	4,227,798	504,256	340,453	(17,441)	1,091,804	(9,068)
Shanghai Samsung Semiconductor (SSS)	3,792,437	3,207,942	3,947,122	36,688	10,073,341	98,939
Samsung India Electronics (SIEL)	3,723,127	2,204,333	2,100,563	97,730	5,830,237	221,651
Samsung Electronica da Amazonia (SEDA)	3,114,334	1,021,869	1,171,639	(7,403)	4,324,964	244,289
Samsung Suzhou LCD (SSL)	2,784,122	1,634,304	276,285	15,204	776,696	89,504
Tianjin Samsung Telecom Technology (TSTC)	2,075,123	778,133	1,750,439	96,281	5,298,631	285,486
Samsung Electronics Europe Logistics (SELS)	1,894,614	1,793,917	3,079,680	11,600	9,013,251	373,861
Thai Samsung Electronics (TSE)	1,889,410	416,382	986,636	68,860	3,036,786	192,790
Samsung Electronics Slovakia (SESK)	1,888,341	373,886	696,050	35,020	2,290,874	105,984
Samsung Electronics GmbH (SEG)	1,820,922	1,762,978	1,473,490	134,679	4,287,618	81,462
Samsung Display Dongguan (SDD)	1,276,263	384,963	1,319,652	55,307	3,406,445	71,068
Samsung Electronics Benelux (SEBN)	1,264,497	291,332	521,721	9,573	1,626,405	37,141
Samsung Electronics Hungarian (SEH)	1,254,673	231,785	824,353	35,623	2,153,078	77,291
Samsung Electronics Taiwan (SET)	1,253,480	918,482	1,024,722	2,330	3,398,670	1,775
Samsung Electronics (UK)(SEUK)	1,133,512	745,126	1,178,020	(11,759)	3,285,295	100,579

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(C) Changes in scope of consolidation

(1) Subsidiaries newly included in the consolidation for the nine months ended September 30, 2016:

Area	Subsidiary	Description
Domestic	Samsung Venture Capital Union #32	Incorporation
	Samsung Oak Holdings (SHI)	Incorporation
America	AdGear Technologies	Acquisition of shares
	Joyent	Acquisition of shares
	Joyent (Canada)	Acquisition of shares
	Samsung Next	Incorporation
	Samsung Next Fund	Incorporation
	Dacor Holdings	Acquisition of shares
	Dacor	Acquisition of shares
	Dacor(Canada)	Acquisition of shares
	EverythingDacor.com	Acquisition of shares
	Distinctive Appliances of California	Acquisition of shares
Europe/CIS	Joyent (UK)	Acquisition of shares
Asia (Except China)	Laos Samsung Electronics Sole (LSE)	Incorporation
China	Samsung Semiconductor Xian (SSCX)	Incorporation

(2) Subsidiaries excluded from the consolidation for the nine months ended September 30, 2016:

Area	Subsidiary	Description
Domestic	Samsung Venture Capital Union #14	Liquidation
America	Grandis	Liquidation
	Joyent (Canada)	Liquidation
Europe/CIS	Samsung Russia Service Centre (SRSC)	Merger <sup>1</sup>
	SonoAce Deutschland (SMDE)	Liquidation
Asia (Except China)	Samsung Telecommunications Malaysia (STM)	Liquidation
	Future Technology & Service	Liquidation
China	Samsung R&D Institute China-Xian (SRC-Xian)	Merger <sup>2</sup>
	Samsung Electronics Shanghai Telecommunication (SSTC)	Merger <sup>3</sup>

<sup>1</sup> Samsung Electronics Rus Company (SERC), a subsidiary of the Group, merged with Samsung Russia Service Centre (SRSC) on February 1, 2016.

<sup>2</sup> Samsung (China) Semiconductor (SCS), a subsidiary of the Group, merged with Samsung R&D Institute China-Xian (SRC-Xian) in July, 2016.

<sup>3</sup> Samsung (China) Investment (SCIC), a subsidiary of the Group, merged with Samsung Electronics Shanghai Telecommunication (SSTC) in September, 2016.



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#### 2. Summary of Significant Accounting Policies

##### 2.1 Basis of Presentation

The interim consolidated financial statements for the nine months ended September 30, 2016, 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 at the reporting date.

(A) New and amended standards adopted by the Group

The Group applied the following amended and enacted standards for the annual period beginning on January 1, 2016:

*Amendment to Korean IFRS 1001, Presentation of Financial Statements*

The amendment to K-IFRS 1001, *Presentation of Financial Statements*, specifies that omission, addition and aggregation of presented items is allowed if the information is not material. Also, this standard clarifies share of the other comprehensive income of associates and joint ventures accounted for using the equity method to be presented as line items classified by whether it will be reclassified subsequently to profit or loss. Some of requirements were supplemented including the order in which an entity presents items. There is no material impact of the application of this amendment on the consolidated financial statements.

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (B) New and amended standards not adopted by the Group

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016, and not early adopted by the Group, are as follows:

##### *Korean IFRS 1109, Financial Instruments*

The new standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, Financial Instruments: Recognition and Measurement. Korean IFRS 1109, Financial Instruments, requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics. The Standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in expected credit losses are recognized in profit or loss. The new Standard is effective for the financial year beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

##### *Korean IFRS 1115, Revenue from Contracts with Customers*

The new Standard for the recognition of revenue issued in December 2015 will replace Korean IFRS 1018, Revenue, Korean IFRS 1011, Construction Contracts, and related Interpretations. Korean IFRS 1115, Revenue from Contracts with Customers, will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new Standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

## 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, 2015, except changes in accounting policies applied in the financial year beginning on January 1, 2016 (Note 2.1) 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.

## 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 ₩1,161.32 to US \$1, the average exchange rate for the nine month period ended in September 30, 2016. 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.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 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, 2015, except for the estimation methodologies applied in deriving corporate income tax.

#### 3. Financial Instruments by Category

Categorizations of financial assets and liabilities as of September 30, 2016 and December 31, 2015, are as follows:

(1) As of September 30, 2016

<i>(In millions of Korean won)</i>	<b>Assets at fair value through profit and loss</b>		<b>Loans and receivables</b>		<b>Available-for-sale financial assets</b>		<b>Total</b>	
<b>Assets</b>								
Cash and cash equivalents	₩	-	₩	25,267,569	₩	-	₩	25,267,569
Short-term financial instruments		-		53,247,062		-		53,247,062
Short-term available-for-sale financial assets		-		-		3,607,340		3,607,340
Trade receivables		-		21,693,242		-		21,693,242
Long-term available-for-sale financial assets		-		-		7,681,238		7,681,238
Others		47,459		3,882,512		-		3,929,971
<b>Total</b>	₩	47,459	₩	104,090,385	₩	11,288,578	₩	115,426,422

<i>(In millions of Korean won)</i>	<b>Liabilities at fair value through profit and loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other financial liabilities</b>		<b>Total</b>	
<b>Liabilities</b>								
Trade payables	₩	-	₩	7,857,285	₩	-	₩	7,857,285
Short-term borrowings		-		1,916,195		8,855,104		10,771,299
Other payables		-		7,707,914		-		7,707,914
Current portion of long-term liabilities		-		1,319,602		-		1,319,602
Debentures		-		53,042		-		53,042
Long-term borrowings		-		813,355		-		813,355
Long-term other payables		307,620		2,637,831		-		2,945,451
Others		43,015		9,096,982		-		9,139,997
<b>Total</b>	₩	350,635	₩	31,402,206	₩	8,855,104	₩	40,607,945

**Samsung Electronics Co., Ltd. and its Subsidiaries**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) As of December 31, 2015

<i>(In millions of Korean won)</i>	<b>Assets at fair value through profit or loss</b>		<b>Loans and receivables</b>		<b>Available-for-sale financial assets</b>		<b>Total</b>	
<b>Assets</b>								
Cash and cash equivalents	₩	-	₩	22,636,744	₩	-	₩	22,636,744
Short-term financial instruments		-		44,228,800		-		44,228,800
Short-term available-for-sale financial assets		-		-		4,627,530		4,627,530
Trade receivables		-		25,168,026		-		25,168,026
Long-term available-for-sale financial assets		-		-		8,332,480		8,332,480
Others		63,177		3,483,257		-		3,546,434
<b>Total</b>	₩	63,177	₩	95,516,827	₩	12,960,010	₩	108,540,014

<i>(In millions of Korean won)</i>	<b>Liabilities at fair value through profit and loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other financial liabilities</b>		<b>Total</b>	
<b>Liabilities</b>								
Trade payables	₩	-	₩	6,187,291	₩	-	₩	6,187,291
Short-term borrowings		-		2,416,977		8,738,448		11,155,425
Other payables		-		7,625,490		-		7,625,490
Current portion of long-term liabilities		-		221,548		-		221,548
Debentures		-		1,230,448		-		1,230,448
Long-term borrowings		-		266,542		-		266,542
Long-term other payables		312,738		2,406,936		-		2,719,674
Others		38,829		7,908,569		-		7,947,398
<b>Total</b>	₩	351,567	₩	28,263,801	₩	8,738,448	₩	37,353,816

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

(A) Details of long-term available-for-sale financial assets as of September 30, 2016 and December 31, 2015, are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>		<b>December 31, 2015</b>	
Equity securities - Listed	₩	3,588,642	₩	4,674,753
Equity securities - Non-listed		3,994,135		3,498,655
Debt securities <sup>1</sup>		98,461		159,072
<b>Total</b>	₩	7,681,238	₩	8,332,480

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

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(B) Details of listed equity securities as of September 30, 2016 and December 31, 2015, are as follows:

<i>(In millions of Korean won)</i>	September 30, 2016			December 31, 2015	
	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	₩ 1,292,417	₩ 1,534,745
Samsung Heavy Industries	40,675,641	17.6	258,299	381,131	441,331
Hotel Shilla	2,004,717	5.1	13,957	121,285	154,965
Cheil Worldwide	14,498,725	12.6	223,941	231,980	300,124
iMarket Korea	647,320	1.8	324	8,318	16,377
SFA	1,822,000	10.2	38,262	98,206	90,098
Wonik Holdings (formerly Wonik IPS) <sup>1</sup>	3,518,342	4.6	30,821	25,754	81,949
Wonik IPS <sup>2</sup>	3,701,872	9.0	32,428	94,398	
ASML <sup>2</sup>	6,297,787	1.5	363,012	756,931	1,331,450
Rambus <sup>2</sup>	-	-	-	-	65,039
Seagate Technology <sup>2</sup>	-	-	-	-	538,766
Sharp <sup>2</sup>	-	-	-	-	43,502
Wacom	8,398,400	5.1	62,013	27,773	39,330
BYD <sup>3</sup>	52,264,808	1.9	528,665	476,399	-
Others			79,259	74,050	37,077
<b>Total</b>			₩ 3,811,934	₩ 3,588,642	₩ 4,674,753

<sup>1</sup> For the nine months ended September 30, 2016, Wonik IPS split off from Wonik Holdings (formerly Wonik IPS).

<sup>2</sup> For the same period above, the Group disposed all of its Rambus, Seagate Technology and Sharp shares and a portion of its ASML shares.

<sup>3</sup> For the same period above, the Group acquired 52,264,808 shares of BYD.

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, net of impairment loss and the current fair value is recorded within other components of equity, net of tax effects (unrealized gains or losses on available-for-sale financial assets).

#### 5. Inventories

Inventories as of September 30, 2016 and December 31, 2015, are as follows:

<i>(In millions of Korean won)</i>	September 30, 2016			December 31, 2015		
	Gross Amount	Valuation Allowance <sup>1</sup>	Book Value	Gross Amount	Valuation Allowance	Book Value
Finished goods	₩ 7,337,373	₩ (2,199,098)	₩ 5,138,275	₩ 5,956,413	₩ (186,953)	₩ 5,769,460
Work in process	6,067,549	(425,941)	5,641,608	6,142,964	(363,661)	5,779,303
Raw materials and supplies	6,611,267	(290,394)	6,320,873	6,082,185	(222,923)	5,859,262
Materials in transit	1,277,489	-	1,277,489	1,403,769	-	1,403,769
<b>Total</b>	₩21,293,678	₩ (2,915,433)	₩18,378,245	₩19,585,331	₩ (773,537)	₩ 18,811,794

<sup>1</sup> For the nine months ended September 30, 2016, the inventories of which the Group has suspended sales and production are evaluated by net realizable value. Also the difference between the net realizable value and the book value is reflected in the valuation allowance account.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 6. Investments in Associates and Joint Ventures

(A) Changes in investments in associates and joint ventures for the nine months ended September 30, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>	<b>2015</b>
Balance as of January 1	₩ 5,276,348	₩ 5,232,461
Acquisition	70,998	137,917
Disposal <sup>1</sup>	(1,341,108)	(19,323)
Share of profit	18,398	113,872
Others <sup>2, 3</sup>	(302,963)	(58,792)
Balance as of September 30	₩ 3,721,673	₩ 5,406,135

<sup>1</sup> The Group sold its entire stake in Samsung Card for the nine months ended September 30, 2016.

<sup>2</sup> Others consist of dividends, impairment, reclassification as assets held-for-sale and effects of changes in foreign exchange rates.

<sup>3</sup> For the nine months ended September 30, 2016, part of the Group's shares in Samsung Biologics was reclassified as held-for-sale as it meets the criteria for reclassification (Refer to Note 28).

(B) Major investments in associates and joint ventures as of September 30, 2016, are as follows:

(1) Investments in associates

<b>Investee</b>	<b>Nature of Relationship with Associate</b>	<b>Percentage of Ownership<sup>1</sup> (%)</b>	<b>Principal Business Location</b>
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
Samsung Biologics	New business investment	47.8	Korea

<sup>1</sup> Ownership represents the Group's ownership of common stock in each entity.

(2) Investments in joint ventures

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

<sup>1</sup> Ownership represents the Group's ownership of common stock in each entity.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) Details of investments in associates and joint ventures as of September 30, 2016 and December 31, 2015, are as follows:

(1) Investments in associates

*(In millions of Korean won)*

Investee	Acquisition cost	September 30, 2016	
		Net asset value of equity shares <sup>1</sup>	Book value
Samsung Card	₩ -	₩ -	₩ -
Samsung Electro-Mechanics	359,237	993,483	994,732
Samsung SDS	147,963	1,092,212	1,116,600
Samsung Biologics	443,193	1,000,716	1,005,090
Others	641,979	204,006	376,990
<b>Total</b>	<b>₩ 1,592,372</b>	<b>₩ 3,290,417</b>	<b>₩ 3,493,412</b>

<sup>1</sup> The Group's portion of net asset value of associates is based on the Group's ownership percentage.

*(In millions of Korean won)*

Investee	Acquisition cost	December 31, 2015	
		Net asset value of equity shares <sup>1</sup>	Book value
Samsung Card	₩ 1,538,540	₩ 2,504,778	₩ 1,338,679
Samsung Electro-Mechanics	359,237	987,695	994,489
Samsung SDS	147,963	1,036,142	1,060,396
Samsung Biologics	545,665	1,300,185	1,310,202
Others	583,756	191,272	323,513
<b>Total</b>	<b>₩ 3,175,161</b>	<b>₩ 6,020,072</b>	<b>₩ 5,027,279</b>

<sup>1</sup> The Group'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	Acquisition cost	September 30, 2016	
		Net asset value of equity shares <sup>1</sup>	Book value
Samsung Corning Advanced Glass	₩ 215,000	₩ 173,832	₩ 173,790
Others	259,977	63,044	54,471
<b>Total</b>	<b>₩ 474,977</b>	<b>₩ 236,876</b>	<b>₩ 228,261</b>

<sup>1</sup> The Group's portion of net asset value of joint ventures is based on the Group's ownership percentage.

*(In millions of Korean won)*

Investee	Acquisition cost	December 31, 2015	
		Net asset value of equity shares <sup>1</sup>	Book value
Samsung Corning Advanced Glass	₩ 215,000	₩ 188,431	₩ 188,371
Others	259,977	104,440	60,698
<b>Total</b>	<b>₩ 474,977</b>	<b>₩ 292,871</b>	<b>₩ 249,069</b>

<sup>1</sup> The Group's portion of net asset value of joint ventures is based on the Group's ownership percentage.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(D) Details of the valuation of investments in associates and joint ventures under the equity method, are as follows:

(1) For the nine months ended September 30, 2016

<i>(In millions of Korean won)</i>	<b>Balance as of January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive income/loss</b>	<b>Others<sup>1</sup></b>	<b>Balance as of September 30</b>
Samsung Card	₩ 1,338,679	₩ -	₩ -	₩ (1,338,679)	₩ -
Samsung Electro-Mechanics	994,489	7,250	1,840	(8,847)	994,732
Samsung SDS	1,060,396	78,908	(13,968)	(8,736)	1,116,600
Samsung Biologics	1,310,202	(49,068)	(2,762)	(253,282)	1,005,090
Samsung Corning Advanced Glass	188,371	(14,531)	(50)	-	173,790
Others	384,211	(4,161)	(7,254)	58,665	431,461
<b>Total</b>	<b>₩ 5,276,348</b>	<b>₩ 18,398</b>	<b>₩ (22,194)</b>	<b>₩ (1,550,879)</b>	<b>₩ 3,721,673</b>

<sup>1</sup> Others consist of acquisitions, disposals, dividends, impairment, reclassification as assets held-for-sale and effects of changes in foreign exchange rates.

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

<i>(In millions of Korean won)</i>	<b>Balance as of January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive income/loss</b>	<b>Others<sup>1</sup></b>	<b>Balance as of September 30</b>
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 Biologics	293,975	(52,178)	(2,610)	133,600	372,787
Samsung Corning Advanced Glass	195,930	(6,120)	89	-	189,899
Others	396,350	3,638	4,921	(9,795)	395,114
<b>Total</b>	<b>₩ 5,232,461</b>	<b>₩ 113,872</b>	<b>₩ 2,037</b>	<b>₩ 57,765</b>	<b>₩ 5,406,135</b>

<sup>1</sup> Others consist of acquisitions, disposals, dividends, impairment and effects of changes in foreign exchange rates.



## Samsung Electronics Co., Ltd. and its 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, 2016 and December 31, 2015, and for the nine months ended September 30, 2016 and 2015, is as follows:

*(In millions of Korean won)*

Investee	2016		
	Samsung Electro-Mechanics	Samsung SDS	Samsung Biologics
<b>1. Condensed financial information</b>			
<b>Condensed statements of financial position:</b>			
Current assets	₩ 2,822,496	₩ 4,282,574	₩ 259,911
Non-current assets	4,503,066	2,273,924	5,813,442
Current liabilities	1,791,692	1,244,529	2,250,815
Non-current liabilities	1,196,920	258,496	1,174,503
Non-controlling interests	94,901	218,178	-
<b>Condensed statements of comprehensive income:</b>			
Revenue	4,687,988	5,798,312	189,072
Profit(Loss) from continuing operations <sup>1</sup>	49,988	347,070	(119,842)
Other comprehensive income (loss) <sup>1</sup>	7,863	(61,861)	(6,958)
Total comprehensive income (loss) <sup>1</sup>	57,851	285,209	(126,800)
<b>2. Dividends from associates</b>			
Dividends	₩ 8,847	₩ 8,736	₩ -

<sup>1</sup> Income (Loss) attributable to owners of the parent.

*(In millions of Korean won)*

Investee	2015			
	Samsung Card <sup>1</sup>	Samsung Electro-Mechanics	Samsung SDS	Samsung Biologics
<b>1. Condensed financial information</b>				
<b>Condensed statements of financial position:</b>				
Current assets	₩ 19,070,997	₩ 2,729,971	₩ 3,845,289	₩ 192,854
Non-current assets		4,539,482	2,486,390	5,767,640
Current liabilities	12,382,672	1,768,254	1,389,915	1,911,669
Non-current liabilities		1,185,816	164,913	1,273,990
Non-controlling interests	-	93,268	188,091	-
<b>Condensed statements of comprehensive income:</b>				
Revenue	2,456,493	4,814,227	5,748,700	43,032
Profit(Loss) from continuing operations <sup>2</sup>	257,733	294,687	308,105	(147,417)
Post-tax profit or loss from discontinued operations <sup>2</sup>	-	(266,830)	-	-
Other comprehensive income (loss) <sup>2</sup>	38,240	(72,341)	6,523	(37,889)
Total comprehensive income (loss) <sup>2</sup>	295,973	(44,484)	314,628	(185,306)
<b>2. Dividends from associates</b>				
Dividends	₩ 43,393	₩ 13,270	₩ 8,736	₩ -

<sup>1</sup> Samsung Card does not present current and non-current assets and liabilities as separate classifications in its statement of financial position.

<sup>2</sup> Income (Loss) attributable to owners of the parent

## Samsung Electronics Co., Ltd. and its 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, 2016 and December 31, 2015, and for the nine months ended September 30, 2016 and 2015, is as follows:

<i>(In millions of Korean won)</i>	<b>Samsung Corning Advanced Glass</b>			
	<b>2016</b>		<b>2015</b>	
<b>1. Condensed financial information</b>				
<b>Condensed statements of financial position:</b>				
Current assets	₩	212,923	₩	226,720
- Cash and cash equivalent		11,493		13,383
Non-current assets		172,303		183,313
Current liabilities		35,018		32,158
- Current financial liabilities <sup>1</sup>		13,867		14,111
Non-current liabilities		2,543		1,013
<b>Condensed statements of comprehensive income<sup>2</sup>:</b>				
Revenue		191,776		200,676
Depreciation and amortization		1,726		1,412
Interest income		1,096		865
Income tax expense		(8,581)		(927)
Net loss from continuing operations <sup>3</sup>		(29,097)		(12,279)
Other comprehensive income (loss) <sup>3</sup>		(100)		179
Total comprehensive income (loss) <sup>3</sup>		(29,197)		(12,100)
<b>2. Dividends from joint ventures</b>				
Dividends	₩	-	₩	-

<sup>1</sup> Trade payables, other payables, and provisions are excluded.

<sup>2</sup> Amounts relate to the nine months ended September 30, 2016 and 2015.

<sup>3</sup> Profit (Loss) attributable to owners of the parent.

- (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, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>				<b>2015</b>	
	<b>Investee</b>	<b>Associates</b>	<b>Joint ventures</b>	<b>Associates</b>	<b>Joint ventures</b>	<b>Joint ventures</b>
Income (loss) from continuing operations <sup>1</sup>	₩	(6,276)	₩	2,115	₩	4,309
Other comprehensive income (loss) <sup>1</sup>		(2,531)		(2,646)		1,992
Total comprehensive income (loss) <sup>1</sup>	₩	(8,807)	₩	(531)	₩	6,301
					₩	926
						3,865
					₩	4,791

<sup>1</sup> Income (Loss) attributable to owners of the parent.

- (F) Fair value of marketable investments in associates as of September 30, 2016 and December 31, 2015, is as follows:

<i>(In millions of Korean won and number of shares)</i>	<b>September 30, 2016</b>		<b>December 31, 2015</b>
	<b>Number of shares held</b>	<b>Market value</b>	<b>Market value</b>
Samsung Electro-Mechanics	17,693,084	865,192	1,112,895
Samsung SDS	17,472,110	2,690,705	4,437,916

## Samsung Electronics Co., Ltd. and its 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, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>	<b>2015</b>
Balance as of January 1	₩ 86,477,110	₩ 80,872,950
Acquisition and capital expenditures	14,721,270	19,177,723
Business combinations	6,694	34,776
Depreciation	(14,658,625)	(14,614,029)
Disposals/scrap/impairment/reversal of impairment	(299,477)	(247,927)
Others <sup>1</sup>	(2,373,188)	1,336,935
<b>Balance as of September 30</b>	<b>₩ 83,873,784</b>	<b>₩ 86,560,428</b>

<sup>1</sup> Others include effects of changes in foreign currency exchange rates and reclassification as assets held-for-sale

(B) Details of depreciation of property, plant and equipment for the nine months ended September 30, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>	<b>2015</b>
Cost of sales	₩ 13,201,737	₩ 13,284,416
Selling and administrative expenses and others	1,456,888	1,329,613
<b>Total</b>	<b>₩ 14,658,625</b>	<b>₩ 14,614,029</b>

#### 8. Intangible Assets

(A) Changes in intangible assets for the nine months ended September 30, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>	<b>2015</b>
Balance as of January 1	₩ 5,396,311	₩ 4,785,473
Internally generated (development costs)	569,657	858,982
External acquisitions	241,523	254,356
Business combinations	359,825	374,224
Amortization	(1,021,168)	(933,624)
Disposals/scrap/impairment/reversal of impairment	(423,394)	(75,986)
Others <sup>1</sup>	(34,521)	296,873
<b>Balance as of September 30</b>	<b>₩ 5,088,233</b>	<b>₩ 5,560,298</b>

<sup>1</sup> Others include effects of changes in foreign currency exchange rates and reclassification as assets held-for-sale

(B) Details of amortization of intangible assets for the nine months ended September 30, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>	<b>2015</b>
Cost of sales	₩ 692,611	₩ 579,190
Selling and administrative expenses and others	328,557	354,434
<b>Total</b>	<b>₩ 1,021,168</b>	<b>₩ 933,624</b>

**Samsung Electronics Co., Ltd. and its Subsidiaries**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**9. Borrowings**

Details of the carrying amounts of borrowings as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>Financial Institutions</b>	<b>Annual Interest Rates (%) as of September 30, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Short-term borrowings</b>				
Collateralized borrowings <sup>1</sup>	Woori Bank and others	0.1 ~ 12.4	₩ 8,855,104	₩ 8,738,448
Non-collateralized borrowings	Citibank and others	0.5 ~ 18.9	1,916,195	2,416,977
<b>Total</b>			₩ 10,771,299	₩ 11,155,425
<b>Current portion of long-term borrowings</b>				
Bank borrowings	US Bank and others	3.5 ~ 6.0	₩ 613	₩ 454
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	17,412	15,652
<b>Total</b>			₩ 18,025	₩ 16,106
<b>Long-term borrowings</b>				
Bank borrowings	Citibank and others	Libor+0.4 ~ 19.8	₩ 750,463	₩ 193,598
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	62,892	72,944
<b>Total</b>			₩ 813,355	₩ 266,542

<sup>1</sup> Collateralized borrowings are secured by trade receivables.

<sup>2</sup> Leased property, plant and equipment were pledged as collateral.

**10. Debentures**

Details of the carrying amount of debentures as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Korean won denominated debentures (A)	₩ -	₩ -
Foreign currency denominated debentures (B)	53,042	1,230,448
<b>Total</b>	₩ 53,042	₩ 1,230,448

(A) Details of Korean won denominated debentures as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>Issue Date</b>	<b>Due Date</b>	<b>Annual Interest Rates (%) as of September 30, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Unsecured debentures	2011.11.17	2016.11.17	4.2	₩ 200,000	₩ 200,000
Less: Current portion				(200,000)	(200,000)
Less: Discounts				-	-
<b>Total</b>				₩ -	₩ -

The debenture has been issued by Samsung Display and will be repaid upon maturity.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(B) Details of foreign currency denominated debentures as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of September 30, 2016	September 30, 2016	December 31, 2015
US dollar denominated straight bonds <sup>1</sup>	1997.10.02	2027.10.01	7.7	₩ 60,297 (US\$55 million)	₩ 70,320 (US\$60 million)
US dollar denominated unsecured bonds <sup>2</sup>	2012.04.10	2017.04.10	1.8	1,096,300 (US\$1,000 million)	1,172,000 (US\$1,000 million)
Less: Current Portion				(1,101,782)	(5,860)
Less: Discounts				(1,773)	(6,012)
<b>Total</b>				₩ 53,042	₩ 1,230,448

<sup>1</sup> 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.

<sup>2</sup> Samsung Electronics America issued dollar denominated unsecured bonds. Repayment of these debentures is due on the date of maturity and interest is paid semi-annually.

#### 11. Net Defined Benefit Liabilities

(A) Details of net defined benefit liabilities recognized on the consolidated statements of financial position as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2016	December 31, 2015
Present value of funded defined benefit obligations	₩ 8,261,093	₩ 7,693,919
Present value of unfunded defined benefit obligations	152,274	138,860
<b>Subtotal</b>	8,413,367	7,832,779
Fair value of plan assets	(7,256,725)	(7,473,959)
<b>Total</b>	₩ 1,156,642	₩ 358,820

(B) The amounts recognized in the consolidated statements of income for the nine months ended September 30, 2016 and 2015 are as follows:

<i>(In millions of Korean won)</i>	2016	2015
Current service cost	₩ 809,458	₩ 859,768
Net interest cost	8,380	4,720
Others	(1,856)	2,075
<b>Total</b>	₩ 815,982	₩ 866,563

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) The pension expenses related to defined benefit plans recognized on the consolidated statements of income for the nine months ended September 30, 2016 and 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>		<b>2015</b>	
Cost of sales	₩	353,071	₩	375,371
Selling and administrative expenses and others		462,911		491,192
<b>Total</b>	₩	<b>815,982</b>	₩	<b>866,563</b>

#### 12. Provisions

Changes in the provisions for the nine months ended September 30, 2016 are as follows:

<i>(In millions of Korean won)</i>	<b>Warranty (A)</b>	<b>Royalty expenses (B)</b>	<b>Long-term incentives (C)</b>	<b>Bonus (D)</b>	<b>Others (E), (F)</b>	<b>Total</b>
Balance as of January 1	₩ 1,664,526	₩ 4,443,749	₩ 753,553	₩ -	₩ 81,153	₩ 6,942,981
Charged (credited) to the statement of income	1,654,606	(1,080,642)	142,384	2,770,021	1,118,446	4,604,815
Payment	(1,521,719)	(1,760,948)	(220,402)	(348,731)	(62,222)	(3,914,022)
Others <sup>1</sup>	(92,078)	(52,877)	(9,411)	(11,956)	(12,427)	(178,749)
Balance as of September 30	₩ 1,705,335	₩ 1,549,282	₩ 666,124	₩ 2,409,334	₩ 1,124,950	₩ 7,455,025

<sup>1</sup> Others include effects of changes in foreign currency exchange rates and reclassification as liabilities held-for-sale.

- (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 recognizes provisions for the estimated royalty expenses that are 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 recognizes 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 recognizes provisions for the estimated expenses regarding the products of which the Group has suspended sales and production for the nine months ended September 30, 2016.
- (F) 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, 2016 are as follows:

- (1) Allocated amount of emission permits and estimated amount of emission as of September 30, 2016 are as follows:

<i>(In ten thousand metric tons)</i>	<b>2016</b>
Allocated emission permits	1,080
Estimated amount of emission	1,181

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Changes in the certified emission rights for the nine months ended September 30, 2016 are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>	
Balance as of January 1	₩	7,260
Acquisition		3,774
Submission		(5,100)
Balance as of September 30	₩	5,934

(3) Changes in the provisions for emissions for the nine months ended September 30, 2016 are as follows:

<i>(In millions of Korean won)</i>	<b>2016</b>	
Balance as of January 1	₩	7,947
Charged (credited) to the statement of income		4,123
Submission		(5,100)
Balance as of September 30	₩	6,970

### 13. Commitments and Contingencies

#### (A) Guarantees

Details of guarantees of debt provided by the Group as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>		<b>December 31, 2015</b>	
Guarantees of debt for housing rental <sup>1</sup>	₩	58,045	₩	64,753

<sup>1</sup> 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.

In addition to the guarantees described above, the Group provides guarantees for borrowings by Medicapital from Dime Investment and two other companies in the amount of ₩ 2,264 million.

#### (B) Litigation

(1) The litigation with Apple Inc. ("Apple") is ongoing in the United States as of the reporting date. On August 24, 2012, the jury determined that the Group partially infringed Apple's design and utility patent and should pay damages to Apple. However, on March 1, 2013, the Judge ordered a new trial for a certain portion of the damages, ruling that it was originally miscalculated. On November 21, 2013 a jury verdict was rendered on the recalculated damages amount, and on March 6, 2014, the Judge made a final judgement to confirm the total damages and deny Apple's bid for a permanent injunction against the Group. 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 appellate court affirmed in part and reversed in part a previous decision, and remanded it. 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 the remand procedure, the court of first trial announced a partial final judgment on the appeals on September 18, 2015. On October 13, 2015, the immediate appeal was dismissed and on November 19, 2015, the Federal Circuit Court denied an en banc rehearing request. On December 11, 2015, the Group made payment for the damages. On December 14, 2015, the Group filed an appeal to the Supreme Court related to design. Thereafter, the two parties have submitted in writing to the district court details of supplemental damages incurred in connection with the ruling. On March 21, 2016, the Supreme Court granted the Group's certiorari petition related to design and on March 22, 2016, the district court stayed remand proceedings including a hearing for supplemental damages and re-trial which was supposed to start from March 28, 2016. On June 1, the Group has submitted in writing a merits brief

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### **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

related to design infringements to the Supreme Court. On June 8, following the Group's filing of the merits brief, several companies have submitted amicus briefs in support of the Group's position. Apple submitted opposition brief to the Supreme Court on July 29, 2016, and several companies filed amicus briefs on August 5, 2016. On August 29, 2016, the Group submitted reply brief in support of its Supreme Court appeal. The Supreme Court oral argument was heard on October 11, 2016.

Additionally, on May 5, 2014, the jury in another ongoing patent 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 on November 25, 2014 and the rehearing was held on January 5, 2016. On August 27, 2014, the Judge denied Apple's request for a permanent injunction on the Group's product. However, on September 17, 2015, the appellate court reversed and remanded a previous decision and on December 16, 2015, the Federal Circuit Court denied an en banc hearing request of the Group. On January 18, 2016, the court of first instance ordered a permanent injunction on the Group's product. On February 26, 2016, a panel of appellate court reversed the first trial judgment of November 25, 2014 and ruled that the Group had not infringed Apple's some patents and its remaining patents were invalid. On March 30, 2016, Apple filed a petition for an en banc rehearing about the rulings of the panel. On October 7, 2016, the en banc appellate court reversed the panel rulings, affirming the first trial judgment that the Group had infringed Apple's patent. 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.

- (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.
- (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

Samsung Display entered into a collaboration agreement with Corning Incorporated on October 23, 2013 that includes a condition relating to mutual loss preservation which can cause inflows or outflows of future economic benefits and the Group has recorded an estimated liability as a result of this commitment as of September 30, 2016.



## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 14. Share Capital

The Company's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Company has issued 140,679,337 shares of common stock and 20,513,427 shares of preferred stock as of September 30, 2016, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩ 805,964 million (common stock ₩703,397 million and preferred stock ₩102,567 million), which does not agree with paid-in capital of ₩897,514 million.

#### 15. Retained Earnings

(A) Retained earnings as of September 30, 2016 and December 31, 2015 consist of:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Appropriated	₩ 140,709,326	₩ 131,539,594
Unappropriated	45,459,811	53,592,420
<b>Total</b>	<b>₩ 186,169,137</b>	<b>₩ 185,132,014</b>

(B) On July 28, 2016, the Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six months ended June 30, 2016.

Details of interim dividends for the nine months ended September 30, 2016 and 2015 are as follows:

<i>(In millions of Korean won)</i>		<b>2016</b>	<b>2015</b>
Number of shares eligible for dividends	Common stock	123,958,561	129,312,651
	Preferred stock	17,580,920	19,603,734
Dividend rate (based on par value)		20%	20%
Dividend amount	Common stock	₩ 123,958	₩ 129,313
	Preferred stock	17,581	19,603
	Total	<b>₩ 141,539</b>	<b>₩ 148,916</b>

#### 16. Other Components of Equity

(A) Other components of equity as of September 30, 2016 and December 31, 2015 consist of:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Treasury stock	₩ (9,750,326)	₩ (13,442,379)
Unrealized gains on available-for-sale financial assets	1,018,760	1,478,330
Share of other comprehensive income of associates and joint ventures	37,378	362,342
Foreign currency translation	(7,706,255)	(4,091,202)
Remeasurement of net defined benefit liabilities	(1,823,838)	(1,737,809)
Others	42,490	(149,733)
<b>Total</b>	<b>₩ (18,181,791)</b>	<b>₩ (17,580,451)</b>

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(B) The Group repurchases registered common stock and non-voting preferred stock and recognizes the repurchase amount in other components of equity. Treasury stock as of September 30, 2016 and December 31, 2015 consists of the following:

<i>(In millions of Korean won and number of shares)</i>	September 30, 2016		December 31, 2015	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Number of shares	17,981,686	3,229,693	19,902,489	4,285,594
Acquisition cost	₩ 8,871,509	₩ 878,817	₩ 11,377,539	₩ 2,064,840

#### 17. Expenses by Nature

Expenses by nature for the three and nine months ended September 30, 2016 and 2015 consist of the following:

<i>(In millions of Korean won)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
Changes in finished goods and work in process	₩ 338,419	₩ 768,880	₩ (1,406,662)	₩ (3,029,145)
Raw materials and goods	17,754,561	54,447,511	20,841,438	57,616,337
Wages and salaries	4,713,158	14,353,252	4,587,111	13,793,828
Pension	304,034	894,128	311,100	921,394
Depreciation	4,707,030	14,658,625	5,103,838	14,614,029
Amortization	334,926	1,021,168	318,966	933,624
Welfare	825,460	2,661,516	987,832	2,878,007
Commission and service charges	1,922,886	6,219,721	2,209,595	6,289,172
Others	11,715,070	33,490,353	11,335,981	33,050,106
<b>Total<sup>1</sup></b>	<b>₩ 42,615,544</b>	<b>₩ 128,515,154</b>	<b>₩ 44,289,199</b>	<b>₩ 127,067,352</b>

<sup>1</sup> Equal to the sum of cost of sales and selling and administrative expenses on the interim consolidated statements of income.

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**18. Selling and Administrative Expenses**

Selling and administrative expenses for the three and nine months ended September 30, 2016 and 2015 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
<b>1) Selling and administrative expenses</b>				
Wages and salaries	₩ 1,358,779	₩ 4,195,683	₩ 1,372,254	₩ 4,070,527
Pension	79,065	217,997	74,435	207,898
Commission and service charges	1,922,886	6,219,721	2,209,595	6,289,172
Depreciation	192,427	581,378	181,608	527,978
Amortization	53,654	166,239	56,682	197,964
Advertising	1,128,409	3,441,004	1,033,184	2,733,017
Sales promotion	1,864,702	5,245,025	1,795,875	5,176,128
Transportation	858,888	2,446,219	920,651	2,539,462
Warranty	1,149,586	2,707,095	758,418	2,178,845
Others	1,089,474	3,328,925	861,118	3,383,208
<b>2) Research and development expenses</b>				
Total expenses	3,634,013	11,141,293	3,690,644	11,101,697
Capitalized expenses	(127,595)	(569,657)	(274,717)	(858,982)
<b>Total</b>	<b>₩ 13,204,288</b>	<b>₩ 39,120,922</b>	<b>₩ 12,679,747</b>	<b>₩ 37,546,914</b>

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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, 2016 and 2015 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
<b>Non-operating income</b>				
Dividend income	₩ 27,748	₩ 209,619	₩ 35,735	₩ 146,235
Rental income	28,384	74,880	23,120	70,256
Gain on disposal of investments	749,884	1,137,183	27,043	220,652
Gain on disposal of property, plant and equipment	83,478	126,940	38,748	103,151
Gain on disposal of assets classified as held-for-sale	-	69,924	3,772	211,568
Others	194,078	443,343	191,879	584,010
<b>Total</b>	₩ 1,083,572	₩ 2,061,889	₩ 320,297	₩ 1,335,872

<i>(In millions of Korean won)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
<b>Non-operating expense</b>				
Loss on disposal of property, plant and equipment	₩ 40,489	₩ 85,489	₩ 45,462	₩ 91,968
Donations	164,416	339,809	165,392	326,890
Impairment losses on intangible assets	26,080	381,445	44,515	62,297
Others	314,736	593,067	148,924	388,196
<b>Total</b>	₩ 545,721	₩ 1,399,810	₩ 404,293	₩ 869,351

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 20. Financial Income and Expense

(A) Details of financial income and expense for the three and nine months ended September 30, 2016 and 2015 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
<b>Financial income</b>				
Interest income:	₩ 392,170	₩ 1,116,900	₩ 445,531	₩ 1,314,685
- Interest income from loans and receivables	391,346	1,088,137	422,926	1,241,037
- Interest income from available-for-sale financial assets	824	28,763	22,605	73,648
Foreign exchange differences	1,787,645	5,669,389	2,628,557	5,887,792
Gains from derivatives	123,953	583,471	311,546	758,523
<b>Total</b>	₩ 2,303,768	₩ 7,369,760	₩ 3,385,634	₩ 7,961,000

<i>(In millions of Korean won)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
<b>Financial expense</b>				
Interest expense:	₩ 148,305	₩ 432,708	₩ 205,234	₩ 561,371
- Interest expense from financial liabilities measured at amortized cost	86,411	262,042	123,444	340,561
- Other financial liabilities	61,894	170,666	81,790	220,810
Foreign exchange differences	1,797,803	5,875,953	2,875,464	6,250,109
Losses from derivatives	129,873	596,281	247,888	763,804
<b>Total</b>	₩ 2,075,981	₩ 6,904,942	₩ 3,328,586	₩ 7,575,284

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

#### 21. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the average annual effective income tax rate expected for the full financial year. The average annual tax rate expected as of September 30, 2016 to be effective for the year ended December 31, 2016 is 26.1%.

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**22. Earnings per Share**

(A) Basic earnings per share

Basic earnings per share for the three and nine months ended September 30, 2016 and 2015 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of number of shares, except per share data)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
Profit attributable to owners of the Parent company	₩ 4,408,790	₩ 15,498,474	₩ 5,306,104	₩ 15,452,161
Profit available for common stock	3,864,240	13,584,284	4,607,382	13,417,361
Weighted-average number of common shares outstanding	123,447	124,939	129,313	129,362
Basic earnings per share <i>(in Korean won)</i>	₩ 31,303	₩ 108,728	₩ 35,630	₩ 103,720

(2) Preferred stock

<i>(In millions of Korean won and thousands of number of shares, except per share data)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
Profit attributable to owners of the Parent company	₩ 4,408,790	₩ 15,498,474	₩ 5,306,104	₩ 15,452,161
Profit available for preferred stock	544,550	1,914,190	698,722	2,034,800
Weighted-average number of preferred shares outstanding	17,459	17,829	19,604	19,611
Basic earnings per preferred share <i>(in Korean won)</i>	₩ 31,190	₩ 107,363	₩ 35,642	₩ 103,760

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (B) Diluted earnings per share

The Group had 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. All remaining stock options were exercised for the year ended December 31, 2015, and as a result, basic earnings per share and diluted earnings per share are the same for the three and nine months ended September 30, 2016.

Diluted earnings per share for the three and nine months ended September 30, 2016 and 2015 are calculated as follows:

#### (1) Common stock

<i>(In millions of Korean won and thousands of number of shares, except per share data)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
Profit available for common stock and common stock equivalents	₩ 3,864,240	₩ 13,584,284	₩ 4,607,405	₩ 13,417,429
Weighted-average number of shares of common stock and dilutive potential common stock	123,447	124,939	129,315	129,365
Diluted earnings per share <i>(in Korean won)</i>	₩ 31,303	₩ 108,728	₩ 35,629	₩ 103,718

#### (2) Preferred stock

<i>(In millions of Korean won and thousands of number of shares, except per share data)</i>	September 30, 2016		September 30, 2015	
	3 Months	9 Months	3 Months	9 Months
Profit available for preferred stock and preferred stock equivalents	₩ 544,550	₩ 1,914,190	₩ 698,699	₩ 2,034,732
Weighted-average number of shares of preferred stock and dilutive potential preferred stock	17,459	17,829	19,604	19,611
Diluted earnings per preferred share <i>(in Korean won)</i>	₩ 31,190	₩ 107,363	₩ 35,641	₩ 103,756

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 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, 2016 and 2015 are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	<b>2016</b>	<b>2015</b>
Adjustments for:		
Income tax expense	₩ 5,527,095	₩ 5,400,115
Finance income	(2,341,890)	(2,704,801)
Finance expense	1,587,210	2,426,990
Severance and retirement benefits	894,128	921,394
Depreciation	14,658,625	14,614,029
Amortization	1,021,168	933,624
Bad debt expenses	507,889	295,441
Gain on valuation of equity method	(18,398)	(113,872)
Gain on disposal of property, plant and equipment	(126,940)	(103,151)
Loss on disposal of property, plant and equipment	85,489	91,968
Impairment losses on intangible assets	381,445	62,297
Obsolescence and scrapping of inventories	2,789,947	470,125
Gain on disposal of investments	(1,137,183)	(220,652)
Gain on disposal of assets classified as held-for-sale	(69,924)	(211,568)
Dividend income	(209,619)	(146,235)
Others	(191,416)	(215,722)
<b>Total</b>	<b>₩ 23,357,626</b>	<b>₩ 21,499,982</b>

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	<b>2016</b>	<b>2015</b>
Changes in assets and liabilities :		
Decrease (increase) in trade receivables	₩ 1,466,212	₩ (1,475,321)
Decrease in other receivables	574,596	696,564
Decrease (increase) in advances	116,432	(14,879)
Decrease (increase) in prepaid expenses	(714,042)	378,853
Increase in inventories	(3,318,236)	(5,620,212)
Increase in trade payables	3,473,260	532,619
Decrease in other payables	(77,546)	(571,847)
Decrease in advances received	(220,481)	(96,459)
Increase (decrease) in withholdings	195,742	(266,293)
Decrease in accrued expenses	(990,256)	(3,218,994)
Increase in provisions	775,666	3,055,284
Payment of severance benefits	(366,545)	(355,656)
Others	654,291	478,033
<b>Total</b>	<b>₩ 1,569,093</b>	<b>₩ (6,478,308)</b>



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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 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 finance team mainly carries out the Group's financial risk management. 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, United Kingdom, Singapore, China, 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, EU's Euro, Japanese Yen and Chinese Yuan.

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 to receivables and payables.

##### (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, 2016 and December 31, 2015, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩35,886 million and ₩46,748 million, respectively.

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### **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### (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 interest rate risk, the Group maintains minimum external borrowings by facilitating cash pooling systems on a regional and global basis. The Group manages exposed interest rate risk 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 abnormal signs 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.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (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, 2015. As of September 30, 2016, 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, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Total liabilities	₩ 64,935,077	₩ 63,119,716
Total equity	179,536,379	179,059,805
Total liabilities to equity ratio	36.2%	35.3%

#### (E) Fair value estimation

(1) Carrying amounts and fair values of financial instruments by category as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>		<b>December 31, 2015</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents <sup>1</sup>	₩ 25,267,569	₩ -	₩ 22,636,744	₩ -
Short-term financial instruments <sup>1</sup>	53,247,062	-	44,228,800	-
Short-term available-for-sale financial assets	3,607,340	3,607,340	4,627,530	4,627,530
Trade receivables <sup>1</sup>	21,693,242	-	25,168,026	-
Long-term available-for-sale financial assets <sup>2</sup>	7,681,238	7,627,960	8,332,480	8,225,687
Others <sup>3</sup>	3,929,971	1,025,861	3,546,434	1,070,839
<b>Total financial assets</b>	<b>₩ 115,426,422</b>		<b>₩ 108,540,014</b>	
<b>Financial liabilities</b>				
Trade payables <sup>1</sup>	₩ 7,857,285	₩ -	₩ 6,187,291	₩ -
Short-term borrowings <sup>1</sup>	10,771,299	-	11,155,425	-
Other payables <sup>1</sup>	7,707,914	-	7,625,490	-
Current portion of long-term liabilities <sup>1</sup>	1,319,602	-	221,548	-
Debentures	53,042	86,339	1,230,448	1,261,783
Long-term borrowings	813,355	799,557	266,542	242,603
Long-term other payables	2,945,451	3,018,933	2,719,674	2,581,985
Others <sup>3</sup>	9,139,997	43,015	7,947,398	38,829
<b>Total financial liabilities</b>	<b>₩ 40,607,945</b>		<b>₩ 37,353,816</b>	

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

<sup>2</sup> Amounts measured at cost (September 30, 2016: ₩53,278 million, December 31, 2015: ₩106,793 million) are excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

<sup>3</sup> Assets measured at cost of ₩2,857,288 million (December 31, 2015: ₩2,349,454 million) and liabilities measured at cost of ₩9,096,982 million (December 31, 2015: ₩7,908,569 million) are excluded as the carrying amount is a reasonable approximation of fair value.

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

		<b>September 30, 2016</b>			
<i>(In millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>	
<b>Assets</b>					
Short-term available-for-sale financial assets	₩ -	₩ 3,607,340	₩ -	₩ 3,607,340	
Long-term available-for-sale financial assets	3,588,642	71,449	3,967,869	7,627,960	
Others	-	1,025,861	-	1,025,861	
<b>Liabilities</b>					
Debentures	₩ -	₩ 86,339	₩ -	₩ 86,339	
Long-term borrowings	-	799,557	-	799,557	
Long-term other payables	-	2,711,313	307,620	3,018,933	
Others	-	43,015	-	43,015	

  

		<b>December 31, 2015</b>			
<i>(In millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>	
<b>Assets</b>					
Short-term available-for-sale financial assets	₩ -	₩ 4,627,530	₩ -	₩ 4,627,530	
Long-term available-for-sale financial assets	4,674,753	78,189	3,472,745	8,225,687	
Others	-	1,055,240	15,599	1,070,839	
<b>Liabilities</b>					
Debentures	₩ -	₩ 1,261,783	₩ -	₩ 1,261,783	
Long-term borrowings	-	242,603	-	242,603	
Long-term other payables	-	2,269,247	312,738	2,581,985	
Others	-	38,829	-	38,829	

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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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 using an appropriate 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)
<b>Long-term available-for-sale financial assets</b>				
Maltani (formerly Taewon Lighting)	₩ 15,860	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.29%~9.29%(8.28%)
Samsung Venture Investment	7,207	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 11.37%~13.37%(12.37%)
Corning Incorporated convertible preferred stock	3,203,266	Trinomial model	Risk adjusted discount rate Price volatility	4.88%~6.88%(5.88%) 28.2%~34.2%(31.2%)
China Star Optoelectronics Technology Co.,Ltd. (CSOT)	278,557	Discounted cash flow	Discount rate	9.41%~11.51%(10.46%)
<b>Long-term other payables</b>				
Contingent financial liability	307,620	Discounted cash flow	Discount rate	3.81%~4.65%(4.23%)

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(4) Changes in Level 3 instruments:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>	<b>September 30, 2015</b>
<b>Financial assets</b>		
Balance as of January 1	₩ 3,488,344	₩ 3,548,095
Purchases	91,584	77,227
Disposals	(85,169)	(123,798)
Amount recognized in profit or loss	(6,528)	(11,230)
Amount recognized in other comprehensive income	478,104	(195,051)
Others	1,534	(5,978)
Balance as of September 30	₩ 3,967,869	₩ 3,289,265

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>	<b>September 30, 2015</b>
<b>Financial liabilities</b>		
Balance as of January 1	₩ 312,738	₩ -
Amount recognized in profit or loss	(5,118)	-
Balance as of September 30	₩ 307,620	₩ -

(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 (other comprehensive income or loss before tax) from changes in inputs for major financial instruments which are categorized within Level 3 and subject to sensitivity analysis, are as follows:

<i>(In millions of Korean won)</i>	<b>Favorable Changes</b>		<b>Unfavorable Changes</b>	
	<b>Profit or Loss</b>	<b>Equity</b>	<b>Profit or Loss</b>	<b>Equity</b>
Long-term available-for-sale financial assets <sup>1</sup>	₩ -	₩ 222,003	₩ -	₩ (218,799)
Long-term other payables <sup>2</sup>	2,060	2,060	(2,046)	(2,046)
Total	₩ 2,060	₩ 224,063	₩ (2,046)	₩ (220,845)

<sup>1</sup> Changes in fair value are calculated by increasing or decreasing the correlation between volatility (28.2%~34.2%) 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.

<sup>2</sup> The fair value of long-term other payables is calculated by increasing or decreasing the correlation between discount rate and volatility by 10% which are significant unobservable inputs.

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**25. Segment Information**

(A) Operating segment information

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

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

Depreciation, amortization of intangible assets, and operating profit were prepared after 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, 2016

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total <sup>1</sup>	Semi- conductor	DP	Total <sup>1</sup>		
Total segment revenue	79,582,378	162,385,229	113,897,218	70,917,983	40,083,165	356,859,400	(208,324,395)	148,535,005
Intercompany revenue	(46,172,641)	(85,691,134)	(58,006,466)	(34,618,802)	(20,574,124)	(208,324,395)	208,324,395	-
Net revenue <sup>2</sup>	33,409,737	76,694,095	55,890,752	36,299,181	19,509,041	148,535,005	-	148,535,005
Depreciation	412,300	979,040	12,953,820	9,521,077	3,266,462	14,658,625	-	14,658,625
Amortization	54,905	130,220	693,415	581,828	99,202	1,021,168	-	1,021,168
Operating profit	2,316,599	8,311,641	9,510,950	8,645,298	890,864	20,019,851	-	20,019,851

<sup>1</sup> Includes other amounts not included in specific operating segments.

<sup>2</sup> Segment net revenue includes intersegment revenues.

(2) For the three months ended September 30, 2016

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total <sup>1</sup>	Semi- conductor	DP	Total <sup>1</sup>		
Total segment revenue	26,420,153	49,216,738	41,132,039	25,368,571	14,718,895	117,160,970	(69,345,337)	47,815,633
Intercompany revenue	(15,180,571)	(26,681,445)	(20,844,942)	(12,218,522)	(7,661,485)	(69,345,337)	69,345,337	-
Net revenue <sup>2</sup>	11,239,582	22,535,293	20,287,097	13,150,049	7,057,410	47,815,633	-	47,815,633
Depreciation	136,738	324,318	4,146,758	3,060,043	1,031,564	4,707,030	-	4,707,030
Amortization	17,255	45,776	224,325	188,083	32,099	334,926	-	334,926
Operating profit	774,029	99,097	4,397,235	3,368,823	1,018,878	5,200,089	-	5,200,089

<sup>1</sup> Includes other amounts not included in specific operating segments.

<sup>2</sup> Segment net revenue includes intersegment revenues.

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(3) 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 <sup>1</sup>	Semi-conductor	DP	Total <sup>1</sup>		
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 <sup>2</sup>	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

<sup>1</sup> Includes other amounts not included in specific operating segments.

<sup>2</sup> Segment net revenue includes intersegment revenues.

(4) 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 <sup>1</sup>	Semi-conductor	DP	Total <sup>1</sup>		
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 <sup>2</sup>	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

<sup>1</sup> Includes other amounts not included in specific operating segments.

<sup>2</sup> 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, 2016 and 2015, is as follows:

(1) As of and for the nine months ended September 30, 2016

<i>(In millions of Korean won)</i>	2016						Intercompany elimination within the Group	Consolidated
	Korea	America	Europe	Asia and Africa	China			
Net segment revenue	15,193,101	49,653,606	27,940,791	29,935,212	25,812,295	-	148,535,005	
Non-current assets <sup>1</sup>	64,029,124	6,184,337	716,516	7,813,133	10,866,088	(444,022)	89,165,176	

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



**Samsung Electronics Co., Ltd. and its Subsidiaries**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) As of and for the three months ended September 30, 2016

<i>(In millions of Korean won)</i>	2016						Intercompany elimination within the Group	Consolidated
	Korea	America	Europe	Asia and Africa	China			
Net segment revenue	4,805,039	16,156,201	8,710,181	9,228,277	8,915,935	-	47,815,633	
Non-current assets <sup>1</sup>	64,029,124	6,184,337	716,516	7,813,133	10,866,088	(444,022)	89,165,176	

<sup>1</sup> 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, 2015

<i>(In millions of Korean won)</i>	2015						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 <sup>1</sup>	63,617,140	8,175,173	790,529	7,297,840	12,710,177	(470,133)	92,120,726	

<sup>1</sup> 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, 2015

<i>(In millions of Korean won)</i>	2015						Intercompany elimination within the Group	Consolidated
	Korea	America	Europe	Asia and Africa	China			
Net segment revenue	5,437,509	17,337,009	9,788,950	10,465,717	8,653,387	-	51,682,572	
Non-current assets <sup>1</sup>	63,617,140	8,175,173	790,529	7,297,840	12,710,177	(470,133)	92,120,726	

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

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 26. Related Party Transactions

##### (A) Sale and purchase transactions

Sale and purchase transactions with related parties for the nine months ended September 30, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>		Name of Company <sup>1</sup>	2016			
			Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates and Joint ventures		Samsung SDS	₩ 33,026	₩ -	₩1,145,182	₩ 108,365
		Samsung Electro-Mechanics	18,735	-	1,900,468	-
		Others	180,187	114	4,149,372	141,806
		<b>Total (Associates and Joint ventures)</b>	₩ 231,948	₩ 114	₩7,195,022	₩ 250,171
Other related parties		Samsung C&T <sup>2</sup>	₩ 25,668	₩ 74	₩ 186,690	₩1,682,977
		Samsung SDI	45,100	-	826,227	22,188
		Others	120,174	90	893,700	255,397
		<b>Total (Other related parties)</b>	₩ 190,942	₩ 164	₩1,906,617	₩1,960,562

<sup>1</sup> Transactions with separate entities that are related parties of the Group.

<sup>2</sup> For the year ended December 31, 2015, Cheil Industries Inc. merged with Samsung C&T and changed its name to Samsung C&T.

<i>(In millions of Korean won)</i>		Name of Company <sup>1</sup>	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
		Others	214,463	3,525	4,070,596	231,508
		<b>Total (Associates and Joint ventures)</b>	₩ 244,980	₩ 3,525	₩7,411,181	₩ 374,084
Other related parties		Samsung C&T <sup>2</sup>	₩ 4,401	₩ -	₩ 56,515	₩ 578,764
		Samsung SDI	33,955	20	1,166,700	23,722
		Others	87,332	-	754,819	231,682
		<b>Total (Other related parties)</b>	₩ 125,688	₩ 20	₩1,978,034	₩ 834,168

<sup>1</sup> Transactions with separate entities that are related parties of the Group

<sup>2</sup> For the year ended December 31, 2015, Cheil Industries Inc. merged with Samsung C&T and changed its name to Samsung C&T.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (B) Balances of receivables and payables

Balances of receivables and payables arising from sales and purchases of goods and services as of September 30, 2016 and December 31, 2015, are as follows:

<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	September 30, 2016			
		Receivables		Payables	
	Samsung SDS	₩	6,899	₩	263,593
Associates and Joint ventures	Samsung Electro-Mechanics		438		195,183
	Others		69,737		432,415
	<b>Total (Associates and Joint ventures)</b>	₩	77,074	₩	891,191
	Samsung C&T <sup>2</sup>	₩	217,585	₩	827,365
Other related parties	Samsung SDI		87,377		79,859
	Others		19,970		116,310
	<b>Total (Other related parties)</b>	₩	324,932	₩	1,023,534

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

<sup>2</sup> For the year ended December 31, 2015, Cheil Industries Inc. merged with Samsung C&T and changed its name to Samsung C&T.

<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	December 31, 2015			
		Receivables		Payables	
	Samsung SDS	₩	3,578	₩	311,648
Associates and Joint ventures	Samsung Electro-Mechanics		608		216,869
	Others		66,033		1,722,515
	<b>Total (Associates and Joint ventures)</b>	₩	70,219	₩	2,251,032
	Samsung C&T <sup>2</sup>	₩	208,576	₩	1,430,098
Other related parties	Samsung SDI		90,221		106,507
	Others		19,456		161,048
	<b>Total (Other related parties)</b>	₩	318,253	₩	1,697,653

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

<sup>2</sup> For the year ended December 31, 2015, Cheil Industries Inc. merged with Samsung C&T and changed its name to Samsung C&T.

(C) For the nine months ended September 30, 2016, the Group invested ₩70,998 million in associates and joint ventures including Samsung Biologics(₩14,804 million). For the nine months ended September 30, 2015, the Group invested ₩137,917 million in associates and joint ventures.

#### (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, 2016 and 2015 consists of:

<i>(In millions of Korean won)</i>	2016		2015	
Salaries and other short-term employee benefits	₩	7,277	₩	6,944
Termination benefits		480		420
Other long-term benefits		6,237		6,237

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 27. Business Combination

Significant business combinations for the nine months ended September 30, 2016 are as follow:

(A) Acquisition of Joyent

Samsung Electronics America, the Group's subsidiary, acquired 100% of the equity shares of Joyent on June 24, 2016.

(1) Overview of the acquired company

Name of the acquired company	Joyent, Inc. and 2 subsidiaries
Headquarters location	San Francisco, CA, USA
Representative director	Scott Hammond
Industry	Cloud services

(2) Purchase price allocation

<i>(In millions of Korean Won)</i>	<b>Amount</b>
I. Consideration transferred	₩ 185,343
II. Identifiable assets and liabilities	
Cash and cash equivalents	1,556
Short-term financial instruments	116
Trade and other receivables	3,646
Property, plant and equipment	5,625
Intangible assets	22,208
Other assets	24,582
Trade and other payables	(10,979)
Total net identifiable assets	46,754
III. Goodwill (I – II)	₩ 138,589

Had Joyent been consolidated from January 1, 2016, revenues would have increased by ₩9,721 million and net income would have decreased by ₩5,386 million on the interim consolidated statement of income. The revenue and net loss contributed by Joyent since acquisition amount to ₩5,630 million and ₩3,527 million, respectively.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (B) Acquisition of Dacor

Samsung Electronics America, the Group's subsidiary, acquired 100% of the equity shares of Dacor on September 7, 2016.

##### (1) Overview of the acquired company

Name of the acquired company	Dacor Holdings, Inc. and 4 subsidiaries
Headquarters location	City of Industry, CA, USA
Representative director	Charles Huebner
Industry	Manufacture and sale of home appliances

##### (2) Purchase price allocation

<i>(In millions of Korean Won)</i>	<b>Amount</b>
I. Consideration transferred	₩ 176,800
II. Identifiable assets and liabilities	
Cash and cash equivalents	2,092
Short-term financial instruments	834
Trade and other receivables	5,786
Inventory	9,323
Property, plant and equipment	646
Intangible assets	67,313
Other assets	3,731
Trade and other payables	(8,936)
Other liabilities	(4,549)
Total net identifiable assets	76,240
III. Goodwill (I – II)	₩ 100,560

Had Dacor been consolidated from January 1, 2016, revenues would have increased by ₩38,979 million and net income would have decreased by ₩35,193 million on the interim consolidated statement of income. The revenue and net loss contributed by Dacor since acquisition amount to ₩3,297 million and ₩1,497 million, respectively.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

##### (A) Summary

###### (1) Sale of Samsung Fine Chemicals

For the year ended December 31, 2015, the Group entered into an agreement with Lotte Chemical to sell all of its shares in Samsung Fine Chemicals. The transaction was completed in February 2016.

###### (2) Sale of printing solutions business segment

For the nine months ended September 30, 2016, the management of the Group decided to sell printing solutions business segment to HP Inc. The contract was entered into on September 12, 2016, and the transaction is expected to be completed within 1 year through the due diligence.

###### (3) Sale of Samsung Biologics

For the nine months ended September 30, 2016, the management of the Group decided to sell a portion of Samsung Biologics shares. The transaction was completed in November 2016.

(B) Details of assets and liabilities reclassified as held-for-sale, as of September 30, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>		<b>December 31, 2015</b>	
Assets held-for-sale				
Trade receivables	₩	211,544	₩	-
Inventories		277,991		-
Other current assets		89,530		-
Property, plant and equipment		74,720		-
Intangible Assets		128,440		-
Investment		265,962		77,073
Other non-current assets		56,301		-
<b>Total</b>	<b>₩</b>	<b>1,104,488</b>	<b>₩</b>	<b>77,073</b>
Liabilities held-for-sale				
Current liabilities		231,613		-
Non-current liabilities		99,750		-
<b>Total</b>	<b>₩</b>	<b>331,363</b>	<b>₩</b>	<b>-</b>

(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, 2016 and December 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2016</b>		<b>December 31, 2015</b>	
Gain on valuation of available-for-sale securities	₩	-	₩	23,797
Changes in equity under the equity-method		(212)		-
Foreign exchange translation adjustment		(18,882)		-
<b>Total</b>	<b>₩</b>	<b>(19,094)</b>	<b>₩</b>	<b>23,797</b>

**Samsung Electronics Co., Ltd. and its Subsidiaries**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**29. Events after the Reporting Period**

On October 27, 2016, the Group acquired 14,539,350 shares of Cheil Worldwide from Samsung C&T.