

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively the "Group"). These interim consolidated financial statements consist of the interim consolidated statements of financial position of the Group as of June 30, 2016, and the related interim consolidated statements of income and comprehensive income for the three and six months ended June 30, 2016 and 2015, and the interim consolidated statements of changes in equity and cash flows for the six months ended June 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

Conclusion

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

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements in our audit report dated February 25, 2016. The consolidated statement of financial position as of December 31, 2015, presented herein for comparative purposes, is consistent, in all material respects, with the above mentioned audited consolidated statement of financial position as of December 31, 2015.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.



August 12, 2016
Seoul, Korea

This report is effective as at August 12, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

| | Notes | June 30, 2016 KRW | December 31, 2015 KRW | June 30, 2016 USD | December 31, 2015 USD |
|---|-------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 3 | 25,840,759 | 22,636,744 | 21,865,900 | 19,154,730 |
| Short-term financial instruments | 3 | 47,449,558 | 44,228,800 | 40,150,804 | 37,425,467 |
| Short-term available-for-sale financial assets | 3 | 3,781,006 | 4,627,530 | 3,199,407 | 3,915,717 |
| Trade receivables | 3 | 26,081,803 | 25,168,026 | 22,069,865 | 21,296,647 |
| Non-trade receivables | 3 | 2,942,063 | 3,352,663 | 2,489,511 | 2,836,952 |
| Advances | | 1,639,050 | 1,706,003 | 1,386,929 | 1,443,583 |
| Prepaid expenses | | 3,681,883 | 3,170,632 | 3,115,531 | 2,682,921 |
| Inventories | 5 | 17,858,721 | 18,811,794 | 15,111,669 | 15,918,139 |
| Other current assets | 3 | 888,206 | 1,035,460 | 751,581 | 876,184 |
| Assets held-for-sale | 28 | - | 77,073 | - | 65,218 |
| Total current assets | | 130,163,049 | 124,814,725 | 110,141,197 | 105,615,558 |
| Non-current assets | | | | | |
| Long-term available-for-sale financial assets | 3, 4 | 8,398,201 | 8,332,480 | 7,106,379 | 7,050,767 |
| Investment in associates and joint ventures | 6 | 3,942,525 | 5,276,348 | 3,336,081 | 4,464,733 |
| Property, plant and equipment | 7 | 84,634,963 | 86,477,110 | 71,616,301 | 73,175,086 |
| Intangible assets | 8 | 5,247,797 | 5,396,311 | 4,440,574 | 4,566,243 |
| Long-term prepaid expenses | | 4,368,785 | 4,294,401 | 3,696,773 | 3,633,831 |
| Deferred income tax assets | | 5,331,307 | 5,589,108 | 4,511,238 | 4,729,384 |
| Other non-current assets | 3 | 1,874,046 | 1,999,038 | 1,585,773 | 1,691,545 |
| Total assets | | 243,960,673 | 242,179,521 | 206,434,316 | 204,927,147 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

| Notes | June 30, 2016 KRW | December 31, 2015 KRW | June 30, 2016 USD | December 31, 2015 USD |
|--|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Liabilities and Equity | | | | |
| Current liabilities | | | | |
| Trade payables | 3 | 7,344,748 | 6,214,969 | 5,235,554 |
| Short-term borrowings | 3, 9 | 10,259,758 | 8,681,588 | 9,439,483 |
| Other payables | 3 | 7,777,225 | 6,580,922 | 7,500,848 |
| Advances received | | 1,351,841 | 1,143,899 | 1,136,784 |
| Withholdings | | 1,218,471 | 992,733 | 840,029 |
| Accrued expenses | 3 | 10,056,181 | 8,509,326 | 9,839,991 |
| Income tax payable | | 1,863,772 | 1,577,084 | 2,878,383 |
| Current portion of long-term liabilities | 3, 9, 10 | 1,389,682 | 1,175,919 | 187,469 |
| Provisions | 12 | 6,413,045 | 5,426,582 | 5,432,977 |
| Other current liabilities | 3 | 333,441 | 282,151 | 242,968 |
| Total current liabilities | | 48,008,164 | 40,623,484 | 42,734,486 |
| Non-current liabilities | | | | |
| Debentures | 3, 10 | 62,085 | 52,535 | 1,041,179 |
| Long-term borrowings | 3, 9 | 533,222 | 451,201 | 225,542 |
| Long-term other payables | 3 | 3,223,115 | 2,727,331 | 2,573,811 |
| Net defined benefit liabilities | 11 | 880,552 | 745,104 | 303,626 |
| Deferred income tax liabilities | | 6,465,189 | 5,470,705 | 4,361,875 |
| Provisions | 12 | 624,509 | 528,446 | 442,025 |
| Other non-current liabilities | 3 | 2,321,321 | 1,964,252 | 1,728,015 |
| Total liabilities | | 62,118,157 | 52,563,058 | 53,410,559 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

| | Notes | June 30, 2016 KRW | December 31, 2015 KRW | June 30, 2016 USD | December 31, 2015 USD |
|---|-------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Equity attributable to owners of the parent | | | | | |
| Preferred stock | 14 | 119,467 | 119,467 | 101,090 | 101,090 |
| Common stock | 14 | 778,047 | 778,047 | 658,367 | 658,367 |
| Share premium | | 4,403,893 | 4,403,893 | 3,726,480 | 3,726,480 |
| Retained earnings | 15 | 185,920,488 | 185,132,014 | 157,321,952 | 156,654,762 |
| Other components of equity | 16 | (15,583,542) | (17,580,451) | (13,186,461) | (14,876,203) |
| Accumulated other comprehensive income attributable to assets held-for-sale | 28 | - | 23,797 | - | 20,137 |
| | | 175,638,353 | 172,876,767 | 148,621,428 | 146,284,633 |
| Non-controlling interests | | 6,204,163 | 6,183,038 | 5,249,830 | 5,231,955 |
| Total equity | | 181,842,516 | 179,059,805 | 153,871,258 | 151,516,588 |
| Total liabilities and equity | | 243,960,673 | 242,179,521 | 206,434,316 | 204,927,147 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

| | Notes | For the three months ended June 30, | | | | For the six months ended June 30, | | | |
|---|--------|-------------------------------------|-------------|-------------|-------------|-----------------------------------|-------------|-------------|-------------|
| | | 2016 KRW | 2015 KRW | 2016 USD | 2015 USD | 2016 KRW | 2015 KRW | 2016 USD | 2015 USD |
| Revenue | | 50,937,120 | 48,537,539 | 43,101,905 | 41,071,430 | 100,719,372 | 95,655,457 | 85,226,584 | 80,941,607 |
| Cost of sales | 17 | 29,609,118 | 28,955,599 | 25,054,604 | 24,501,610 | 59,982,976 | 57,910,986 | 50,756,315 | 49,003,041 |
| Gross profit | | 21,328,002 | 19,581,940 | 18,047,301 | 16,569,820 | 40,736,396 | 37,744,471 | 34,470,269 | 31,938,566 |
| Selling and administrative expenses | 17, 18 | 13,184,052 | 12,684,003 | 11,156,064 | 10,732,933 | 25,916,634 | 24,867,167 | 21,930,103 | 21,042,066 |
| Operating profit | | 8,143,950 | 6,897,937 | 6,891,237 | 5,836,887 | 14,819,762 | 12,877,304 | 12,540,166 | 10,896,500 |
| Other non-operating income | 19 | 275,724 | 649,443 | 233,312 | 549,545 | 978,317 | 1,015,575 | 827,831 | 859,358 |
| Other non-operating expense | 19 | 515,453 | 148,839 | 436,165 | 125,944 | 854,089 | 465,058 | 722,712 | 393,522 |
| Share of profit of associates and joint ventures | 6 | 4,276 | 34,970 | 3,618 | 29,591 | 13,423 | 90,178 | 11,358 | 76,307 |
| Financial income | 20 | 1,986,063 | 2,175,714 | 1,680,564 | 1,841,043 | 5,065,992 | 4,575,366 | 4,286,734 | 3,871,577 |
| Financial expense | 20 | 1,822,601 | 1,981,201 | 1,542,246 | 1,676,450 | 4,828,961 | 4,246,698 | 4,086,164 | 3,593,465 |
| Profit before income tax | | 8,071,959 | 7,628,024 | 6,830,320 | 6,454,672 | 15,194,444 | 13,846,667 | 12,857,213 | 11,716,755 |
| Income tax expense | 21 | 2,224,566 | 1,875,727 | 1,882,380 | 1,587,200 | 4,094,248 | 3,468,555 | 3,464,465 | 2,935,017 |
| Profit for the period | | 5,847,393 | 5,752,297 | 4,947,940 | 4,867,472 | 11,100,196 | 10,378,112 | 9,392,748 | 8,781,738 |
| Profit attributable to owners of the parent | | 5,826,178 | 5,626,734 | 4,929,988 | 4,761,222 | 11,089,684 | 10,146,057 | 9,383,854 | 8,585,377 |
| Profit attributable to non-controlling interests | | 21,215 | 125,563 | 17,952 | 106,250 | 10,512 | 232,055 | 8,894 | 196,361 |
| Earnings per share for profit attributable to owners of the parent (in Korean Won, in US dollars) | 22 | | | | | | | | |
| - Basic | | 40,904 | 37,783 | 34.61 | 31.97 | 77,266 | 68,090 | 65.38 | 57.62 |
| - Diluted | | 40,904 | 37,782 | 34.61 | 31.97 | 77,266 | 68,089 | 65.38 | 57.62 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

| | Notes | For the three months ended June 30, | | | | For the six months ended June 30, | | | |
|---|-------|-------------------------------------|-------------|-------------|-------------|-----------------------------------|-------------|-------------|-------------|
| | | 2016 KRW | 2015 KRW | 2016 USD | 2015 USD | 2016 KRW | 2015 KRW | 2016 USD | 2015 USD |
| Profit for the period | | 5,847,393 | 5,752,297 | 4,947,940 | 4,867,472 | 11,100,196 | 10,378,112 | 9,392,748 | 8,781,738 |
| Other comprehensive income (loss) | | | | | | | | | |
| Items not to be reclassified to profit or loss subsequently: | | | | | | | | | |
| Remeasurement of net defined benefit liabilities, net of tax | 16 | (24,262) | (25,828) | (20,530) | (21,855) | (47,045) | (49,931) | (39,808) | (42,250) |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | 16 | (1,730) | (970) | (1,464) | (821) | (1,367) | (1,415) | (1,157) | (1,197) |
| Items to be reclassified to profit or loss subsequently: | | | | | | | | | |
| Changes in value of available-for-sale financial assets, net of tax | 16 | (44,680) | (743,746) | (37,807) | (629,342) | 29,915 | (478,895) | 25,313 | (405,231) |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | 16 | (22,907) | 48,788 | (19,383) | 41,283 | (134,849) | 5,181 | (114,106) | 4,384 |
| Foreign currency translation, net of tax | 16 | 211,703 | 1,285,709 | 179,139 | 1,087,940 | 110,275 | 269,033 | 93,312 | 227,650 |
| Other comprehensive income (loss) for the period, net of tax | | 118,124 | 563,953 | 99,955 | 477,205 | (43,071) | (256,027) | (36,446) | (216,644) |
| Total comprehensive income for the period | | 5,965,517 | 6,316,250 | 5,047,895 | 5,344,677 | 11,057,125 | 10,122,085 | 9,356,302 | 8,565,094 |
| Comprehensive income attributable to: | | | | | | | | | |
| Owners of the parent | | 5,956,247 | 6,212,578 | 5,040,049 | 5,256,951 | 11,026,386 | 9,897,687 | 9,330,293 | 8,375,212 |
| Non-controlling interests | | 9,270 | 103,672 | 7,846 | 87,726 | 30,739 | 224,398 | 26,009 | 189,882 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

| 2015 KRW | Notes | Preferred stock | Common stock | Share premium | Retained earnings | Other components of equity | Accumulated other comprehensive income attributable to assets held-for-sale | Equity attributable to owners of the parent | Non-controlling interests | Total |
|---|-------|-----------------|--------------|---------------|-------------------|----------------------------|---|---|---------------------------|-------------|
| Balance as at January 1, 2015 | | 119,467 | 778,047 | 4,403,893 | 169,529,604 | (12,729,387) | 80,101 | 162,181,725 | 5,906,463 | 168,088,188 |
| Profit for the period | | - | - | - | 10,146,057 | - | - | 10,146,057 | 232,055 | 10,378,112 |
| Changes in value of available-for-sale financial assets, net of tax | 16 | - | - | - | - | (419,893) | (24,750) | (444,643) | (34,252) | (478,895) |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | 16 | - | - | - | - | 57,861 | (54,118) | 3,743 | 23 | 3,766 |
| Foreign currency translation, net of tax | 16 | - | - | - | - | 243,690 | (1,233) | 242,457 | 26,576 | 269,033 |
| Remeasurement of net defined benefit liabilities, net of tax | 16 | - | - | - | - | (49,927) | - | (49,927) | (4) | (49,931) |
| Reclassification to assets held-for-sale | | - | - | - | - | (4,222) | 4,222 | - | - | - |
| Total comprehensive income (loss) | | - | - | - | 10,146,057 | (172,491) | (75,879) | 9,897,687 | 224,398 | 10,122,085 |
| Dividends | | - | - | - | (2,924,564) | - | - | (2,924,564) | (461) | (2,925,025) |
| Capital transaction under common control | | - | - | - | - | (5,314) | - | (5,314) | (931) | (6,245) |
| Changes in consolidated entities | | - | - | - | - | - | - | - | (261) | (261) |
| Acquisition of treasury stock | 16 | - | - | - | - | (1,323,059) | - | (1,323,059) | - | (1,323,059) |
| Others | | - | - | - | (18,733) | 817 | - | (17,916) | (1,121) | (19,037) |
| Total transactions with owners | | - | - | - | (2,943,297) | (1,327,556) | - | (4,270,853) | (2,774) | (4,273,627) |
| Balance as at June 30, 2015 | | 119,467 | 778,047 | 4,403,893 | 176,732,364 | (14,229,434) | 4,222 | 167,808,559 | 6,128,087 | 173,936,646 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.3))

| 2015 USD | Notes | Preferred stock | Common stock | Share premium | Retained earnings | Other components of equity | Accumulated other comprehensive income attributable to assets held-for-sale | Equity attributable to owners of the parent | Non-controlling interests | Total |
|---|-------|-----------------|--------------|---------------|-------------------|----------------------------|---|---|---------------------------|-------------|
| Balance as at January 1, 2015 | | 101,090 | 658,367 | 3,726,480 | 143,452,335 | (10,771,336) | 67,780 | 137,234,716 | 4,997,923 | 142,232,639 |
| Profit for the period | | - | - | - | 8,585,377 | - | - | 8,585,377 | 196,361 | 8,781,738 |
| Changes in value of available-for-sale financial assets, net of tax | 16 | - | - | - | - | (355,304) | (20,943) | (376,247) | (28,984) | (405,231) |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | 16 | - | - | - | - | 48,961 | (45,794) | 3,167 | 20 | 3,187 |
| Foreign currency translation, net of tax | 16 | - | - | - | - | 206,205 | (1,043) | 205,162 | 22,488 | 227,650 |
| Remeasurement of net defined benefit liabilities, net of tax | 16 | - | - | - | - | (42,247) | - | (42,247) | (3) | (42,250) |
| Reclassification to assets held-for-sale | | - | - | - | - | (3,573) | 3,573 | - | - | - |
| Total comprehensive income (loss) | | - | - | - | 8,585,377 | (145,958) | (64,207) | 8,375,212 | 189,882 | 8,565,094 |
| Dividends | | - | - | - | (2,474,704) | - | - | (2,474,704) | (390) | (2,475,094) |
| Capital transaction under common control | | - | - | - | - | (4,497) | - | (4,497) | (787) | (5,284) |
| Changes in consolidated entities | | - | - | - | - | - | - | - | (221) | (221) |
| Acquisition of treasury stock | 16 | - | - | - | - | (1,119,544) | - | (1,119,544) | - | (1,119,544) |
| Others | | - | - | - | (15,851) | 691 | - | (15,160) | (949) | (16,109) |
| Total transactions with owners | | - | - | - | (2,490,555) | (1,123,350) | - | (3,613,905) | (2,347) | (3,616,252) |
| Balance as at June 30, 2015 | | 101,090 | 658,367 | 3,726,480 | 149,547,157 | (12,040,644) | 3,573 | 141,996,023 | 5,185,458 | 147,181,481 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

| 2016 KRW | Notes | Preferred stock | Common stock | Share premium | Retained earnings | Other components of equity | Accumulated other comprehensive income attributable to assets held-for-sale | Equity attributable to owners of the parent | Non-controlling interests | Total |
|---|-------|-----------------|--------------|---------------|-------------------|----------------------------|---|---|---------------------------|-------------|
| Balance as at January 1, 2016 | | 119,467 | 778,047 | 4,403,893 | 185,132,014 | (17,580,451) | 23,797 | 172,876,767 | 6,183,038 | 179,059,805 |
| Profit for the period | | - | - | - | 11,089,684 | - | - | 11,089,684 | 10,512 | 11,100,196 |
| Changes in value of available-for-sale financial assets, net of tax | 16 | - | - | - | - | 10,491 | (23,797) | (13,306) | 43,221 | 29,915 |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | 16 | - | - | - | - | (136,232) | - | (136,232) | 16 | (136,216) |
| Foreign currency translation, net of tax | 16 | - | - | - | - | 133,283 | - | 133,283 | (23,008) | 110,275 |
| Remeasurement of net defined benefit liabilities, net of tax | 16 | - | - | - | - | (47,043) | - | (47,043) | (2) | (47,045) |
| Total comprehensive income (loss) | | - | - | - | 11,089,684 | (39,501) | (23,797) | 11,026,386 | 30,739 | 11,057,125 |
| Dividends | | - | - | - | (2,919,820) | - | - | (2,919,820) | (14,889) | (2,934,709) |
| Capital transaction under common control | | - | - | - | - | (205) | - | (205) | 5,326 | 5,121 |
| Acquisition of treasury stock | 16 | - | - | - | - | (5,347,031) | - | (5,347,031) | - | (5,347,031) |
| Retirement of treasury stock | 16 | - | - | - | (7,381,390) | 7,381,390 | - | - | - | - |
| Others | | - | - | - | - | 2,256 | - | 2,256 | (51) | 2,205 |
| Total transactions with owners | | - | - | - | (10,301,210) | 2,036,410 | - | (8,264,800) | (9,614) | (8,274,414) |
| Balance as at June 30, 2016 | | 119,467 | 778,047 | 4,403,893 | 185,920,488 | (15,583,542) | - | 175,638,353 | 6,204,163 | 181,842,516 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.3))

| 2016 USD | Notes | Preferred stock | Common stock | Share premium | Retained earnings | Other components of equity | Accumulated other comprehensive income attributable to assets held-for- sale | Equity attributable to owners of the parent | Non- controlling interests | Total |
|---|-------|--------------------|-----------------|------------------|----------------------|----------------------------------|--|--|----------------------------------|-------------|
| Balance as at January 1, 2016 | | 101,090 | 658,367 | 3,726,480 | 156,654,762 | (14,876,203) | 20,137 | 146,284,633 | 5,231,955 | 151,516,588 |
| Profit for the period | | - | - | - | 9,383,854 | - | - | 9,383,854 | 8,894 | 9,392,748 |
| Changes in value of available-for-sale financial assets, net of tax | 16 | - | - | - | - | 8,878 | (20,137) | (11,259) | 36,572 | 25,313 |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax | 16 | - | - | - | - | (115,277) | - | (115,277) | 14 | (115,263) |
| Foreign currency translation, net of tax | 16 | - | - | - | - | 112,781 | - | 112,781 | (19,469) | 93,312 |
| Remeasurement of net defined benefit liabilities, net of tax | 16 | - | - | - | - | (39,806) | - | (39,806) | (2) | (39,808) |
| Total comprehensive income (loss) | | - | - | - | 9,383,854 | (33,424) | (20,137) | 9,330,293 | 26,009 | 9,356,302 |
| Dividends | | - | - | - | (2,470,689) | - | - | (2,470,689) | (12,599) | (2,483,288) |
| Capital transaction under common control | | - | - | - | - | (173) | - | (173) | 4,506 | 4,333 |
| Acquisition of treasury stock | 16 | - | - | - | - | (4,524,544) | - | (4,524,544) | - | (4,524,544) |
| Retirement of treasury stock | 16 | - | - | - | (6,245,975) | 6,245,975 | - | - | - | - |
| Others | | - | - | - | - | 1,908 | - | 1,908 | (42) | 1,866 |
| Total transactions with owners | | - | - | - | (8,716,664) | 1,723,166 | - | (6,993,498) | (8,135) | (7,001,633) |
| Balance as at June 30, 2016 | | 101,090 | 658,367 | 3,726,480 | 157,321,952 | (13,186,461) | - | 148,621,428 | 5,249,829 | 153,871,257 |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

| | | For the six months ended June 30, | | | |
|--|--------------|--|---------------------|--------------------|--------------------|
| | Notes | 2016 | 2015 | 2016 | 2015 |
| | | KRW | KRW | USD | USD |
| Cash flows from operating activities | | | | | |
| Profit for the period | | 11,100,196 | 10,378,112 | 9,392,748 | 8,781,738 |
| Adjustments | 23 | 15,606,076 | 13,142,100 | 13,205,529 | 11,120,565 |
| Changes in assets and liabilities arising from operating activities | 23 | (1,294,161) | (5,721,367) | (1,095,091) | (4,841,299) |
| Cash flows from operating activities | | 25,412,111 | 17,798,845 | 21,503,186 | 15,061,004 |
| Interest received | | 739,934 | 1,172,418 | 626,116 | 992,075 |
| Interest paid | | (213,162) | (374,799) | (180,373) | (317,147) |
| Dividends received | | 197,904 | 193,603 | 167,462 | 163,823 |
| Income tax paid | | (4,073,652) | (2,958,472) | (3,447,037) | (2,503,396) |
| Net cash generated from operating activities | | 22,063,135 | 15,831,595 | 18,669,354 | 13,396,359 |
| Cash flows from investing activities | | | | | |
| Net decrease(increase) in short-term financial instruments | | (3,736,033) | 1,652,928 | (3,161,351) | 1,398,672 |
| Proceeds from disposal of short-term available-for-sale financial assets | | 2,810,743 | 1,771,838 | 2,378,391 | 1,499,292 |
| Acquisition of short-term available-for-sale financial assets | | (2,104,714) | (681,854) | (1,780,964) | (576,970) |
| Proceeds from disposal of long-term financial instruments | | 589,858 | 1,837,756 | 499,125 | 1,555,070 |
| Acquisition of long-term financial instruments | | (20,283) | (132,323) | (17,163) | (111,969) |
| Proceeds from disposal of long-term available-for-sale financial assets | | 299,941 | 63,942 | 253,804 | 54,106 |
| Acquisition of long-term available-for-sale financial assets | | (67,606) | (77,508) | (57,207) | (65,586) |
| Proceeds from disposal of associates and joint ventures | | 1,537,457 | 277,788 | 1,300,963 | 235,058 |
| Acquisition of associates and joint ventures | | (24,104) | (68,348) | (20,396) | (57,835) |
| Disposal of property, plant and equipment | | 63,954 | 150,050 | 54,117 | 126,969 |
| Purchases of property, plant and equipment | | (8,743,821) | (14,056,273) | (7,398,835) | (11,894,118) |
| Disposal of intangible assets | | 518 | 735 | 438 | 622 |
| Purchases of intangible assets | | (617,473) | (813,679) | (522,492) | (688,518) |
| Cash outflows from business combinations | | (198,164) | (411,445) | (167,682) | (348,156) |
| Others | | 32,733 | 325,770 | 27,698 | 275,659 |
| Net cash used in investing activities | | (10,176,994) | (10,160,623) | (8,611,554) | (8,597,704) |

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

| | Notes | For the six months ended June 30, | | | |
|--|-------|--|--------------------|--------------------|--------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | KRW | KRW | USD | USD |
| Cash flows from financing activities | | | | | |
| Net increase(decrease) in short-term borrowings | | (755,922) | 1,771,882 | (639,645) | 1,499,329 |
| Acquisition of treasury stock | | (5,347,031) | (1,323,059) | (4,524,544) | (1,119,544) |
| Proceeds from long-term borrowings and debentures | | 299,187 | 190 | 253,166 | 161 |
| Repayment of long-term borrowings and debentures | | (46,067) | (1,794,144) | (38,981) | (1,518,166) |
| Payment of dividends | | (2,924,524) | (2,924,861) | (2,474,670) | (2,474,955) |
| Net increase(decrease) in non-controlling interests | | 5,869 | (26,677) | 4,966 | (22,574) |
| Net cash used in financing activities | | (8,768,488) | (4,296,669) | (7,419,708) | (3,635,749) |
| Effect of exchange rate changes on cash and cash equivalents | | 86,362 | (349,813) | 73,078 | (296,004) |
| Net increase in cash and cash equivalents | | 3,204,015 | 1,024,490 | 2,711,170 | 866,902 |
| Cash and cash equivalents | | | | | |
| Beginning of the period | | 22,636,744 | 16,840,766 | 19,154,730 | 14,250,297 |
| End of the period | | 25,840,759 | 17,865,256 | 21,865,900 | 15,117,199 |

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

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 160 subsidiaries including Samsung Display and Samsung Electronics America. The Group also applies the equity method of accounting for its 32 affiliates, including Samsung Electro-Mechanics.

1.2 Consolidated Subsidiaries

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

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

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area | Subsidiaries | Industry | Percentage of ownership ¹ |
|---------------------|---|---|--------------------------------------|
| America | Samsung Electronics America (SEA) | Sale of electronic devices | 100.0 |
| | NexusDX (Nexus) | Medical equipment | 100.0 |
| | Samsung Receivables (SRC) | Credit management | 100.0 |
| | NeuroLogica | Medical equipment | 100.0 |
| | Samsung Semiconductor (SSI) | Sale of semiconductor/LCD | 100.0 |
| | Samsung Electronics Canada (SECA) | Sale of electronic devices | 100.0 |
| | Samsung Research America (SRA) | R&D | 100.0 |
| | Samsung Mexicana (SAMEX) | Manufacture of electronic devices | 100.0 |
| | Samsung International (SII) | Manufacture of TV/monitors | 100.0 |
| | Samsung Austin Semiconductor (SAS) | Manufacture of semiconductor | 100.0 |
| | Samsung Electronics Mexico (SEM) | Sale of electronic devices | 99.9 |
| | SEMES America (SEMESA) | Semiconductor equipment | 100.0 |
| | Samsung Electronics Digital Appliance Mexico (SEDAM) | Manufacture of electronic devices | 99.9 |
| | Samsung Electronics Latinoamerica Miami (SEMI) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Latinoamerica (SELA) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Venezuela (SEVEN) | Marketing and services | 100.0 |
| | Samsung Electronica Colombia (SAMCOL) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Panama (SEPA) | Consulting | 100.0 |
| | Samsung Electronica da Amazonia (SEDA) | Manufacture and sale of electronic devices | 100.0 |
| | Samsung Electronics Argentina (SEASA) | Marketing and services | 100.0 |
| | Samsung Electronics Chile (SECH) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Peru (SEPR) | Sale of electronic devices | 100.0 |
| | RT SV CO-INVEST (RT-SV) | 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 |
| | Simpress | 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 | 75.8 |
| | 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 | |
| Joyent (Canada) | Cloud Services | 100.0 | |
| Europe/CIS | Samsung Electronics (UK) (SEUK) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Holding (SEHG) | Holding company | 100.0 |
| | Samsung Semiconductor Europe GmbH (SSEG) | Sale of semiconductor/LCD | 100.0 |
| | Samsung Electronics GmbH (SEG) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Iberia (SESA) | Sale of electronic devices | 100.0 |
| | Samsung Electronics France (SEF) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Hungarian (SEH) | Manufacture and sale of electronic devices | 100.0 |
| | Samsung Electronics Czech and Slovak (SE CZ) | 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 Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area | Subsidiaries | Industry | Percentage of ownership ¹ |
|------------------------|--|--|--------------------------------------|
| | 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 |
| | 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 |
| Europe/CIS (Cont.) | 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 |
| | Samsung Electronics West Africa (SEWA) | Marketing | 100.0 |
| | Samsung Electronics East Africa (SEEA) | Marketing | 100.0 |
| | Samsung Gulf Electronics (SGE) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Egypt (SEEG) | Manufacture and sale of electronic devices | 100.0 |
| | Samsung Electronics Israel (SEIL) | Marketing | 100.0 |
| | Samsung Electronics Tunisia (SETN) | Marketing | 100.0 |
| | Samsung Electronics Pakistan (SEPAK) | Marketing | 100.0 |
| Middle East and Africa | Samsung Electronics South Africa (SSA) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Turkey (SETK) | Sale of electronic devices | 100.0 |
| | Samsung Semiconductor Israel R&D Center (SIRC) | R&D | 100.0 |
| | Samsung Electronics Levant (SELV) | Sale of electronic devices | 100.0 |
| | Samsung Electronics Maghreb Arab (SEMAG) | Sale of electronic devices | 100.0 |
| | Samsung Electronics South Africa Production (SSAP) | Manufacture of TV/monitors | 100.0 |

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(1) 2016

| <i>(In millions of Korean won)</i> | As of June 30, 2016 | | For the three months ended June 30, 2016 | | For the six months ended June 30, 2016 | |
|--|---------------------|-------------|---|----------------------|---|----------------------|
| | Assets | Liabilities | Sales | Net Income (Loss) | Sales | Net Income (Loss) |
| Samsung Display (SDC) | 39,833,054 | 6,917,285 | 5,807,777 | 153,288 | 11,420,937 | 572 |
| Samsung Electronics America (SEA) | 16,338,710 | 8,678,932 | 9,099,726 | 190,936 | 17,670,847 | 27,392 |
| Samsung (China) Investment (SCIC) | 13,721,514 | 11,965,040 | 2,522,321 | (15,394) | 5,301,429 | 88,538 |
| Samsung (China) Semiconductor (SCS) | 10,335,995 | 5,595,849 | 1,054,482 | 369,578 | 2,103,893 | 644,479 |
| Samsung Electronics Vietnam (SEV) | 8,961,187 | 1,481,275 | 5,482,505 | 771,399 | 10,662,841 | 1,385,902 |
| Samsung Electronics Europe Holding (SEEH) | 7,660,975 | 5,784,210 | - | 16,453 | - | 22,191 |
| Samsung Semiconductor (SSI) | 7,466,683 | 3,575,594 | 4,849,323 | 2,601 | 9,021,494 | 11,168 |
| Samsung Electronics Vietnam THAINGUYEN (SEVT) | 6,813,846 | 2,816,427 | 5,522,072 | 759,242 | 11,004,894 | 1,399,117 |
| Samsung Electronics Huizhou (SEHZ) | 6,235,917 | 1,422,761 | 3,205,157 | 226,278 | 7,033,925 | 467,933 |
| Samsung Austin Semiconductor (SAS) | 5,043,831 | 1,572,862 | 966,551 | 31,251 | 2,086,872 | 60,702 |
| Samsung Asia Private (SAPL) | 4,737,935 | 520,458 | 395,296 | 509,944 | 752,657 | 510,320 |
| Samsung India Electronics (SIEL) | 4,436,580 | 2,508,808 | 2,139,741 | 201,769 | 4,466,484 | 449,395 |
| Samsung Electronica da Amazonia (SEDA) | 4,326,713 | 1,390,554 | 1,507,404 | 192,378 | 2,879,384 | 352,458 |
| Shanghai Samsung Semiconductor (SSS) | 4,047,291 | 3,402,293 | 4,647,341 | 35,762 | 8,939,123 | 75,420 |
| Samsung Suzhou LCD (SSL) | 2,684,100 | 1,642,398 | 323,993 | (35,919) | 540,713 | (86,577) |
| Samsung Electronics Slovakia (SESK) | 2,039,830 | 452,774 | 834,121 | 23,903 | 1,655,983 | 56,134 |
| Thai Samsung Electronics (TSE) | 2,035,438 | 435,774 | 1,083,132 | 48,735 | 2,194,690 | 108,880 |
| Samsung Electronics Europe Logistics (SELS) | 1,859,489 | 1,226,223 | 3,294,910 | 259,322 | 6,632,626 | 541,650 |
| Tianjin Samsung Telecom Technology (TSTC) | 1,816,982 | 426,884 | 1,075,376 | 65,095 | 2,245,749 | 124,527 |
| Samsung Electronics GmbH (SEG) | 1,662,884 | 1,587,609 | 1,596,360 | (8,624) | 3,260,378 | 17,447 |
| Samsung Display Vietnam (SDV) | 1,637,277 | 1,835,518 | 1,267,303 | (44,584) | 2,224,732 | (33,562) |
| Samsung Electronics HCMC CE Complex (SEHC) | 1,399,897 | 1,252,067 | 484,607 | 38,951 | 598,776 | 38,787 |
| Samsung Electronics Hungarian (SEH) | 1,371,449 | 271,253 | 558,887 | 38,000 | 1,192,919 | 77,297 |
| Samsung Display Dongguan (SDD) | 1,360,109 | 411,835 | 1,284,168 | 53,275 | 2,561,987 | 78,156 |
| Samsung Electronics Taiwan (SET) | 1,311,139 | 973,834 | 781,966 | (13,582) | 1,648,452 | (1,720) |

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) 2015

| <i>(In millions of Korean won)</i> | As of December 31, 2015 | | For the three months ended June 30, 2015 | | For the six months ended June 30, 2015 | |
|--|-------------------------|-------------|---|----------------------|---|----------------------|
| | Assets | Liabilities | Sales | Net Income (Loss) | Sales | Net Income (Loss) |
| Samsung Display (SDC) | 39,225,460 | 6,586,259 | 6,282,176 | 531,735 | 12,936,860 | 939,983 |
| Samsung Electronics America (SEA) | 14,875,687 | 7,562,099 | 9,044,366 | 123,775 | 16,635,124 | 158,358 |
| Samsung (China) Investment (SCIC) | 12,748,395 | 11,040,055 | 2,751,675 | (184,051) | 5,890,041 | (52,376) |
| Samsung (China) Semiconductor (SCS) | 9,742,388 | 5,537,446 | 367,796 | (36,719) | 903,318 | 8,224 |
| Samsung Semiconductor (SSI) | 8,288,391 | 4,379,980 | 4,308,575 | 5,000 | 8,959,759 | 20,705 |
| Samsung Electronics Vietnam (SEV) | 7,829,507 | 1,155,075 | 4,786,128 | 525,867 | 8,991,729 | 938,818 |
| Samsung Electronics Europe Holding (SEEH) | 6,989,207 | 5,223,523 | - | 8,714 | - | 10,852 |
| Samsung Electronics Vietnam THAINGUYEN (SEVT) | 6,571,798 | 3,940,926 | 4,846,651 | 552,632 | 9,189,993 | 834,530 |
| Samsung Electronics Huizhou (SEHZ) | 6,192,974 | 1,738,095 | 4,583,299 | 276,055 | 8,994,184 | 463,249 |
| Samsung Austin Semiconductor (SAS) | 6,179,289 | 2,746,852 | 691,703 | 15,906 | 1,284,972 | 37,524 |
| Samsung Asia Private (SAPL) | 4,227,798 | 504,256 | 359,567 | (5,120) | 751,351 | 8,373 |
| Shanghai Samsung Semiconductor (SSS) | 3,792,437 | 3,207,942 | 3,537,494 | 31,582 | 6,126,219 | 62,251 |
| Samsung India Electronics (SIEL) | 3,723,127 | 2,204,333 | 1,781,921 | 82,859 | 3,729,674 | 123,921 |
| Samsung Electronica da Amazonia (SEDA) | 3,114,334 | 1,021,869 | 1,412,260 | 43,317 | 3,153,325 | 251,692 |
| Samsung Suzhou LCD (SSL) | 2,784,122 | 1,634,304 | 250,427 | 48,705 | 500,411 | 74,300 |
| Tianjin Samsung Telecom Technology (TSTC) | 2,075,123 | 778,133 | 1,487,231 | 91,665 | 3,548,192 | 189,205 |
| Samsung Electronics Europe Logistics (SELS) | 1,894,614 | 1,793,917 | 2,829,278 | 146,453 | 5,933,571 | 362,261 |
| Thai Samsung Electronics (TSE) | 1,889,410 | 416,382 | 1,013,512 | 52,418 | 2,050,150 | 123,930 |
| Samsung Electronics Slovakia (SESK) | 1,888,341 | 373,886 | 665,322 | 28,029 | 1,594,824 | 70,964 |
| Samsung Electronics GmbH (SEG) | 1,820,922 | 1,762,978 | 1,355,323 | 96,143 | 2,814,128 | (53,217) |
| Samsung Display Dongguan (SDD) | 1,276,263 | 384,963 | 928,524 | (4,033) | 2,086,793 | 15,761 |
| Samsung Electronics Benelux (SEBN) | 1,264,497 | 291,332 | 539,493 | (1,253) | 1,104,684 | 27,568 |
| Samsung Electronics Hungarian (SEH) | 1,254,673 | 231,785 | 641,403 | 27,300 | 1,328,725 | 41,668 |
| Samsung Electronics Taiwan (SET) | 1,253,480 | 918,482 | 1,115,761 | (10,819) | 2,373,948 | (555) |
| Samsung Electronics (UK)(SEUK) | 1,133,512 | 745,126 | 1,158,934 | 47,826 | 2,107,275 | 112,338 |

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) Changes in scope of consolidation

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

| Area | Subsidiary | Description |
|------------|-----------------------------------|-----------------------|
| America | Samsung Oak Holdings (SHI) | Incorporation |
| | AdGear Technologies | Acquisition of shares |
| | Joyent | Acquisition of shares |
| | Joyent (Canada) | Acquisition of shares |
| Europe/CIS | Joyent (UK) | Acquisition of shares |
| China | Samsung Semiconductor Xian (SSCX) | Incorporation |

(2) Subsidiaries excluded from the consolidation for the six months ended June 30, 2016:

| Area | Subsidiary | Description |
|------------------------|---|---------------------|
| America | Grandis | Liquidation |
| Europe/CIS | Samsung Russia Service Centre (SRSC) | Merger ¹ |
| | SonoAce Deutschland (SMDE) | Liquidation |
| Asia (Except China) | Samsung Telecommunications Malaysia (STM) | Liquidation |
| | Future Technology & Service | Liquidation |

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

2. Summary of Significant Accounting Policies

2.1 Basis of Presentation

The interim consolidated financial statements for the six months ended June 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.

Samsung Electronics Co., Ltd. and its Subsidiaries

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 ₩1,181.78 to US \$1, the average exchange rate for the six month period ended in June 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 June 30, 2016 and December 31, 2015, are as follows:

(1) As of June 30, 2016

| <i>(In millions of Korean won)</i> | Assets at fair value through profit and loss | | Loans and receivables | | Available-for-sale financial assets | | Total | |
|--|---|--------|------------------------------|-------------|--|------------|--------------|-------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | ₩ | - | ₩ | 25,840,759 | ₩ | - | ₩ | 25,840,759 |
| Short-term financial instruments | | - | | 47,449,558 | | - | | 47,449,558 |
| Short-term available-for-sale financial assets | | - | | - | | 3,781,006 | | 3,781,006 |
| Trade receivables | | - | | 26,081,803 | | - | | 26,081,803 |
| Long-term available-for-sale financial assets | | - | | - | | 8,398,201 | | 8,398,201 |
| Others | | 79,670 | | 3,162,544 | | - | | 3,242,214 |
| Total | ₩ | 79,670 | ₩ | 102,534,664 | ₩ | 12,179,207 | ₩ | 114,793,541 |

| <i>(In millions of Korean won)</i> | Liabilities at fair value through profit and loss | | Financial liabilities measured at amortized cost | | Other financial liabilities | | Total | |
|--|--|---------|---|------------|------------------------------------|-----------|--------------|------------|
| Liabilities | | | | | | | | |
| Trade payables | ₩ | - | ₩ | 7,344,748 | ₩ | - | ₩ | 7,344,748 |
| Short-term borrowings | | - | | 1,987,496 | | 8,272,262 | | 10,259,758 |
| Other payables | | - | | 6,451,707 | | - | | 6,451,707 |
| Current portion of long-term liabilities | | - | | 1,389,682 | | - | | 1,389,682 |
| Debentures | | - | | 62,085 | | - | | 62,085 |
| Long-term borrowings | | - | | 533,222 | | - | | 533,222 |
| Long-term other payables | | 323,381 | | 2,581,135 | | - | | 2,904,516 |
| Others | | 73,883 | | 9,181,761 | | - | | 9,255,644 |
| Total | ₩ | 397,264 | ₩ | 29,531,836 | ₩ | 8,272,262 | ₩ | 38,201,362 |

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) As of December 31, 2015

| <i>(In millions of Korean won)</i> | Assets at fair value through profit or loss | | Loans and receivables | Available-for-sale financial assets | | Total |
|--|--|--------|------------------------------|--|------------|---------------|
| Assets | | | | | | |
| Cash and cash equivalents | ₩ | - | ₩ 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 |
| Total | ₩ | 63,177 | ₩ 95,516,827 | ₩ | 12,960,010 | ₩ 108,540,014 |

| <i>(In millions of Korean won)</i> | Liabilities at fair value through profit and loss | | Financial liabilities measured at amortized cost | Other financial liabilities | | Total |
|--|--|---------|---|------------------------------------|-----------|--------------|
| Liabilities | | | | | | |
| Trade payables | ₩ | - | ₩ 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 |
| Total | ₩ | 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 June 30, 2016 and December 31, 2015, are as follows:

| <i>(In millions of Korean won)</i> | June 30, 2016 | | December 31, 2015 | |
|------------------------------------|----------------------|-----------|--------------------------|-----------|
| Equity securities - Listed | ₩ | 4,396,800 | ₩ | 4,674,753 |
| Equity securities - Non-listed | | 3,879,842 | | 3,498,655 |
| Debt securities ¹ | | 121,559 | | 159,072 |
| Total | ₩ | 8,398,201 | ₩ | 8,332,480 |

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

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | | | December 31, 2015 | |
|---|---------------------------|--------------------------------|------------------|------------------------------|------------------------------|
| | Number of Shares Owned | Percentage of Ownership (%) | Acquisition Cost | Book Value (Market Value) | Book Value (Market Value) |
| Samsung SDI ¹ | 13,462,673 | 19.6 | ₩ 2,180,953 | ₩ 1,453,969 | ₩ 1,534,745 |
| Samsung Heavy Industries | 40,675,641 | 17.6 | 258,299 | 372,589 | 441,331 |
| Hotel Shilla | 2,004,717 | 5.1 | 13,957 | 136,120 | 154,965 |
| Cheil Worldwide | 14,498,725 | 12.6 | 223,941 | 245,028 | 300,124 |
| iMarket Korea | 647,320 | 1.8 | 324 | 7,509 | 16,377 |
| SFA | 1,822,000 | 10.2 | 38,262 | 90,645 | 90,098 |
| Wonik Holdings (formerly Wonik IPS) ² | 3,518,342 | 9.0 | 30,821 | 22,553 | 81,949 |
| Wonik IPS ² | 3,701,872 | 9.0 | 32,428 | 84,588 | |
| ASML | 12,595,575 | 2.9 | 726,024 | 1,442,310 | 1,331,450 |
| Rambus | 4,788,125 | 4.3 | 92,682 | 67,367 | 65,039 |
| Seagate Technology | 12,539,490 | 4.2 | 218,544 | 355,772 | 538,766 |
| Sharp ¹ | 35,804,000 | 2.1 | 122,535 | 44,589 | 43,502 |
| Wacom ¹ | 8,398,400 | 5.1 | 62,013 | 37,841 | 39,330 |
| Others ¹ | | | 47,305 | 35,920 | 37,077 |
| Total | | | ₩ 4,048,088 | ₩ 4,396,800 | ₩ 4,674,753 |

¹ Impairment losses on listed equity securities resulting from the decline in realizable value below acquisition cost amounted to ₩732,542 million for the years ended December 31, 2015.

² During the six months ended June 30, 2016, Wonik IPS split off from Wonik Holdings (formerly Wonik IPS).

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 June 30, 2016 and December 31, 2015, are as follows:

| <i>(In millions of Korean won)</i> | June 30, 2016 | | | December 31, 2015 | | |
|------------------------------------|-----------------|------------------------|-------------|-------------------|------------------------|-------------|
| | Gross Amount | Valuation Allowance | Book Value | Gross Amount | Valuation Allowance | Book Value |
| Finished goods | ₩ 5,149,050 | ₩ (161,178) | ₩ 4,987,872 | ₩ 5,956,413 | ₩ (186,953) | ₩ 5,769,460 |
| Work in process | 6,710,071 | (579,641) | 6,130,430 | 6,142,964 | (363,661) | 5,779,303 |
| Raw materials and supplies | 5,861,378 | (283,856) | 5,577,522 | 6,082,185 | (222,923) | 5,859,262 |
| Materials in transit | 1,162,897 | - | 1,162,897 | 1,403,769 | - | 1,403,769 |
| Total | ₩18,883,396 | ₩(1,024,675) | ₩17,858,721 | ₩19,585,331 | ₩(773,537) | ₩18,811,794 |

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. Investments in Associates and Joint Ventures

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | June 30, 2015 |
|------------------------------------|----------------------|----------------------|
| Balance as of January 1 | ₩ 5,276,348 | ₩ 5,232,461 |
| Acquisition | 24,104 | 68,348 |
| Disposal ¹ | (1,341,108) | (19,279) |
| Share of profit | 13,423 | 90,178 |
| Others ² | (30,242) | (68,665) |
| Balance as of June 30 | ₩ 3,942,525 | ₩ 5,303,043 |

¹ The Group sold its entire stake in Samsung Card during the six months ended June 30, 2016.

² Others consist of dividends, impairment and effects of changes in foreign exchange rates.

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

(1) Investments in associates

| Investee | Nature of Relationship with Associate | Percentage of Ownership¹ (%) | Principal Business Location |
|---------------------------|--|--|------------------------------------|
| 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 |

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

(2) Investments in joint ventures

| Investee | Nature of Relationship with Joint Venture | Percentage of Ownership¹ (%) | Principal Business Location |
|--------------------------------|--|--|------------------------------------|
| Samsung Corning Advanced Glass | Manufacture and supply industrial glass devices | 50.0 | Korea |

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

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

(1) Investments in associates

(In millions of Korean won)

| Investee | June 30, 2016 | | |
|---------------------------|--------------------|---|--------------------|
| | Acquisition cost | Net asset value of equity shares ¹ | Book value |
| Samsung Card | ₩ - | ₩ - | ₩ - |
| Samsung Electro-Mechanics | 359,237 | 981,187 | 968,442 |
| Samsung SDS | 147,963 | 1,081,313 | 1,105,551 |
| Samsung Biologics | 560,469 | 1,288,698 | 1,294,815 |
| Others | 583,655 | 200,190 | 332,746 |
| Total | ₩ 1,651,324 | ₩ 3,551,388 | ₩ 3,701,554 |

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

(In millions of Korean won)

| Investee | December 31, 2015 | | |
|---------------------------|--------------------|---|--------------------|
| | Acquisition cost | Net asset value of equity shares ¹ | 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 |
| Total | ₩ 3,175,161 | ₩ 6,020,072 | ₩ 5,027,279 |

¹ 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 | June 30, 2016 | | |
|--------------------------------|------------------|---|------------------|
| | Acquisition cost | Net asset value of equity shares ¹ | Book value |
| Samsung Corning Advanced Glass | ₩ 215,000 | ₩ 178,101 | ₩ 178,054 |
| Others | 259,977 | 112,253 | 62,917 |
| Total | ₩ 474,977 | ₩ 290,354 | ₩ 240,971 |

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

¹ 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 six months ended June 30, 2016

| <i>(In millions of Korean won)</i> | Balance as of January 1 | Gain/loss on valuation | Other comprehensive income/loss | Others¹ | Balance as of June 30 |
|------------------------------------|------------------------------------|-----------------------------------|--|---------------------------|----------------------------------|
| Samsung Card | ₩ 1,338,679 | ₩ - | ₩ - | ₩ (1,338,679) | ₩ - |
| Samsung Electro-Mechanics | 994,489 | 4,884 | (22,085) | (8,846) | 968,442 |
| Samsung SDS | 1,060,396 | 56,852 | (2,960) | (8,737) | 1,105,551 |
| Samsung Biologics | 1,310,202 | (27,817) | (252) | 12,682 | 1,294,815 |
| Samsung Corning Advanced Glass | 188,371 | (10,317) | - | - | 178,054 |
| Others | 384,211 | (10,179) | 3,553 | 18,078 | 395,663 |
| Total | ₩ 5,276,348 | ₩ 13,423 | ₩ (21,744) | ₩ (1,325,502) | ₩ 3,942,525 |

¹ Others consist of acquisitions, disposals, dividends and effects of changes in foreign exchange rates.

(2) For the six months ended June 30, 2015

| <i>(In millions of Korean won)</i> | Balance as of January 1 | Gain/loss on valuation | Other comprehensive income/loss | Others¹ | Balance as of June 30 |
|------------------------------------|------------------------------------|-----------------------------------|--|---------------------------|----------------------------------|
| Samsung Card | ₩ 2,354,026 | ₩ 65,813 | ₩ 11,280 | ₩ (43,219) | ₩ 2,387,900 |
| Samsung Electro-Mechanics | 1,040,404 | 8,915 | 1,825 | (14,084) | 1,037,060 |
| Samsung SDS | 951,776 | 47,496 | (541) | (8,732) | 989,999 |
| Samsung Biologics | 293,975 | (29,067) | (3,788) | 66,700 | 327,820 |
| Samsung Corning Advanced Glass | 195,930 | (4,621) | 24 | - | 191,333 |
| Others | 396,350 | 1,642 | (5,034) | (24,027) | 368,931 |
| Total | ₩ 5,232,461 | ₩ 90,178 | ₩ 3,766 | ₩ (23,362) | ₩ 5,303,043 |

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

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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 June 30, 2016 and December 31, 2015, and for the six months ended June 30, 2016 and 2015, is as follows:

(In millions of Korean won)

| Investee | 2016 | | |
|--|---------------------------|-------------|-------------------|
| | Samsung Electro-Mechanics | Samsung SDS | Samsung Biologics |
| 1. Condensed financial information | | | |
| Condensed statements of financial position: | | | |
| Current assets | ₩ 2,913,683 | ₩ 4,130,280 | ₩ 239,511 |
| Non-current assets | 4,388,042 | 2,304,716 | 5,797,735 |
| Current liabilities | 1,821,810 | 1,216,954 | 2,076,024 |
| Non-current liabilities | 1,191,617 | 222,525 | 1,264,677 |
| Non-controlling interests | 98,753 | 208,474 | - |
| Condensed statements of comprehensive income: | | | |
| Revenue | 3,220,720 | 3,797,127 | 136,289 |
| Profit(Loss) from continuing operations ¹ | 47,790 | 250,067 | (75,401) |
| Other comprehensive income (loss) ¹ | (94,408) | (13,111) | (2,888) |
| Total comprehensive income (loss) ¹ | (46,618) | 236,956 | (78,289) |
| 2. Dividends from associates | | | |
| Dividends | ₩ 8,847 | ₩ 8,736 | ₩ - |

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

(In millions of Korean won)

| Investee | 2015 | | | |
|--|---------------------------|---------------------------|-------------|-------------------|
| | Samsung Card ¹ | Samsung Electro-Mechanics | Samsung SDS | Samsung Biologics |
| 1. Condensed financial information | | | | |
| Condensed statements of financial position: | | | | |
| 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 | - |
| Condensed statements of comprehensive income: | | | | |
| Revenue | 1,561,878 | 3,421,308 | 3,874,986 | 33,206 |
| Profit(Loss) from continuing operations ² | 175,708 | 36,942 | 207,801 | (26,132) |
| Other comprehensive income (loss) ² | 30,119 | 4,538 | (2,382) | (9,212) |
| Total comprehensive income (loss) ² | 205,827 | 41,480 | 205,419 | (35,344) |
| 2. Dividends from associates | | | | |
| Dividends | ₩ 43,393 | ₩ 13,270 | ₩ 8,736 | ₩ - |

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

² Income (Loss) attributable to owners of the parent

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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 June 30, 2016 and December 31, 2015, and for the six months ended June 30, 2016 and 2015, is as follows:

| <i>(In millions of Korean won)</i> | Samsung Corning Advanced Glass | | | |
|--|--------------------------------|----------|------|---------|
| | 2016 | | 2015 | |
| 1. Condensed financial information | | | | |
| Condensed statements of financial position: | | | | |
| Current assets | ₩ | 210,651 | ₩ | 226,720 |
| - Cash and cash equivalent | | 16,415 | | 13,383 |
| Non-current assets | | 176,358 | | 183,313 |
| Current liabilities | | 28,758 | | 32,158 |
| - Current financial liabilities ¹ | | 10,126 | | 14,111 |
| Non-current liabilities | | 2,049 | | 1,013 |
| Condensed statements of comprehensive income²: | | | | |
| Revenue | | 127,526 | | 131,501 |
| Depreciation and amortization | | 1,193 | | 864 |
| Interest income | | 712 | | 571 |
| Income tax expense | | (6,182) | | (952) |
| Net loss from continuing operations ³ | | (20,659) | | (9,266) |
| Other comprehensive income (loss) ³ | | - | | 47 |
| Total comprehensive income (loss) ³ | | (20,659) | | (9,219) |
| 2. Dividends from joint ventures | | | | |
| Dividends | ₩ | - | ₩ | - |

¹ Trade payables, other payables, and provisions are excluded.

² Amounts relate to the six months ended June 30, 2016 and 2015.

³ 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 six months ended June 30, 2016 and 2015, are as follows:

| <i>(In millions of Korean won)</i> | 2016 | | 2015 | |
|---|------------|----------------|------------|----------------|
| | Associates | Joint ventures | Associates | Joint ventures |
| Income (loss) from continuing operations ¹ | ₩ (12,002) | ₩ 1,822 | ₩ (13,712) | ₩ 690 |
| Other comprehensive income (loss) ¹ | 1,476 | 6,987 | (415) | (3,648) |
| Total comprehensive income (loss) ¹ | ₩ (10,526) | ₩ 8,809 | ₩ (14,127) | ₩ (2,958) |

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

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

| <i>(In millions of Korean won and number of shares)</i> | June 30, 2016 | | December 31, 2015 |
|---|-----------------------|--------------|-------------------|
| | Number of shares held | Market value | Market value |
| Samsung Electro-Mechanics | 17,693,084 | 886,424 | 1,112,895 |
| Samsung SDS | 17,472,110 | 2,507,248 | 4,437,916 |

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7. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the six months ended June 30, 2016 and 2015, are as follows:

| <i>(In millions of Korean won)</i> | 2016 | 2015 |
|---|--------------|--------------|
| Balance as of January 1 | ₩ 86,477,110 | ₩ 80,872,950 |
| Acquisition and capital expenditures | 8,751,936 | 13,162,499 |
| Business combinations | 6,079 | 34,776 |
| Depreciation | (9,951,595) | (9,510,191) |
| Disposals/scrap/impairment/reversal of impairment | (71,131) | (185,407) |
| Others ¹ | (577,436) | 291,631 |
| Balance as of June 30 | ₩ 84,634,963 | ₩ 84,666,258 |

¹ Others include effects of changes in foreign currency exchange rates.

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

| <i>(In millions of Korean won)</i> | 2016 | 2015 |
|--|-------------|-------------|
| Cost of sales | ₩ 8,980,250 | ₩ 8,632,250 |
| Selling and administrative expenses and others | 971,345 | 877,941 |
| Total | ₩ 9,951,595 | ₩ 9,510,191 |

8. Intangible Assets

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

| <i>(In millions of Korean won)</i> | 2016 | 2015 |
|---|-------------|-------------|
| Balance as of January 1 | ₩ 5,396,311 | ₩ 4,785,473 |
| Internally generated (development costs) | 442,062 | 584,265 |
| External acquisitions | 175,411 | 229,414 |
| Business combinations | 192,022 | 374,224 |
| Amortization | (686,242) | (614,658) |
| Disposals/scrap/impairment/reversal of impairment | (380,109) | (23,066) |
| Others ¹ | 108,342 | 194,761 |
| Balance as of June 30 | ₩ 5,247,797 | ₩ 5,530,413 |

¹ Others include effects of changes in foreign currency exchange rates.

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

| <i>(In millions of Korean won)</i> | 2016 | 2015 |
|--|-------------|-------------|
| Cost of sales | ₩ 465,770 | ₩ 370,687 |
| Selling and administrative expenses and others | 220,472 | 243,971 |
| Total | ₩ 686,242 | ₩ 614,658 |

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9. Borrowings

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

| <i>(In millions of Korean won)</i> | Financial Institutions | Annual Interest Rates (%) as of June 30, 2016 | June 30, 2016 | December 31, 2015 |
|--|-------------------------------|--|--------------------------|------------------------------|
| Short-term borrowings | | | | |
| Collateralized borrowings ¹ | Woori Bank and others | 0.1 ~ 12.2 | ₩ 8,272,262 | ₩ 8,738,448 |
| Non-collateralized borrowings | Citibank and others | 0.3 ~ 18.9 | 1,987,496 | 2,416,977 |
| Total | | | ₩ 10,259,758 | ₩ 11,155,425 |
| Current portion of long-term borrowings | | | | |
| Bank borrowings | US Bank and others | 3.5 ~ 6.0 | ₩ 651 | ₩ 454 |
| Financial lease liabilities ² | CSSD and others | 1.1 ~ 15.7 | 18,765 | 15,652 |
| Total | | | ₩ 19,416 | ₩ 16,106 |
| Long-term borrowings | | | | |
| Bank borrowings | Citibank and others | Libor+0.4 ~ 19.8 | ₩ 463,857 | ₩ 193,598 |
| Financial lease liabilities ² | CSSD and others | 1.1 ~ 15.7 | 69,365 | 72,944 |
| Total | | | ₩ 533,222 | ₩ 266,542 |

¹ Collateralized borrowings are secured by trade receivables.

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

10. Debentures

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | December 31, 2015 |
|---|----------------------|--------------------------|
| Korean won denominated debentures (A) | ₩ - | ₩ - |
| Foreign currency denominated debentures (B) | 62,085 | 1,230,448 |
| Total | ₩ 62,085 | ₩ 1,230,448 |

(A) Details of Korean won denominated debentures as of June 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 June 30, 2016 | June 30, 2016 | December 31, 2015 |
|------------------------------------|-------------------|-----------------|--|--------------------------|------------------------------|
| Unsecured debentures | 2011.11.17 | 2016.11.17 | 4.2 | ₩ 200,000 | ₩ 200,000 |
| Less: Current portion | | | | (200,000) | (200,000) |
| Less: Discounts | | | | - | - |
| Total | | | | ₩ - | ₩ - |

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

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(B) Details of foreign currency denominated debentures as of June 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 June 30, 2016 | June 30, 2016 | December 31, 2015 |
|--|------------|------------|--|----------------------------------|----------------------------------|
| US dollar denominated straight bonds ¹ | 1997.10.02 | 2027.10.01 | 7.7 | ₩ 69,882 (US\$60 million) | ₩ 70,320 (US\$60 million) |
| US dollar denominated unsecured bonds ² | 2012.04.10 | 2017.04.10 | 1.8 | 1,164,700 (US\$1,000 million) | 1,172,000 (US\$1,000 million) |
| Less: Current Portion | | | | (1,170,524) | (5,860) |
| Less: Discounts | | | | (1,973) | (6,012) |
| Total | | | | ₩ 62,085 | ₩ 1,230,448 |

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

² 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 June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of Korean won)</i> | June 30, 2016 | December 31, 2015 |
|---|---------------|-------------------|
| Present value of funded defined benefit obligations | ₩ 8,151,789 | ₩ 7,693,919 |
| Present value of unfunded defined benefit obligations | 148,564 | 138,860 |
| Subtotal | 8,300,353 | 7,832,779 |
| Fair value of plan assets | (7,419,801) | (7,473,959) |
| Total | ₩ 880,552 | ₩ 358,820 |

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

| <i>(In millions of Korean won)</i> | 2016 | 2015 |
|------------------------------------|-----------|-----------|
| Current service cost | ₩ 540,179 | ₩ 573,286 |
| Net interest cost | 5,520 | 2,295 |
| Others | (3,833) | 1,458 |
| Total | ₩ 541,866 | ₩ 577,039 |

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

| <i>(In millions of Korean won)</i> | 2016 | | 2015 | |
|--|-------------|----------------|-------------|----------------|
| Cost of sales | ₩ | 236,986 | ₩ | 250,880 |
| Selling and administrative expenses and others | | 304,880 | | 326,159 |
| Total | ₩ | 541,866 | ₩ | 577,039 |

12. Provisions

Changes in the provisions during the six months ended June 30, 2016 are as follows:

| <i>(In millions of Korean won)</i> | Warranty (A) | Royalty expenses (B) | Long-term incentives (C) | Bonus (D) | Others (E) | Total |
|---|---------------------|-----------------------------|---------------------------------|------------------|-------------------|--------------|
| 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 | 1,169,977 | (369,233) | 83,420 | 1,827,904 | 26,195 | 2,738,263 |
| Payment | (1,057,304) | (1,355,461) | (212,464) | - | (42,320) | (2,667,549) |
| Others ¹ | 11,958 | 12,430 | - | - | (529) | 23,859 |
| Balance as of June 30 | ₩ 1,789,157 | ₩ 2,731,485 | ₩ 624,509 | ₩ 1,827,904 | ₩ 64,499 | ₩ 7,037,554 |

¹ Others include effects of changes in foreign currency exchange rates.

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

(B) The Group 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 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 June 30, 2016 are as follows:

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

| <i>(In ten thousand metric tons)</i> | 2016 |
|--------------------------------------|-------------|
| Allocated emission permits | 1,007 |
| Estimated amount of emission | 1,196 |

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

| <i>(In millions of Korean won)</i> | 2016 | |
|------------------------------------|-------------|--------|
| Balance as of January 1 | ₩ | 7,260 |
| Acquisition | | 3,774 |
| Balance as of June 30 | ₩ | 11,034 |

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

| <i>(In millions of Korean won)</i> | 2016 | |
|-------------------------------------|-------------|---------|
| Balance as of January 1 | ₩ | 7,947 |
| Charged to the statement of income | | 9,890 |
| Credited to the statement of income | | (7,947) |
| Balance as of June 30 | ₩ | 9,890 |

13. Commitments and Contingencies

(A) Guarantees

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | | December 31, 2015 | |
|--|----------------------|--------|--------------------------|--------|
| Guarantees of debt for housing rental ¹ | ₩ | 58,788 | ₩ | 64,753 |

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

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 appeals 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 Company has submitted in writing a merits brief related

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to design infringements to the Supreme Court. On June 8, following the Company's filing of the merits brief, several companies have submitted amicus briefs in support of the Company's position.

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, the appellate court reversed the first trial judgment and ruled that the Group had not infringed Apple's some patents and its remaining patents were invalid. Based on the rulings of the appellate court, the Group plans to appeal the permanent injunction. On March 30, 2016, Apple filed a petition for an en banc rehearing about the rulings of the appellate court. 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 June 30, 2016.

14. Share Capital

The Company's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Company has issued 142,969,337 shares of common stock and 21,063,427 shares of preferred stock as of June 30, 2016, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩ 820,164 million (common stock ₩714,847 million and preferred stock ₩105,317 million), which does not agree with paid-in capital of ₩897,514 million.

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15. Retained Earnings

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | December 31, 2015 |
|------------------------------------|----------------------|--------------------------|
| Appropriated | ₩ 140,709,326 | ₩ 131,539,594 |
| Unappropriated | 45,211,162 | 53,592,420 |
| Total | ₩ 185,920,488 | ₩ 185,132,014 |

(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 six months ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of Korean won)</i> | | June 30, 2016 | June 30, 2015 |
|---|-----------------|----------------------|----------------------|
| 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 | ₩ 141,539 | ₩ 148,916 |

16. Other Components of Equity

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | December 31, 2015 |
|--|-----------------------|--------------------------|
| Treasury stock | ₩ (11,408,020) | ₩ (13,442,379) |
| Unrealized gains on available-for-sale financial assets | 1,488,821 | 1,478,330 |
| Share of other comprehensive income of associates and joint ventures | 37,423 | 362,342 |
| Foreign currency translation | (3,957,919) | (4,091,202) |
| Remeasurement of net defined benefit liabilities | (1,784,852) | (1,737,809) |
| Others | 41,005 | (149,733) |
| Total | ₩ (15,583,542) | ₩ (17,580,451) |

(B) The Group repurchases registered common stock and non-voting preferred stock and recognizes the repurchase amount in other components of equity. Such stock will be distributed upon retirement of shares. Treasury stock as of June 30, 2016 and December 31, 2015 consists of the following:

| <i>(In millions of Korean won and number of shares)</i> | June 30, 2016 | | December 31, 2015 | |
|---|----------------------|------------------------|--------------------------|------------------------|
| | Common Stock | Preferred Stock | Common Stock | Preferred Stock |
| Number of shares | 19,010,776 | 3,482,507 | 19,902,489 | 4,285,594 |
| Acquisition cost | ₩ 10,251,053 | ₩ 1,156,967 | ₩ 11,377,539 | ₩ 2,064,840 |

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17. Expenses by Nature

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | | June 30, 2015 | |
|---|----------------------|---------------------|----------------------|---------------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Changes in finished goods and work in process | ₩ 544,893 | ₩ 430,461 | ₩ (484,514) | ₩ (1,622,483) |
| Raw materials and goods | 17,826,020 | 36,692,950 | 17,594,482 | 36,774,899 |
| Wages and salaries | 4,765,275 | 9,640,094 | 4,491,973 | 9,206,717 |
| Pension | 297,731 | 590,094 | 297,271 | 610,294 |
| Depreciation | 4,830,220 | 9,951,595 | 4,946,806 | 9,510,191 |
| Amortization | 339,298 | 686,242 | 308,714 | 614,658 |
| Welfare | 924,426 | 1,836,056 | 1,030,095 | 1,890,175 |
| Commission and service charges | 2,099,558 | 4,296,835 | 2,134,668 | 4,079,577 |
| Others | 11,165,749 | 21,775,283 | 11,320,107 | 21,714,125 |
| Total¹ | ₩ 42,793,170 | ₩ 85,899,610 | ₩ 41,639,602 | ₩ 82,778,153 |

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

18. Selling and Administrative Expenses

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | | June 30, 2015 | |
|---|----------------------|---------------------|----------------------|---------------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| 1) Selling and administrative expenses | | | | |
| Wages and salaries | ₩ 1,371,882 | ₩ 2,836,904 | ₩ 1,328,872 | ₩ 2,698,273 |
| Pension | 72,452 | 138,932 | 64,762 | 133,463 |
| Commission and service charges | 2,099,558 | 4,296,835 | 2,134,668 | 4,079,577 |
| Depreciation | 195,531 | 388,951 | 174,036 | 346,370 |
| Amortization | 54,245 | 112,585 | 63,765 | 141,282 |
| Advertising | 1,190,427 | 2,312,595 | 1,046,034 | 1,699,833 |
| Sales promotion | 1,719,811 | 3,380,323 | 1,852,153 | 3,380,253 |
| Transportation | 832,437 | 1,587,331 | 819,826 | 1,618,811 |
| Warranty | 792,637 | 1,557,509 | 714,546 | 1,420,427 |
| Others | 1,356,371 | 2,239,451 | 1,149,794 | 2,522,090 |
| 2) Research and development expenses | | | | |
| Total expenses | 3,695,571 | 7,507,280 | 3,615,335 | 7,411,053 |
| Capitalized expenses | (196,870) | (442,062) | (279,788) | (584,265) |
| Total | ₩ 13,184,052 | ₩ 25,916,634 | ₩ 12,684,003 | ₩ 24,867,167 |

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19. Other Non-Operating Income and Expense

Details of other non-operating income and expense for the three and six months ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of Korean won)</i> | June 30, 2016 | | June 30, 2015 | |
|--|---------------|-----------|---------------|-------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Non-operating income | | | | |
| Dividend income | ₩ 57,788 | ₩ 181,871 | ₩ 49,434 | ₩ 110,500 |
| Rental income | 23,104 | 46,496 | 24,725 | 47,136 |
| Gain on disposal of investments | 28,346 | 387,299 | 159,823 | 193,609 |
| Gain on disposal of property, plant and equipment | 27,341 | 43,462 | 30,698 | 64,403 |
| Gain on disposal of assets classified as held-for-sale | - | 69,924 | 207,796 | 207,796 |
| Others | 139,145 | 249,265 | 176,967 | 392,131 |
| Total | ₩ 275,724 | ₩ 978,317 | ₩ 649,443 | ₩ 1,015,575 |

| <i>(In millions of Korean won)</i> | June 30, 2016 | | June 30, 2015 | |
|---|---------------|-----------|---------------|-----------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Non-operating expense | | | | |
| Loss on disposal of property, plant and equipment | ₩ 31,929 | ₩ 45,000 | ₩ 13,432 | ₩ 46,506 |
| Donations | 43,224 | 175,393 | 41,186 | 161,498 |
| Impairment losses on intangible assets | 298,281 | 355,365 | 16,587 | 17,782 |
| Others | 142,019 | 278,331 | 77,634 | 239,272 |
| Total | ₩ 515,453 | ₩ 854,089 | ₩ 148,839 | ₩ 465,058 |

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20. Financial Income and Expense

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | | June 30, 2015 | |
|--|---------------|-------------|---------------|-------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Financial income | | | | |
| Interest income: | ₩ 331,749 | ₩ 724,730 | ₩ 426,880 | ₩ 869,154 |
| Interest income from loans and receivables | 322,286 | 696,791 | 403,127 | 818,111 |
| Interest income from available-for-sale financial assets | 9,463 | 27,939 | 23,753 | 51,043 |
| Foreign exchange differences | 1,452,304 | 3,881,744 | 1,614,742 | 3,259,235 |
| Gains from derivatives | 202,010 | 459,518 | 134,092 | 446,977 |
| Total | ₩ 1,986,063 | ₩ 5,065,992 | ₩ 2,175,714 | ₩ 4,575,366 |

| <i>(In millions of Korean won)</i> | June 30, 2016 | | June 30, 2015 | |
|--|---------------|-------------|---------------|-------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Financial expense | | | | |
| Interest expense: | ₩ 117,922 | ₩ 284,403 | ₩ 189,219 | ₩ 356,137 |
| Interest expense from financial liabilities measured at amortized cost | 62,041 | 175,631 | 118,426 | 217,117 |
| Other financial liabilities | 55,881 | 108,772 | 70,793 | 139,020 |
| Foreign exchange differences | 1,519,523 | 4,078,150 | 1,561,082 | 3,374,645 |
| Losses from derivatives | 185,156 | 466,408 | 230,900 | 515,916 |
| Total | ₩ 1,822,601 | ₩ 4,828,961 | ₩ 1,981,201 | ₩ 4,246,698 |

(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 June 30, 2016 to be effective for the year ended December 31, 2016 is 26.9%.

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22. Earnings per Share

(A) Basic earnings per share

Basic earnings per share for the three and six months ended June 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> | June 30, 2016 | | June 30, 2015 | |
|---|---------------|--------------|---------------|--------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Profit attributable to owners of the Parent company | ₩ 5,826,178 | ₩ 11,089,684 | ₩ 5,626,734 | ₩ 10,146,057 |
| Profit available for common stock | 5,102,304 | 9,711,826 | 4,885,804 | 8,809,979 |
| Weighted-average number of common shares outstanding | 124,739 | 125,693 | 129,313 | 129,387 |
| Basic earnings per share <i>(in Korean won)</i> | ₩ 40,904 | ₩ 77,266 | ₩ 37,783 | ₩ 68,090 |

(2) Preferred stock

| <i>(In millions of Korean won and thousands of number of shares, except per share data)</i> | June 30, 2016 | | June 30, 2015 | |
|---|---------------|--------------|---------------|--------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Profit attributable to owners of the Parent company | ₩ 5,826,178 | ₩ 11,089,684 | ₩ 5,626,734 | ₩ 10,146,057 |
| Profit available for preferred stock | 723,874 | 1,377,858 | 740,930 | 1,336,078 |
| Weighted-average number of preferred shares outstanding | 17,773 | 18,016 | 19,604 | 19,614 |
| Basic earnings per preferred share <i>(in Korean won)</i> | ₩ 40,728 | ₩ 76,479 | ₩ 37,795 | ₩ 68,118 |

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(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 during 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 six months ended June 30, 2016.

Diluted earnings per share for the three and six months ended June 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> | June 30, 2016 | | June 30, 2015 | |
|---|---------------|-------------|---------------|-------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Profit available for common stock and common stock equivalents | ₩ 5,102,304 | ₩ 9,711,826 | ₩ 4,885,829 | ₩ 8,810,023 |
| Weighted-average number of shares of common stock and dilutive potential common stock | 124,739 | 125,693 | 129,315 | 129,390 |
| Diluted earnings per share <i>(in Korean won)</i> | ₩ 40,904 | ₩ 77,266 | ₩ 37,782 | ₩ 68,089 |

(2) Preferred stock

| <i>(In millions of Korean won and thousands of number of shares, except per share data)</i> | June 30, 2016 | | June 30, 2015 | |
|---|---------------|-------------|---------------|-------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Profit available for preferred stock and preferred stock equivalents | ₩ 723,874 | ₩ 1,377,858 | ₩ 740,905 | ₩ 1,336,034 |
| Weighted-average number of shares of preferred stock and dilutive potential preferred stock | 17,773 | 18,016 | 19,604 | 19,614 |
| Diluted earnings per preferred share <i>(in Korean won)</i> | ₩ 40,728 | ₩ 76,479 | ₩ 37,794 | ₩ 68,116 |

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23. Cash Flows Generated from Operating Activities

Adjustments and changes in assets and liabilities arising from operating activities for the six months ended June 30, 2016 and 2015 are as follows:

- Adjustments

| <i>(In millions of Korean won)</i> | 2016 | 2015 |
|--|---------------------|---------------------|
| Adjustments for: | | |
| Income tax expense | ₩ 4,094,248 | ₩ 3,468,555 |
| Finance income | (1,707,389) | (1,969,355) |
| Finance expense | 1,440,314 | 1,385,416 |
| Severance and retirement benefits | 590,094 | 610,294 |
| Depreciation | 9,951,595 | 9,510,191 |
| Amortization | 686,242 | 614,658 |
| Bad debt expenses | 364,587 | 161,644 |
| Gain on valuation of equity method | (13,423) | (90,178) |
| Gain on disposal of property, plant and equipment | (43,462) | (64,403) |
| Loss on disposal of property, plant and equipment | 45,000 | 46,506 |
| Impairment losses on intangible assets | 355,365 | 17,782 |
| Obsolescence and scrapping of inventories | 727,437 | 124,054 |
| Gain on disposal of investments | (387,299) | (193,609) |
| Gain on disposal of assets classified as held-for-sale | (69,924) | (207,796) |
| Dividend income | (181,871) | (110,500) |
| Others | (245,438) | (161,159) |
| Total | ₩ 15,606,076 | ₩ 13,142,100 |

- Changes in assets and liabilities arising from operating activities

| <i>(In millions of Korean won)</i> | 2016 | 2015 |
|---|----------------------|----------------------|
| Changes in assets and liabilities : | | |
| Increase in trade receivables | ₩ (605,860) | ₩ (275,855) |
| Decrease in other receivables | 330,764 | 797,578 |
| Decrease (increase) in advances | 44,095 | (71,322) |
| Decrease (increase) in prepaid expenses | (469,240) | 261,167 |
| Decrease (increase) in inventories | 278,205 | (2,149,805) |
| Increase (decrease) in trade payables | 973,643 | (1,042,385) |
| Decrease in other payables | (1,320,082) | (1,216,393) |
| Decrease in advances received | (65,749) | (43,035) |
| Increase (decrease) in withholdings | 244,035 | (208,114) |
| Decrease in accrued expenses | (1,379,940) | (3,444,139) |
| Increase in provisions | 65,109 | 1,954,402 |
| Payment of severance benefits | (256,200) | (223,050) |
| Others | 867,059 | (60,416) |
| Total | ₩ (1,294,161) | ₩ (5,721,367) |

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24. Financial Risk Management

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

The 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 June 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 ₩43,968 million and ₩46,748 million, respectively.

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(3) Interest rate risk

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

In order to avoid 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.

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(D) Capital risk management

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

The Group's capital risk management policy has not changed since the fiscal year ended December 31, 2015. As of June 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 June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of Korean won)</i> | June 30, 2016 | December 31, 2015 |
|------------------------------------|----------------------|--------------------------|
| Total liabilities | ₩ 62,118,157 | ₩ 63,119,716 |
| Total equity | 181,842,516 | 179,059,805 |
| Total liabilities to equity ratio | 34.2% | 35.3% |

(E) Fair value estimation

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | | December 31, 2015 | |
|--|------------------------|-------------------|--------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Cash and cash equivalents ¹ | ₩ 25,840,759 | ₩ - | ₩ 22,636,744 | ₩ - |
| Short-term financial instruments ¹ | 47,449,558 | - | 44,228,800 | - |
| Short-term available-for-sale financial assets | 3,781,006 | 3,781,006 | 4,627,530 | 4,627,530 |
| Trade receivables ¹ | 26,081,803 | - | 25,168,026 | - |
| Long-term available-for-sale financial assets ² | 8,398,201 | 8,318,851 | 8,332,480 | 8,225,687 |
| Others | 3,242,214 | 3,174,949 | 3,546,434 | 3,420,292 |
| Total financial assets | ₩ 114,793,541 | | ₩ 108,540,014 | |
| Financial liabilities | | | | |
| Trade payables ¹ | ₩ 7,344,748 | ₩ - | ₩ 6,187,291 | ₩ - |
| Short-term borrowings ¹ | 10,259,758 | - | 11,155,425 | - |
| Other payables ¹ | 6,451,707 | - | 7,625,490 | - |
| Current portion of long-term liabilities ¹ | 1,389,682 | - | 221,548 | - |
| Debentures | 62,085 | 91,250 | 1,230,448 | 1,261,783 |
| Long-term borrowings | 533,222 | 504,800 | 266,542 | 242,603 |
| Long-term other payables | 2,904,516 | 2,976,246 | 2,719,674 | 2,581,985 |
| Others ¹ | 9,255,644 | - | 7,947,398 | - |
| Total financial liabilities | ₩ 38,201,362 | | ₩ 37,353,816 | |

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

² Amounts measured at cost (June 30, 2016: ₩79,350 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.

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

| | | June 30, 2016 | | | |
|--|----------------|----------------------|----------------|----------------------|--|
| <i>(In millions of Korean won)</i> | Level 1 | Level 2 | Level 3 | Total balance | |
| Assets | | | | | |
| Short-term available-for-sale financial assets | ₩ - | ₩ 3,781,006 | ₩ - | ₩ 3,781,006 | |
| Long-term available-for-sale financial assets | 4,396,800 | 67,315 | 3,854,736 | 8,318,851 | |
| Others | - | 79,153 | 517 | 79,670 | |
| Liabilities | | | | | |
| Long-term other payables | ₩ - | ₩ - | ₩ 323,381 | ₩ 323,381 | |
| Others | - | 73,883 | - | 73,883 | |

| | | December 31, 2015 | | | |
|--|----------------|--------------------------|----------------|----------------------|--|
| <i>(In millions of Korean won)</i> | Level 1 | Level 2 | Level 3 | Total balance | |
| Assets | | | | | |
| 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 | - | 47,578 | 15,599 | 63,177 | |
| Liabilities | | | | | |
| Long-term other payables | ₩ - | ₩ - | ₩ 312,738 | ₩ 312,738 | |
| 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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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) |
|---|------------|----------------------|---|--|
| Long-term available-for-sale financial assets | | | | |
| 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 | 3,096,522 | Trinomial model | Risk adjusted discount rate Price volatility | 4.95%~6.95%(5.95%) 29.0%~35.0%(32.0%) |
| China Star Optoelectronics Technology Co.,Ltd. (CSOT) | 278,557 | Discounted cash flow | Weighted average cost of capital | 9.41%~11.51%(10.46%) |
| Derivatives | | | | |
| Embedded derivatives (convertible bonds) | 517 | Binomial model | Discount rate Stock price volatility | 4.63%~5.66%(5.15%) 17.01%~20.79%(18.90%) |
| Long-term other payables | | | | |
| Contingent financial liability | 323,381 | Discounted cash flow | Discount rate | 3.81%~4.65%(4.23%) |

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(4) Changes in Level 3 instruments:

| <i>(In millions of Korean won)</i> | June 30, 2016 | | June 30, 2015 | |
|---|----------------------|-----------|----------------------|-----------|
| Balance as of January 1 | ₩ | 3,175,606 | ₩ | 3,548,095 |
| Purchases | | 65,059 | | 55,740 |
| Disposals | | (66,713) | | (103,975) |
| Amount recognized in profit or loss | | (22,383) | | 372 |
| Amount recognized in other comprehensive income | | 376,065 | | (254,738) |
| Others | | 4,238 | | (2,303) |
| Balance as of June 30 | ₩ | 3,531,872 | ₩ | 3,243,191 |

(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> | Classification | Favorable Changes | | Unfavorable Changes | |
|------------------------------------|--|--------------------------|---------------|----------------------------|---------------|
| | | Profit or Loss | Equity | Profit or Loss | Equity |
| | Long-term available-for-sale financial assets ¹ | ₩ - | ₩ 324,459 | ₩ - | ₩ (200,920) |
| | Embedded derivatives (convertible bonds) ² | 126 | 126 | (121) | (121) |
| | Long-term other payables ³ | 2,509 | 2,509 | (2,489) | (2,489) |
| | Total | ₩ 2,635 | ₩ 327,094 | ₩ (2,610) | ₩ (203,530) |

¹ Changes in fair value are calculated by increasing or decreasing the correlation between volatility (29.0%~35.0%) and discount rate for convertible preferred stock. Similarly, for other equity securities, changes in fair value are calculated with the correlation between growth ratio (-1% to 1%) and discount rate, which are significant unobservable inputs.

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

³ 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 six months ended June 30, 2016

| <i>(In millions of Korean won)</i> | DS | | | | | | Intercompany elimination within the Group | Consolidated |
|------------------------------------|--------------|--------------|--------------------|----------------|--------------|--------------------|---|--------------|
| | CE | IM | Total ¹ | Semi-conductor | DP | Total ¹ | | |
| Total segment revenue | 53,162,225 | 113,168,491 | 72,765,179 | 45,549,412 | 25,364,270 | 239,698,430 | (138,979,058) | 100,719,372 |
| Intercompany revenue | (30,992,070) | (59,009,689) | (37,161,524) | (22,400,280) | (12,912,639) | (138,979,058) | 138,979,058 | - |
| Net revenue ² | 22,170,155 | 54,158,802 | 35,603,655 | 23,149,132 | 12,451,631 | 100,719,372 | - | 100,719,372 |
| Depreciation | 275,562 | 654,722 | 8,807,062 | 6,461,034 | 2,234,898 | 9,951,595 | - | 9,951,595 |
| Amortization | 37,650 | 84,444 | 469,090 | 393,745 | 67,103 | 686,242 | - | 686,242 |
| Operating profit | 1,542,570 | 8,212,544 | 5,113,715 | 5,276,475 | (128,014) | 14,819,762 | - | 14,819,762 |

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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

| <i>(In millions of Korean won)</i> | DS | | | | | | Intercompany elimination within the Group | Consolidated |
|------------------------------------|--------------|--------------|--------------------|----------------|-------------|--------------------|---|--------------|
| | CE | IM | Total ¹ | Semi-conductor | DP | Total ¹ | | |
| Total segment revenue | 26,852,692 | 55,134,263 | 37,718,103 | 23,661,694 | 13,129,953 | 120,061,157 | (69,124,037) | 50,937,120 |
| Intercompany revenue | (15,305,843) | (28,575,398) | (19,289,960) | (11,664,503) | (6,713,929) | (69,124,037) | 69,124,037 | - |
| Net revenue ² | 11,546,849 | 26,558,865 | 18,428,143 | 11,997,191 | 6,416,024 | 50,937,120 | - | 50,937,120 |
| Depreciation | 136,471 | 319,234 | 1,143,430 | 3,213,438 | 1,111,683 | 4,830,220 | - | 4,830,220 |
| Amortization | 16,757 | 41,113 | 39,189 | 197,143 | 33,364 | 339,298 | - | 339,298 |
| Operating profit | 1,029,603 | 4,318,387 | 2,786,549 | 2,644,895 | 137,205 | 8,143,950 | - | 8,143,950 |

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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(3) For the six months ended June 30, 2015

| <i>(In millions of Korean won)</i> | DS | | | | | | Intercompany elimination within the Group | Consolidated |
|------------------------------------|--------------|--------------|--------------------|----------------|--------------|--------------------|---|--------------|
| | CE | IM | Total ¹ | Semi-conductor | DP | Total ¹ | | |
| Total segment revenue | 53,471,874 | 111,386,553 | 68,141,206 | 39,916,557 | 26,099,344 | 233,237,135 | (137,581,678) | 95,655,457 |
| Intercompany revenue | (32,012,021) | (59,444,641) | (33,165,189) | (18,356,758) | (12,626,289) | (137,581,678) | 137,581,678 | - |
| Net revenue ² | 21,459,853 | 51,941,912 | 34,976,017 | 21,559,799 | 13,473,055 | 95,655,457 | - | 95,655,457 |
| Depreciation | 309,165 | 529,097 | 8,356,025 | 6,028,711 | 2,222,160 | 9,510,191 | - | 9,510,191 |
| Amortization | 55,485 | 95,195 | 359,608 | 289,092 | 63,826 | 614,658 | - | 614,658 |
| Operating profit | 76,181 | 5,504,698 | 7,256,490 | 6,332,510 | 1,069,046 | 12,877,304 | - | 12,877,304 |

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(4) For the three months ended June 30, 2015

| <i>(In millions of Korean won)</i> | DS | | | | | | Intercompany elimination within the Group | Consolidated |
|------------------------------------|--------------|--------------|--------------------|----------------|-------------|--------------------|---|--------------|
| | CE | IM | Total ¹ | Semi-conductor | DP | Total ¹ | | |
| Total segment revenue | 28,019,681 | 55,659,833 | 34,559,136 | 20,610,804 | 12,951,018 | 118,212,978 | (69,675,439) | 48,537,539 |
| Intercompany revenue | (16,816,811) | (29,604,771) | (16,686,815) | (9,317,720) | (6,330,130) | (69,675,439) | 69,675,439 | - |
| Net revenue ² | 11,202,870 | 26,055,062 | 17,872,321 | 11,293,084 | 6,620,888 | 48,537,539 | - | 48,537,539 |
| Depreciation | 151,888 | 288,526 | 4,349,306 | 3,136,878 | 1,160,596 | 4,946,806 | - | 4,946,806 |
| Amortization | 28,358 | 46,933 | 188,324 | 152,210 | 32,745 | 308,714 | - | 308,714 |
| Operating profit | 212,065 | 2,761,428 | 3,868,851 | 3,399,530 | 544,324 | 6,897,937 | - | 6,897,937 |

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as of and for the three and six months ended June 30, 2016 and 2015, is as follows:

(1) As of and for the six months ended June 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 | 10,388,062 | 33,497,405 | 19,230,610 | 20,706,935 | 16,896,360 | - | 100,719,372 | |
| Non-current assets ¹ | 62,461,306 | 6,916,874 | 750,562 | 8,251,433 | 12,118,838 | (616,253) | 89,882,760 | |

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

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(2) As of and for the three months ended June 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 | 5,130,272 | 17,523,793 | 9,486,475 | 10,104,764 | 8,691,816 | - | 50,937,120 | |
| Non-current assets ¹ | 62,461,306 | 6,916,874 | 750,562 | 8,251,433 | 12,118,838 | (616,253) | 89,882,760 | |

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

(3) As of and for the six months ended June 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 | 10,418,762 | 31,307,442 | 17,878,921 | 21,293,046 | 14,757,286 | - | 95,655,457 | |
| Non-current assets ¹ | 64,257,624 | 8,132,021 | 799,452 | 6,739,400 | 10,635,941 | (367,767) | 90,196,671 | |

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

(4) As of and for the three months ended June 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 | 5,201,990 | 16,330,143 | 8,756,938 | 10,639,647 | 7,608,821 | - | 48,537,539 | |
| Non-current assets ¹ | 64,257,624 | 8,132,021 | 799,452 | 6,739,400 | 10,635,941 | (367,767) | 90,196,671 | |

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

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26. Related Party Transactions

(A) Sale and purchase transactions

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

| | | 2016 | | | |
|------------------------------------|--|------------------|-------------------------------------|-------------------|-------------------------------------|
| <i>(In millions of Korean won)</i> | Name of Company¹ | Sales | Disposal of fixed assets | Purchases | Purchase of fixed assets |
| | Samsung SDS | ₩ 22,667 | ₩ - | ₩ 757,405 | ₩ 67,852 |
| Associates and Joint ventures | Samsung Electro-Mechanics | 14,807 | - | 1,348,148 | - |
| | Others | 118,039 | 36 | 2,713,638 | 110,151 |
| | Total (Associates and Joint ventures) | ₩ 155,513 | ₩ 36 | ₩4,819,191 | ₩ 178,003 |
| | Samsung C&T ² | ₩ 10,349 | ₩ 74 | ₩ 121,186 | ₩ 980,716 |
| Other related parties | Samsung SDI | 34,639 | - | 565,105 | 7,277 |
| | Others | 63,085 | 90 | 614,103 | 209,574 |
| | Total (Other related parties) | ₩ 108,073 | ₩ 164 | ₩1,300,394 | ₩1,197,567 |

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

² During the year ended December 31, 2015, Cheil Industries Inc. merged with Samsung C&T and changed its name to Samsung C&T.

| | | 2015 | | | |
|------------------------------------|--|-----------------|-------------------------------------|-------------------|-------------------------------------|
| <i>(In millions of Korean won)</i> | Name of Company¹ | Sales | Disposal of fixed assets | Purchases | Purchase of fixed assets |
| | Samsung SDS | ₩ 15,668 | ₩ - | ₩ 806,293 | ₩ 110,294 |
| Associates and Joint ventures | Samsung Electro-Mechanics | 6,463 | - | 1,352,367 | - |
| | Others | 167,456 | 3,525 | 2,746,078 | 171,962 |
| | Total (Associates and Joint ventures) | ₩189,587 | ₩ 3,525 | ₩4,904,738 | ₩ 282,256 |
| | Samsung C&T ² | ₩ 2,063 | ₩ - | ₩ 29,224 | ₩ 283,561 |
| Other related parties | Samsung SDI | 23,153 | - | 774,261 | 9,790 |
| | Others | 56,428 | - | 483,543 | 136,189 |
| | Total (Other related parties) | ₩ 81,644 | ₩ - | ₩1,287,028 | ₩ 429,540 |

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

² During the year ended December 31, 2015, Cheil Industries Inc. merged with Samsung C&T and changed its name to Samsung C&T.

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(B) Balances of receivables and payables

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

| <i>(In millions of Korean won)</i> | Name of Company ¹ | June 30, 2016 | | | |
|------------------------------------|--|---------------|---------|----------|-----------|
| | | Receivables | | Payables | |
| | Samsung SDS | ₩ | 4,344 | ₩ | 269,238 |
| Associates and Joint ventures | Samsung Electro-Mechanics | | 200 | | 270,246 |
| | Others | | 70,446 | | 462,283 |
| | Total (Associates and Joint ventures) | ₩ | 74,990 | ₩ | 1,001,767 |
| | Samsung C&T ² | ₩ | 219,370 | ₩ | 646,041 |
| Other related parties | Samsung SDI | | 87,419 | | 80,240 |
| | Others | | 22,430 | | 138,962 |
| | Total (Other related parties) | ₩ | 329,219 | ₩ | 865,243 |

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

² During 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 ¹ | 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 |
| | Total (Associates and Joint ventures) | ₩ | 70,219 | ₩ | 2,251,032 |
| | Samsung C&T ² | ₩ | 208,576 | ₩ | 1,430,098 |
| Other related parties | Samsung SDI | | 90,221 | | 106,507 |
| | Others | | 19,456 | | 161,048 |
| | Total (Other related parties) | ₩ | 318,253 | ₩ | 1,697,653 |

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

² During the year ended December 31, 2015, Cheil Industries Inc. merged with Samsung C&T and changed its name to Samsung C&T.

(C) During the six months ended June 30, 2016, the Group invested ₩24,104 million in associates and joint ventures including Samsung Biologics(₩14,804 million). During the six months ended June 30, 2015, the Group invested ₩68,348 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 six months ended June 30, 2016 and 2015 consists of:

| <i>(In millions of Korean won)</i> | 2016 | | 2015 | |
|---|------|-------|------|-------|
| Salaries and other short-term employee benefits | ₩ | 4,290 | ₩ | 4,189 |
| Termination benefits | | 320 | | 280 |
| Other long-term benefits | | 4,158 | | 4,158 |

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27. Business Combination

Significant business combinations for the six months ended June 30, 2016 are as follow:

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

(A) Overview of the acquired company

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

(B) Purchase price allocation

| <i>(In millions of Korean Won)</i> | Amount |
|---|---------------|
| 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.

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

(A) Summary

- Sale of Samsung Fine Chemicals

During the year ended December 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.

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

| <i>(In millions of Korean won)</i> | June 30, 2016 | | December 31, 2015 | |
|------------------------------------|----------------------|---|--------------------------|--------|
| Assets held-for-sale | | | | |
| Investment | ₩ | - | ₩ | 77,073 |
| Total | ₩ | - | ₩ | 77,073 |

(C) Details of cumulative income or expense recognized in other comprehensive income relating to the disposal group classified as held-for-sale as of June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of Korean won)</i> | June 30, 2016 | | December 31, 2015 | |
|--|----------------------|---|--------------------------|--------|
| Gain on valuation of available-for-sale securities | ₩ | - | ₩ | 23,797 |
| Total | ₩ | - | ₩ | 23,797 |

29. Events after the Reporting Period

In July 2016, the Company retired 1.62 million shares (common stock 1.30 million, preferred stock 0.32 million), which were repurchased at cost of ₩2,131,938 million from April 29, 2016 to July 12, 2016.