

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

1.1 Company Overview

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

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

These consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1110, *Consolidated Financial Statements*. SEC, as the controlling Company, consolidates its 153 subsidiaries including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting to its 36 affiliates, including Samsung SDI.

1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of December 31, 2013 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership ¹
	World Cyber Games	Cyber game match hosting	99.9
	High Pioneer Private Investment Trust #1	Technology business venture capital investments	100.0
	Samsung Display (SDC)	Manufacture and sale of display panels	84.8
	SU Materials	Manufacture of LCD components	50.0
	STECO	Manufacture of semiconductor components	51.0
	SEMES	Manufacture of semiconductor/FPD	91.3
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
Domestic	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Electronics Football Club	Sponsoring of sports team and games	100.0
	Samsung Medison	Medical equipment	68.5
	Ray	Dental CT	68.1
	Samsung Venture Capital Union #6	Technology business venture capital investments	99.0
	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

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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 Information Systems America (SISA)	R&D	100.0
	Grandis	R&D	100.0
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0
	Samsung International (SII)	Manufacture of CTV/monitors	100.0
	Samsung Telecommunications America (STA)	Sale of communication equipment	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
	Nvelo	Software	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
	Europe	Samsung Electronics (UK) (SEUK)	Sale of electronic devices
Samsung Electronics Holding (SEHG)		Holding Company	100.0
Samsung Semiconductor Europe GmbH (SSEG)		Sale of semiconductor/LCD	100.0
Samsung Electronics GmbH (SEG)		Sale of electronic devices	100.0
Samsung Electronics Iberia (SESA)		Sale of electronic devices	100.0
Samsung Electronics France (SEF)		Sale of electronic devices	100.0
Samsung Electronics Hungarian (SEH)		Manufacture and sale of electronic devices	100.0
Samsung Electronics Czech and Slovak (SECZ)		Sale of electronic devices	100.0
Samsung Electronics Italia (SEI)		Sale of electronic devices	100.0
Samsung Electronics Europe Logistics (SELS)		Logistics	100.0
Samsung Electronics Benelux (SEBN)		Sale of electronic devices	100.0
Samsung Display Slovakia (SDSK)		Toll processing of LCD	100.0
Samsung Electronics Romania (SEROM)		Sale of electronic devices	100.0
Samsung Electronics Overseas (SEO)		Sale of electronic devices	100.0
Samsung Electronics Polska (SEPOL)		Sale of electronic devices	100.0
Samsung Electronics Portuguesa (SEP)		Sale of electronic devices	100.0
Samsung Electronics Nordic (SENA)		Sale of electronic devices	100.0

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Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Semiconductor Europe (SSEL)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia (SESK)	Manufacture of CTV/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
	Nanoradio Hellas	R&D	100.0
	SonoAce Deutschland (SMDE)	Medical equipment	100.0
	Samsung Medison Europe (SMNL)	Medical equipment	100.0
	Nanogen Recognomics (Nanogen)	Medical equipment	60.0
	Samsung Electronics Rus (SER)	Marketing	100.0
	Samsung Electronics Rus Company (SERC)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine (SEU)	Marketing	100.0
	Samsung Electronics Baltics (SEB)	Sale of electronic devices	100.0
Europe (Cont.)	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 KZ and Central Asia (SEKZ)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga (SERK)	Manufacture of CTV	100.0
	Samsung Russia Service Centre (SRSC)	Services	100.0
	Samsung Electronics (London) Limited (SEL)	Holding Company	100.0
	Samsung Denmark Research Center (SDRC)	R&D	100.0
	Samsung France Research Center (SFRC)	R&D	100.0
	Samsung Cambridge Solution Centre (SCSC)	R&D	100.0
	Samsung Electronics Switzerland GmbH (SESG)	Sale of electronic devices	100.0
	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 of CTV/monitors	100.0
	Samsung Electronics Israel (SEIL)	Marketing	100.0
Middle East and Africa	Samsung Electronics Tunisia (SETN)	Marketing	100.0
	Samsung Electronics Pakistan (SEPAK)	Marketing	100.0
	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0
	Samsung Electronics Morocco (SEMRC)	Sale of electronic devices	100.0

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Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Display Dongguan (SDDG)	Manufacture of LCD	100.0
	Samsung Display Tianjin (SDTJ)	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 Network R&D Center 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 CTV/monitors	91.2
	Samsung Electronics Taiwan (SET)	Sale of electronic devices	100.0
	Beijing Samsung Telecom R&D Center (BST)	R&D	100.0
	Tianjin Samsung Telecom Technology (TSTC)	Manufacture of communication equipment	90.0
	Shanghai Samsung Semiconductor (SSS)	Sale of semiconductor/LCD	100.0
China	Samsung Electronics Suzhou Computer (SESC)	Manufacture of electronic devices	100.0
	Samsung Display Suzhou (SDSZ)	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
	Samsung (China) Semiconductor (SCS)	Manufacture of semiconductor	100.0
	Samsung Electronics Hainan Fiberoptics (SEHF)	Manufacture of optical fiber/cable	100.0
	Samsung Electronics (Beijing) Service (SBSC)	Services	100.0
	Samsung Medison Shanghai Medical Instrument (SMS1)	Medical equipment	100.0
	Medison Medical Equipment (Shanghai) (MMS)	Medical equipment	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

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Area	Subsidiaries	Industry	Percentage of ownership ¹
	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
Rest of Asia	Samsung Telecommunications Indonesia (STIN)	Sale and services of communication systems	99.0
	Thai Samsung Electronics (TSE)	Manufacture and sale of electronic devices	91.8
	Samsung Electronics Philippines (SEPCO)	Sale of electronic devices	100.0
	Samsung Malaysia Electronics (SME)	Sale of electronic devices	100.0
	Samsung R&D Institute Bangladesh (SRBD)	R&D	100.0
	Samsung Electronics Vietnam (SEV)	Manufacture of electronic devices	100.0
	Samsung Telecommunications Malaysia (STM)	Communication system services	100.0
	Samsung Electronics Vietnam THAINGUYEN (SEVT)	Manufacture of communication equipment	100.0
	Samsung Medison India (SMIN)	Medical equipment	100.0
	Medison Medical Systems (India) (MI)	Medical equipment	100.0
	Samsung Electronics New Zealand (SENZ)	Sale of electronic devices	100.0

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

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

(1) 2013

<i>(In millions of Korean won)</i>	2013			
	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Display (SDC)	35,754,894	6,682,229	29,386,907	2,400,779
Samsung Electronics America (SEA)	12,248,560	7,262,519	14,321,018	70,690
Samsung (China) Investment (SCIC)	8,406,438	6,780,610	25,605,822	743,369
Samsung Semiconductor (SSI)	7,346,339	3,991,768	17,932,937	39,289
Samsung Austin Semiconductor (SAS)	6,393,348	3,467,968	2,409,773	60,980
Samsung Electronics Europe Holding (SEEH)	5,780,302	4,025,760	-	(17,863)
Samsung Electronics Vietnam (SEV)	5,625,759	1,493,868	26,594,578	3,087,252
Samsung Telecommunications America (STA)	4,735,432	4,085,299	21,387,737	173,510
Samsung Electronics Huizhou (SEHZ)	4,599,200	1,802,686	22,644,923	1,012,728
Samsung (China) Semiconductor (SCS)	3,752,682	1,284,560	-	(40,537)
Samsung Electronica da Amazonia (SEDA)	3,429,136	1,658,072	7,852,428	920,157
Tianjin Samsung Telecom Technology (TSTC)	2,939,027	1,415,277	15,293,633	767,822
Samsung Asia Private (SAPL)	2,425,585	1,099,521	1,558,990	674,510
Samsung India Electronics (SIEL)	1,924,832	1,195,824	6,737,419	324,171

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<i>(In millions of Korean won)</i>	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Electronics Europe Logistics (SELS)	1,903,892	1,806,486	14,543,524	7,613
Samsung Electronics Slovakia (SESK)	1,764,078	317,224	4,561,795	140,825
Samsung Electronics Mexico (SEM)	1,554,638	1,311,133	3,261,067	9,886
Thai Samsung Electronics (TSE)	1,476,296	373,181	5,033,203	222,389
Samsung Suzhou LCD (SSL)	1,463,589	379,118	18,892	12,067
Samsung Electronics Rus Company (SERC)	1,410,054	1,107,915	5,809,646	(11,137)
Samsung Electronics (UK) (SEUK)	1,393,507	705,504	6,075,490	92,969
Samsung Electronics Taiwan (SET)	1,390,404	1,141,842	3,909,546	30,802
Shanghai Samsung Semiconductor (SSS)	1,310,109	1,005,056	15,937,922	130,082
Samsung Electronics Benelux (SEBN)	1,290,124	322,622	2,700,887	25,233
Samsung Electronics Hungarian (SEH)	1,249,691	253,536	3,272,358	103,658

(2) 2012

2012

<i>(In millions of Korean won)</i>	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Display (SDC)	33,791,814	9,122,941	22,304,545	2,079,916
Samsung Electronics America (SEA)	11,432,490	6,598,643	12,430,205	201,790
Samsung Austin Semiconductor (SAS)	6,728,824	3,819,196	3,063,343	(86,815)
Samsung Semiconductor (SSI)	5,502,929	2,136,789	17,325,969	20,797
Samsung (China) Investment (SCIC)	5,407,272	4,519,921	13,796,191	264,269
Samsung Telecommunications America (STA)	5,009,772	4,516,706	15,308,222	109,896
Samsung Electronics Europe Holding (SEEH)	4,377,597	3,068,900	-	7,856
Samsung Electronics Vietnam (SEV)	3,416,148	1,498,575	14,599,505	854,250
Samsung Electronics Huizhou (SEHZ)	3,275,716	1,496,513	15,343,968	700,435
Samsung Electronica da Amazonia (SEDA)	2,556,334	1,564,590	6,145,530	198,552
Tianjin Samsung Telecom Technology (TSTC)	2,234,437	1,227,917	10,697,834	551,682
Samsung Electronics Taiwan (SET)	2,117,243	1,885,749	4,967,564	38,298
Shanghai Samsung Semiconductor (SSS)	1,998,989	1,824,247	12,584,108	60,991
Samsung Electronics Rus Company (SERC)	1,705,108	1,367,484	6,712,179	21,832
Samsung Electronics Slovakia (SESK)	1,696,474	426,980	5,279,531	147,665
Samsung Japan (SJC)	1,570,232	1,382,927	6,021,986	26,503
Samsung Semiconductor Europe GmbH (SEEG)	1,569,684	1,556,757	5,191,270	(32)
Samsung Electronics Europe Logistics (SELS)	1,529,851	1,443,264	12,873,583	29,372
Samsung India Electronics (SIEL)	1,449,983	964,580	5,089,445	316,994
Thai Samsung Electronics (TSE)	1,447,777	463,908	4,799,886	295,994
Samsung Electronics (UK) (SEUK)	1,349,828	763,081	5,722,969	74,329
Samsung Electronics Hungarian (SEH)	1,301,842	416,616	3,542,522	153,961
Samsung Electronics Rus Kaluga (SERK)	1,296,147	465,344	2,348,160	194,169
Samsung Electronics Hong Kong (SEHK)	1,294,473	1,067,647	2,362,833	83,950
Samsung Electronics Mexico (SEM)	1,291,398	1,053,329	2,814,961	37,902

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(C) Changes in scope for consolidation

(1) Subsidiaries newly included in the consolidation for the year ended December 31, 2013:

Area	Subsidiaries	Description
America	NeuroLogica	Acquisition of shares
	Intellectual Keystone Technology (IKT)	Incorporation
Europe	Samsung Electronics Switzerland GmbH (SESG)	Incorporation
Asia	Samsung Electronics Vietnam THAINGUYEN (SEVT)	Incorporation
	Samsung Electronics New Zealand (SENZ)	Incorporation
China	Samsung Network R&D Center China-Shenzhen (SRC-Shenzhen)	Incorporation
	Samsung R&D Institute China-Xian (SRC-Xian)	Incorporation
	SEMES (Xian)	Incorporation

(2) Subsidiaries excluded from the consolidation for the year ended December 31, 2013:

Area	Subsidiaries	Description
Domestic	SECRON	Merger
	GES	Merger
America	Newton Sub	Merger
	Samsung Medison America (SMUS)	Liquidation
	Deltapoint Cardiac Diagnostics (Deltapoint)	Liquidation
	Intellectual Keystone Technology (IKT)	Disposal of shares
	mSpot	Merger
	Samsung Electronics Corporativo (SEC)	Merger
	Samsung Medison Brasil (SMBR)	Merger
Europe	Samsung Telecoms (UK) (STUK)	Liquidation
	Samsung LCD Netherlands R&D Center (SNRC)	Disposal
	Samsung LCD Netherlands R&D Center UK (SNRC (UK))	Disposal
	General RF Modules	Liquidation
	Samsung Medison France (SMFR)	Liquidation
	Samsung Opto-Electronics GmbH (SOG)	Liquidation
	Samsung Medison Italia (SMIT)	Liquidation
Asia	Samsung Electronics Philippines Manufacturing (SEPHIL)	Disposal
	Batino Realty Corporation (BRC)	Disposal
	TNP Small/Medium Size & Venture Enterprise Growth Promotion Investment Limited Partnership (TSUNAMI)	Reclassified into an associate from a subsidiary
	Samsung LCD Netherlands R&D Center HK (SNRC (HK))	Disposal
China	Medison (Shanghai) (SMS2)	Liquidation

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2. Summary of Significant Accounting Policies

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

2.1 Basis of Presentation

The Company has prepared the consolidated financial statements in accordance with Korean International Financial Reporting Standards (“K-IFRS”). International Financial Reporting Standards (IFRS) have been adopted by the Korean Accounting Standards Board as K-IFRS based on standards and interpretations published by the International Accounting Standards Board.

K-IFRS permits the use of critical accounting estimates in the preparation of the financial statements and requires management judgments in applying accounting policies. Footnote 3 explains where more complex and higher standards of judgment or critical assumptions and estimates are required.

2.2 Changes in Accounting Policy and Disclosures

(A) New and amended standards adopted by the Company

The Company applied the following amended and enacted standards for the annual period beginning on January 1, 2013:

K-IFRS 1110, ‘Consolidated Financial Statements’

The standard introduces a single control concept and provides a specific guidance for the control. The adoption of this standard does not have an impact on consolidation scope in the consolidated financial statements.

K-IFRS 1111, ‘Joint Arrangements’

The standard reflects the substance of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures. The adoption of this standard does not have a material impact on the consolidated financial statements.

K-IFRS 1112, ‘Disclosure of Interests in Other Entities’

The standard provides disclosure requirements for all types of equity investments in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

K-IFRS 1113, ‘Fair Value Measurement’

The standard provides a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across K-IFRS. The adoption of this standard does not have a material impact on the consolidated financial statements.

K-IFRS 1027, ‘Separate Financial Statements’

The standard contains accounting treatments and requirements for investments in subsidiaries, associates, and joint ventures relating only to separate financial statements of the Company.

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(B) New and amended standards early adopted by the Company

Amendment to K-IFRS 1036, 'Impairment of Assets'

The amendment reflects the change in disclosure requirement of the recoverable amount for each cash-generating unit including goodwill or intangible assets with indefinite useful lives. The amendment requires disclosure of the recoverable amount only if the entity has recognized impairment losses or reversals of impairment losses. For consistency, the amendment also requires additional disclosures when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendment to this standard does not have a material impact on the consolidated financial statements.

Amendments to K-IFRS 1110, 'Consolidated Financial Statements', K-IFRS 1112, 'Disclosure of Interests in Other Entities', and K-IFRS 1027, 'Separate Financial Statements'

The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of presenting consolidated financial statements. These amendments do not apply to a parent of an investment entity if the parent itself is not an investment entity. The amendments to K-IFRS 1110 and K-IFRS 1027 do not have a material impact on the consolidated financial statements.

(C) New and amended standards not adopted by the Company

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted are as follows:

Amendment to K-IFRS 1032, 'Financial Instruments: Presentation'

The standard provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Company is assessing the impact of application of this amendment on its consolidated financial statements.

Enactment of K-IFRIC Interpretations 2121, 'Levies'

The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company is assessing the impact of application of this interpretation on its consolidated financial statements.

2.3 Consolidation

The Company prepares annual consolidated financial statements in accordance with K-IFRS 1110, '*Consolidated Financial Statements*'

(A) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

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The Company applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of (1) the aggregate of i) the consideration transferred, ii) the amount of any non-controlling interest in the acquiree and iii) the acquisition-date fair value of the Company's previously held equity interest in the acquiree over (2) the net identifiable assets acquired. If the aggregate amount in (1) is less than the fair value of the acquiree's net assets in (2), the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Company subsidiaries are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

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

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

(C) Disposal of subsidiaries

If the Company loses control of a subsidiary, any investment continuously retained in the subsidiary is re-measured at its fair value at the date when control is lost and any resulting differences are recognized in profit or loss. Such fair value becomes the initial carrying amount for the subsequent measurement of the retained interest accounted for as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of such entity are accounted for as if the Company had directly disposed of the related assets or liabilities.

(D) Non-controlling interests

Each component of profit or loss and other comprehensive income is attributed to owners of the parent and to non-controlling interests. Total comprehensive income is attributed to owners of the parent and to non-controlling interests even if this results in a negative balance of non-controlling interests

(E) Associates

Associates are all entities over which the Company has significant influence, generally investees of which from 20% to 50% of voting stock is owned by the Company. Investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Company recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(F) Joint arrangements

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

2.4 Foreign Currency Translation

(A) Functional and presentation currency

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

(B) Transactions and balances

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

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

(C) Translation into the presentation currency

The results and financial position of all the foreign entities that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date.

Income and expenses for each statement of income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.

All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are reclassified as part of gains and losses on disposition in the statement of income. When the Company loses control over foreign subsidiaries, the exchange differences that were recorded in equity are reclassified into profit or loss when such gain or loss on disposition is recognized.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments are treated as the foreign operation's assets and liabilities. Such goodwill is expressed in the foreign operation's functional currency and is translated at the closing rate. Exchange differences are recognized in other comprehensive income.

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2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.6 Financial Assets

(A) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives not subject to hedge accounting and derivatives separated from financial instruments such as embedded derivatives are also categorized as held for trading. Assets in this category are classified as current assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

(3) Available-for-sale financial assets

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

(B) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

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Interest on available-for-sale financial assets and held-to-maturity financial assets calculated using the effective interest method is recognized in the statement of income as part of finance income. Dividends on available-for-sale financial assets are recognized in the statement of income as part of other non-operating income when the Company's right to receive payments is established.

(C) Offsetting financial instruments

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

(D) Derecognition of financial assets

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially of all the risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'borrowings' in the statement of financial position.

2.7 Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment loss is recognized only if there is objective evidence and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Company writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments; or the disappearance of an active market for that financial asset because of financial difficulties. A decline in the fair value of an available-for-sale equity instrument by more than 20% from its cost or a prolonged decline below its cost for more than six months is also objective evidence of impairment.

2.8 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the Company if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.9 Inventories

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Inventories are reduced for the estimated losses arising from excess, obsolescence, and decline in value. This reduction is determined by estimating market value based on future customer demand. The losses on inventory obsolescence are recorded as a part of cost of sales.

2.10 Disposal Group Held-for-Sale

Non-current assets (or disposal group) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.11 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized and repairs and maintenance expenses are recognized in profit or loss in the period they are incurred.

Depreciation on tangible assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives. Land is not depreciated. Costs that are directly attributable to the acquisition, construction or production of a qualifying asset, including capitalized interest costs, form part of the cost of that asset and are amortized over the estimated useful lives.

The Company's policy is that property, plant and equipment should be depreciated over the following estimated useful lives:

	<u>Estimated useful lives</u>
Buildings and structures	15, 30 years
Machinery and equipment	5 years
Others	5 years

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

2.12 Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, associates, joint ventures and businesses at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets and goodwill on acquisition of associates and joint ventures are included in the investments in associates and joint ventures.

Intangible assets, except for goodwill, are initially recognized at their historical cost and carried at cost less accumulated amortization and accumulated impairment losses.

Internally generated development costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. Intangible assets with definite useful life such as trademarks and licenses are amortized using the straight-line method over their estimated useful lives.

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The Company's policy is that intangible assets should be amortized over the following estimated useful lives:

	<u>Estimated useful lives</u>
Development costs	2 years
Trademarks, licenses and other intangible assets	5 - 10 years

2.13 Impairment of Non-Financial Assets

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

2.14 Financial Liabilities

(A) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

(B) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.15 Trade Payables

Trade payables are amounts due to suppliers for merchandise purchased or services received in the ordinary course of business. If payment is expected in one year or less (or in the normal operating cycle of the Company if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities. Non-current trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost. Any difference between cost and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method. If the Company has an indefinite right to defer payment for a period longer than 12 months after the end of the reporting date, such liabilities are recorded as non-current liabilities, otherwise, they are recorded as current liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.17 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

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

When it is probable that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and the amount is reasonably estimable, a corresponding provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, that is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

2.18 Net Defined Benefit Liabilities

The Company has a variety of retirement pension plans including defined benefit or defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Company pays contributions to annuity plans that are managed either publicly or privately on a mandatory, contractual or voluntary basis. The Company has no further future payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses resulting from the changes in actuarial assumptions, and the differences between the previous actuarial assumptions and what has actually occurred, are recognized in other comprehensive income in the period in which they were incurred. Past service costs are immediately recognized in profit or loss.

2.19 Financial Guarantee Contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. If the amount measured in subsequent periods exceeds the unamortized balance of the amount initially recognized, the excess is classified as other financial liability.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.20 Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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

2.21 Derivative Instruments

All derivative instruments are accounted for at fair value with the resulting valuation gain or loss recorded as an asset or liability. If the derivative instrument is not designated as a hedging instrument, the gain or loss is recognized in the statement of income in the period of change.

Fair value hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. Hedge accounting is applied when the derivative instrument is designated as a hedging instrument and the hedge accounting criteria have been met.

2.22 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized when the dividends are approved.

2.23 Share Capital

Common shares and preferred shares with no repayment obligations are classified as equity. When the Company purchases its common shares, the acquisition costs including direct transaction costs are deducted from equity until the redemption or reissuance of treasury shares. Consideration received on the subsequent sale or issue of treasury shares is credited to equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.24 Revenue Recognition

Revenue mainly comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, sales incentives and discounts and after eliminating intercompany transactions.

The Company recognizes revenue when specific recognition criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where multiple-element arrangements exist, the fair values of each element are determined based on the current market price of each of the elements when sold separately. When the fair values of each element are indeterminable, the fair values of deliverables which have already been provided are calculated in such way that the fair values of elements, which are yet to be provided, are subtracted from total contract value of the arrangement.

(A) Sales of goods

Sales of products and merchandise are recognized upon delivery when the significant risks and rewards of ownership of goods have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The Company records reductions to revenue for special pricing arrangements, price protection and other volume based discounts. If product sales are subject to customer acceptance, revenue is not recognized until customer acceptance occurs.

(B) Sales of services

Revenues from rendering services are generally recognized using the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated costs, contractual milestones or performance.

(C) Other sources of revenue

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements. Dividend income is recognized when the right to receive payment is established.

2.25 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

2.26 Earnings per Share

Basic earnings per share is calculated by dividing net profit for the period available to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is calculated using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.27 Operating Segments

Operating segments are disclosed in the manner reported to the chief operating decision-maker (please see footnote 33). The chief operating decision-maker is responsible for making strategic decisions on resource allocation and performance assessment of the operating segments. The management committee which makes strategic decisions is regarded as the chief operating decision-maker.

2.28 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 U.S. dollars at the rate of ₩1,055.30 to US \$1, the exchange rate in effect on December 31, 2013. 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 US dollars at this or at any other rate.

2.29 Approval of the Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Directors on January 24, 2014.

3. Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The estimates and assumptions are continuously assessed, considering historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(A) Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver installation services. Use of the percentage-of-completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed. Revenues and earnings are subject to significant change, effected by early steps in a long-term projects, change in scope of a project, cost, period, and plans of the customers.

(B) Provision for warranty

The Company recognizes provision for warranty on products sold. The Company accrues provision for warranty based on the best estimate of amounts necessary to settle future and existing claims. The amounts are estimated based on historical data.

(C) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using a variety of methods and assumptions that are mainly based on market conditions existing at the end of each reporting period.

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(D) Net defined benefit liabilities

The net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the net defined benefit liability. The Company, in consideration of the interest rates of high-quality corporate bonds, determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the net defined benefit liability.

The principal actuarial assumptions associated with the net defined benefit liability are based on the current market expectations.

(E) Estimated impairment of goodwill

The Company tests at the end of each reporting period whether goodwill has suffered any impairment in accordance with the accounting policy described in Note 2.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are based on estimates.

(F) Income taxes

Income taxes on the Company's taxable income from operating activities are subject to various tax laws and determinations of each tax authority across various countries in the world. There is uncertainty in determining the eventual tax effects on the taxable income from operating activities. The Company has recognized current tax and deferred tax at the end of the fiscal year based on the best estimation of future taxes payable as a result of operating activities. However, the resulting deferred income tax assets and liabilities may not equal the actual future taxes payable and such difference may impact the current tax and deferred income tax assets and liabilities upon the determination of eventual tax effects.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Cash and cash equivalents as of December 31, 2013 and 2012, consist of the following:

<i>(In millions of Korean won)</i>	2013		2012	
Cash on hand	₩	14,454	₩	12,900
Bank deposits, etc.		16,270,326		18,778,560
Total	₩	16,284,780	₩	18,791,460

Samsung Electronics Co., Ltd. and Subsidiaries

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5. Financial Assets Subject to Withdrawal Restrictions

Financial instruments subject to withdrawal restrictions as of December 31, 2013 and 2012, consist of the following:

<i>(In millions of Korean won)</i>	2013		2012	
Short-term financial instruments	₩	23,850	₩	46,489
Long-term financial instruments		15		29

6. Financial Instruments by Category

(A) Categorizations of financial assets and liabilities as of December 31, 2013 and 2012, are as follows:

(1) As of December 31, 2013

<i>(In millions of Korean won)</i>	Assets at fair value through profit or loss		Loans and receivables	Available-for-sale financial assets		Total
Assets						
Cash and cash equivalents	₩	-	₩ 16,284,780	₩	-	₩ 16,284,780
Short-term financial instruments		-	36,722,702		-	36,722,702
Short-term available-for-sale financial assets		-	-	1,488,527		1,488,527
Trade and other receivables		-	24,988,532		-	24,988,532
Long-term available-for-sale financial assets		-	-	6,238,380		6,238,380
Others		40,552	5,432,404		-	5,472,956
Total	₩	40,552	₩ 83,428,418	₩	7,726,907	₩ 91,195,877

<i>(In millions of Korean won)</i>	Liabilities at fair value through profit or loss		Financial liabilities measured at amortized cost	Other financial liabilities		Total
Liabilities						
Trade and other payables	₩	-	₩ 16,314,720	₩	-	₩ 16,314,720
Short-term borrowings		-	3,181,582	3,256,935		6,438,517
Debentures		-	1,311,068		-	1,311,068
Long-term borrowings		-	985,117		-	985,117
Long-term other payables		-	1,023,714		-	1,023,714
Others		244,172	13,044,171		-	13,288,343
Total	₩	244,172	₩ 35,860,372	₩	3,256,935	₩ 39,361,479

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(2) As of December 31, 2012

<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	₩ -	₩ 18,791,460	₩ -	₩ 18,791,460
Short-term financial instruments	-	17,397,937	-	17,397,937
Short-term available-for-sale financial assets	-	-	1,258,874	1,258,874
Trade and other receivables	-	23,861,235	-	23,861,235
Long-term available-for-sale financial assets	-	-	5,229,175	5,229,175
Others	47,227	5,685,042	-	5,732,269
Total	₩ 47,227	₩ 65,735,674	₩ 6,488,049	₩ 72,270,950

<i>(In millions of Korean won)</i>	Liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total
Liabilities				
Trade and other payables	₩ -	₩ 16,889,350	₩ -	₩ 16,889,350
Short-term borrowings	-	4,115,249	4,328,503	8,443,752
Debentures	-	1,829,374	-	1,829,374
Long-term borrowings	-	3,623,028	-	3,623,028
Long-term other payables	-	1,165,881	-	1,165,881
Others	79,212	10,788,823	-	10,868,035
Total	₩ 79,212	₩ 38,411,705	₩ 4,328,503	₩ 42,819,420

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Net gains or net losses on each category of financial instruments for the years ended December 31, 2013 and 2012, are as follows:

(1) As of December 31, 2013

(In millions of Korean won)

Financial Assets	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Gain on valuation (other comprehensive income)	₩ -	₩ -	₩ 1,271,817	₩ 1,271,817
Gain/(loss) on valuation/disposal (profit or loss)	(32,867)	(33,518)	1,079,393	1,013,008
Loss on valuation (reclassification)	-	-	(1,000,260)	(1,000,260)
Interest income	-	1,342,394	9,215	1,351,609
Foreign exchange differences (profit or loss)	-	(393,407)	-	(393,407)
Foreign exchange differences (other comprehensive income)	-	-	939	939
Dividend income	-	-	112,159	112,159
Impairment/reversal (profit or loss)	-	(18,681)	(5,177)	(23,858)

(In millions of Korean won)

Financial Liabilities	Liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total
Loss on valuation/disposal (profit or loss)	₩ (216,236)	₩ -	₩ -	₩ (216,236)
Interest expense	-	319,342	190,316	509,658
Foreign exchange differences (profit or loss)	-	(230,212)	43,836	(186,376)

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) As of December 31, 2012

(In millions of Korean won)

Financial Assets	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Gain on valuation (other comprehensive income)	₩ -	₩ -	₩ 1,185,256	₩ 1,185,256
Gain/(loss) on valuation/disposal (profit or loss)	(74,609)	28,915	105,192	59,498
Gain on valuation (reclassification)	-	-	23,072	23,072
Interest income	-	840,150	5,281	845,431
Foreign exchange differences (profit or loss)	-	(355,989)	-	(355,989)
Foreign exchange differences (other comprehensive income)	-	-	(19,302)	(19,302)
Dividend income	-	-	106,181	106,181
Impairment/reversal (profit or loss)	-	(76,231)	(94,466)	(170,697)

(In millions of Korean won)

Financial Liabilities	Liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Other financial liabilities	Total
Loss on valuation/disposal (profit or loss)	₩ (125,553)	₩ -	₩ -	₩ (125,553)
Interest expense	-	277,512	321,494	599,006
Foreign exchange differences (profit or loss)	-	17,938	43,909	61,847

7. Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings as of December 31, 2013 and 2012, as follows:

- Superior ability to repay: Aaa~Aa (Moody's), AAA~AA (S&P, Fitch), A1 (Credit rating agencies in Korea)
- Strong ability to repay: A (Moody's), A (S&P, Fitch), A2 (Credit rating agencies in Korea)
- Acceptable ability to repay: Baa (Moody's), BBB (S&P, Fitch), A3 (Credit rating agencies in Korea)
- Currently having the ability to repay: Ba or below (Moody's), BB or below (S&P, Fitch), B or below (Credit rating agencies in Korea)
- Group 1: Customers with the trade payables guaranteed by credit insurance or collateral
- Group 2: Customers having experienced impairment of capital. As the trade payables are guaranteed by credit insurance or collateral, all default risk has been relieved

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(A) Accounts receivables

<i>(In millions of Korean won)</i>	2013		2012	
Counterparties with external credit rating				
Superior ability to repay	₩	3,414,467	₩	1,818,158
Strong ability to repay		2,796,881		3,742,515
Acceptable ability to repay		2,491,635		3,217,663
Currently having the ability to repay		4,370,114		3,834,957
		13,073,097		12,613,293
Counterparties without external credit rating				
Group 1		9,429,612		8,680,397
Group 2		153,770		50,160
		9,583,382		8,730,557
	₩	22,656,479	₩	21,343,850

(B) Cash equivalents and short-term financial instruments

<i>(In millions of Korean won)</i>	2013		2012	
Superior ability to repay	₩	2,584,121	₩	2,850,476
Strong ability to repay		49,891,037		32,675,712
Acceptable ability to repay		493,383		505,631
Currently having the ability to repay		1,111		12,896
Others ¹		23,376		131,782
	₩	52,993,028	₩	36,176,497

¹ Short-term financial instruments held at financial institutions (Credit union, etc.) without external credit rating

8. Transfer of Financial Assets

Trade receivables of the Company have been discounted through factoring agreements with banks in 2013 and 2012. Collaterals (trade receivables and other) provided in such factoring transactions do not meet the requirements for asset derecognition as risks and rewards are not substantially transferred in the event the debtor defaults. Financial liabilities recognized in relation to these transactions are included as short-term borrowings on the statements of financial position (Note 15).

The following table presents a breakdown of discounted trade receivables as of December 31, 2013 and 2012:

<i>(In millions of Korean won)</i>	2013		2012	
Carrying amount of the discounted trade receivables ¹	₩	3,256,935	₩	4,328,503
Carrying amount of the related borrowings		3,256,935		4,328,503

¹ The discounted trade receivables include intercompany balances.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Available-for-Sale Financial Assets

Changes in available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Balance as of January 1	₩ 6,488,049	₩ 3,879,567
Acquisitions	4,031,357	2,613,703
Increase from business combinations	-	16,544
Disposals	(4,120,906)	(1,171,666)
Gain on valuation of available-for-sale financial assets	1,271,817	1,185,256
Impairment	(5,177)	(28,009)
Foreign exchange differences	939	(19,302)
Others	60,828	11,956
Balance as of December 31	₩ 7,726,907	₩ 6,488,049
(A) Current portion	1,488,527	1,258,874
(B) Non-current portion	6,238,380	5,229,175

(A) Short-term available-for-sale financial assets

Details of short-term available-for-sale financial assets as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Beneficiary certificates ¹	₩ 1,257,492	₩ 1,258,873
National bonds	180,959	1
Bank debentures	50,076	-
	₩ 1,488,527	₩ 1,258,874

¹ Details of beneficiary certificates as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Bonds	₩ 1,232,523	₩ 1,159,290
Time deposits	364	238
Call loans	15,449	85,200
Others	9,156	14,145
	₩ 1,257,492	₩ 1,258,873

Changes in valuation gains (losses) recognized in equity (other comprehensive income) on short-term available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Balance as of January 1	₩ 8,873	₩ 5,969
Fair value gains	7,492	8,873
Net gains transferred from equity	(8,873)	(5,969)
Balance as of December 31	7,492	8,873
Deferred income tax	(1,813)	(2,147)
	₩ 5,679	₩ 6,726

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Long-term available-for-sale financial assets

Details of long-term available-for-sale financial assets as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	Detail	2013		2012	
Equity securities - Listed	(1)	₩	4,399,314	₩	4,435,856
Equity securities - Non-listed	(2)		782,297		667,325
Debt securities ¹	(3)		1,056,769		125,994
		₩	6,238,380	₩	5,229,175

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

(1) Equity securities - Listed (excluding investments in associates and joint ventures)

Details of listed equity securities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won, number of shares and percentage)

	2013			2012	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Value (Market Value)	Book Value (Market Value)
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩ 1,547,708	₩ 1,568,046
Samsung Fine Chemicals	2,164,970	8.4	45,678	96,449	132,063
Hotel Shilla	2,004,717	5.1	13,957	133,314	88,107
Cheil Worldwide	2,998,725	2.6	2,920	82,465	64,623
iMarket Korea	647,320	1.8	324	16,668	18,416
SFA	1,822,000	10.2	38,262	74,884	85,998
Wonik IPS	7,220,216	9.0	63,249	61,949	-
ASML	12,595,575	2.9	726,024	1,248,019	856,253
CSR	9,925,000	6.0	59,612	110,135	58,765
Rambus	4,788,125	4.2	92,682	47,851	24,976
Seagate Technology ¹	12,539,490	3.8	218,544	743,161	1,474,032
Wacom	8,398,400	5.0	62,013	62,268	-
Sharp	35,804,000	2.1	122,535	120,143	-
Others	-	-	59,328	54,300	64,577
			₩ 1,763,427	₩ 4,399,314	₩ 4,435,856

¹ In October 2013, the Company sold part of its investment in Seagate Technology for USD 1,505 million.

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

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Equity securities - Non-listed (excluding investments in associates and joint ventures)

Details of non-listed equity securities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won, number of shares and percentage)

	2013			2012	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Value	Book Value
Kihyup Technology	1,000,000	17.2	₩ 5,000	₩ 5,000	₩ 5,000
Pusan Newport ¹	1,135,307	1.0	5,677	5,677	5,677
Samsung Venture Investment	980,000	16.3	4,900	7,021	6,053
Samsung Petrochemical	514,172	13.0	8,040	80,347	84,427
Samsung General Chemicals	1,914,251	3.9	19,143	80,653	74,487
Taewon Electric	9,000	15.0	16,544	17,072	16,225
CSOT ²	-	14.5	278,130	278,130	278,130
Pantech	53,000,000	10.0	53,000	53,053	-
Nanosys ²	13,100,436	13.0	17,861	17,861	17,861
OpenX ²	8,899,172	3.5	10,738	10,738	10,738
Others ³	-	-	242,069	226,745	168,727
			₩ 661,102	₩ 782,297	₩ 667,325

¹ As of December 31, 2013, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt (Note 19).

² Nonmarketable shares including CSOT are measured at cost as the range of reasonable fair value estimates is significant and the probabilities of the various estimates and applicable discount rate cannot be reasonably assessed.

³ Impairment losses on unlisted equity securities resulting from the decline in realizable value below the acquisition cost amounted to ₩5,177 million and ₩2,235 million for the years ended December 31, 2013 and 2012, respectively.

(3) Debt securities

Details of debt securities as of December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Corporate bonds	₩	106,944	₩	125,894
Government and public bonds		50,356		100
Bank debentures		899,469		-
	₩	1,056,769	₩	125,994

Changes in valuation gain (loss) on long-term available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

	2013		2012	
Balance as of January 1	₩	2,572,755	₩	1,367,331
Fair value gain		1,264,325		1,176,383
Net gains or losses transferred from equity		(991,387)		29,041
Balance as of December 31		2,845,693		2,572,755
Deferred income tax and non-controlling interests		(662,359)		(577,945)
	₩	2,183,334	₩	1,994,810

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Trade and Other Receivables

(A) Trade and other receivables, and provisions for impairment as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013		2012	
	Trade	Non-Trade	Trade	Non-Trade
Receivables	₩ 25,292,231	₩ 2,931,605	₩ 24,168,427	₩ 2,834,187
Less: Provisions for impairment	(267,675)	(20,046)	(276,787)	(2,595)
Receivables, net	25,024,556	2,911,559	23,891,640	2,831,592
Less: Non-current portion	(36,024)	(24,157)	(30,405)	(18,231)
Current portion	₩ 24,988,532	₩ 2,887,402	₩ 23,861,235	₩ 2,813,361

The Company transferred receivable balances to a bank in exchange for cash during the years ended December 31, 2013 and 2012. The outstanding balances of transferred receivables amounting to ₩3,256,935 million and ₩4,328,503 million have been accounted for as borrowings as of December 31, 2013 and 2012, respectively (Note 15).

(B) Movements in the provisions for impairment of receivables for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013		2012	
	Trade	Non-Trade	Trade	Non-Trade
Balance as of January 1	₩ (276,787)	₩ (2,595)	₩ (214,597)	₩ (37,833)
Provisions for impaired receivables (reversals of unused amounts)	(2,785)	(18,794)	(83,588)	6,370
Receivables written off during the year as uncollectible	13,787	511	18,752	28,203
Others	(1,890)	832	2,646	665
Balance as of December 31	₩ (267,675)	₩ (20,046)	₩ (276,787)	₩ (2,595)

(C) The aging analysis of trade and other receivables as of December 31, 2013 and 2012, is as follows:

<i>(In millions of Korean won)</i>	2013		2012	
Receivables not past due	₩	25,420,912	₩	24,151,060
Past due but not impaired ¹ :				
Less than 31 days overdue		2,058,708		2,226,759
Impaired ² :				
31 days to 90 days overdue		184,405		231,343
90 days overdue or more		559,811		393,452
	₩	28,223,836	₩	27,002,614

¹ The Company does not consider receivables that are overdue for less than or equal to 31 days as impaired.

² Provisions for impaired receivable amount to ₩287,721 million as of December 31, 2013 (2012: ₩279,382 million).

(D) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As of December 31, 2013, the Company has credit insurance with Korea Trade Insurance and overseas insurance companies against its export accounts receivables from approved foreign customers.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Inventories

Inventories as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013			2012		
	Gross Amount	Valuation Allowance	Book Value	Gross Amount	Valuation Allowance	Book Value
Finished goods	₩ 7,597,391	₩ (168,041)	₩ 7,429,350	₩ 7,003,826	₩ (166,576)	₩ 6,837,250
Work in process	4,466,028	(395,762)	4,070,266	3,623,572	(392,996)	3,230,576
Raw materials and supplies	6,960,985	(151,873)	6,809,112	5,239,262	(157,866)	5,081,396
Materials in transit	826,140	-	826,140	2,598,191	-	2,598,191
	₩ 19,850,544	₩ (715,676)	₩ 19,134,868	₩ 18,464,851	₩ (717,438)	₩ 17,747,413

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩136,755,644 million (2012: ₩125,746,083 million). Inventory valuation loss of ₩435,607 million was recognized in 2013 (2012: ₩367,279 million).

12. Investments in Associates and Joint Ventures

(A) Changes in investments in associates and joint ventures for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013		2012	
Balance as of January 1	₩	8,785,489	₩	9,204,169
Acquisition		181,307		279,022
Disposal		(240)		(21,891)
Share of profit		504,063		986,611
Others ¹		(3,048,327)		(1,662,422)
Balance as of December 31	₩	6,422,292	₩	8,785,489

¹ Others consist of dividends, business combination, and effects of changes in foreign exchange rates, etc.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Major investments in associates and joint ventures as of December 31, 2013, are as follows:

(1) Investments in associates

Investee	Nature of Relationship with Associate	Percentage of Ownership ¹ (%)	Principal Business Location
Samsung Card	Business alliance	37.5	Korea
Samsung Electro-Mechanics	Manufacture and supply electronic components including passive component, circuit board, and module	23.7	Korea
Samsung SDI	Manufacture and supply electronic devices including PDP and secondary (rechargeable) batteries	20.4	Korea
Samsung SDS	Provide IT services including computer programming, system integration and management	22.6	Korea
Samsung Techwin	Manufacture and supply engine and precision machines	25.5	Korea

¹ The ownership represents the Company's ownership of common stock in each entity.

(2) Investments in joint ventures

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

¹ The ownership represents the Company's ownership of common stock in each entity.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(C) Details of investments in associates and joint ventures as of December 31, 2013 and 2012, are as follows:

(1) Investments in associates

(In millions of Korean won)

		2013			
Investee	Acquisition cost		Net asset value of equity shares¹		Book value
Samsung Card	₩	1,538,540	₩	2,322,897	₩ 2,340,009
Samsung Electro-Mechanics		359,237		951,693	954,496
Samsung SDI		423,722		1,451,770	1,175,204
Samsung SDS		147,963		858,671	879,956
Samsung Techwin		174,531		433,624	402,745
Others		582,646		375,959	548,553
Total	₩	3,226,639	₩	6,394,614	₩ 6,300,963

(In millions of Korean won)

		2012			
Investee	Acquisition cost		Net asset value of equity shares¹		Book value
Samsung Card	₩	1,538,540	₩	2,221,201	₩ 2,238,073
Samsung Electro-Mechanics		359,237		887,933	890,460
Samsung SDI		423,722		1,450,811	1,174,183
Samsung SDS		17,967		689,874	701,808
Samsung Techwin		174,531		401,146	360,739
Others		461,599		513,580	457,016
Total	₩	2,975,596	₩	6,164,545	₩ 5,822,279

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in joint ventures

(In millions of Korean won)

2013

Investee	Acquisition cost		2013			
			Net asset value of equity shares ¹	Book value		
Samsung Corning Precision Materials	₩	-	₩	-	₩	-
Samsung Corning Advanced Glass		115,000		111,961		111,961
Others		422,995		(16,357)		9,368
Total	₩	537,995	₩	95,604	₩	121,329

(In millions of Korean won)

2012

Investee	Acquisition cost		2012			
			Net asset value of equity shares ¹	Book value		
Samsung Corning Precision Materials	₩	297,165	₩	2,825,104	₩	2,794,617
Samsung Corning Advanced Glass		115,000		114,274		114,274
Others		419,461		64,193		54,319
Total	₩	831,626	₩	3,003,571	₩	2,963,210

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(D) Details of valuation of investments in associates and joint ventures under the equity method for the years ended December 31, 2013 and 2012, are as follows:

(In millions of Korean won)

Investee	2013				
	Balance as of January 1	Gain/loss on valuation	Other comprehensive income/loss	Others ¹	Balance as of December 31
Samsung Card	₩ 2,238,073	₩ 102,361	₩ 29,828	₩ (30,253)	₩ 2,340,009
Samsung Electro-Mechanics	890,460	75,565	6,354	(17,883)	954,496
Samsung SDI	1,174,183	25,760	(10,310)	(14,429)	1,175,204
Samsung SDS	701,808	69,739	(17,838)	126,247	879,956
Samsung Techwin	360,739	39,554	9,021	(6,569)	402,745
Samsung Corning Precision Materials ²	2,794,617	347,981	(1,247)	(3,141,351)	-
Samsung Corning Advanced Glass	114,274	(2,302)	(11)	-	111,961
Others	511,335	(154,595)	4,959	196,222	557,921
Total	₩ 8,785,489	₩ 504,063	₩ 20,756	₩(2,888,016)	₩ 6,422,292

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

² During the year ended December 31, 2013, the Company signed a framework agreement for comprehensive business cooperation with Corning Incorporated and its related parties. As of December 31, 2013, the Company classified its share in Samsung Corning Precision Materials Co., Ltd (ownership percentage: 42.54%) as assets held-for-sale, and disposed of such shares for USD 1,902 million on January 15, 2014. Under the agreement, the Company will receive additional dividends after the resolution of shareholders' meeting.

(In millions of Korean won)

Investee	2012				
	Balance as of January 1	Gain/loss on valuation	Other comprehensive income/loss	Others ¹	Balance as of December 31
Samsung Card	₩ 2,184,855	₩ 264,688	₩ (181,217)	₩ (30,253)	₩ 2,238,073
Samsung Electro-Mechanics	799,792	102,946	11,689	(23,967)	890,460
Samsung SDI	1,185,509	31,256	(30,531)	(12,051)	1,174,183
Samsung SDS	632,593	89,157	(16,488)	(3,454)	701,808
Samsung Techwin	370,379	39,356	(27,171)	(21,825)	360,739
Samsung Corning Precision Materials	3,089,298	644,242	(10,300)	(928,623)	2,794,617
Samsung Corning Advanced Glass	-	(726)	-	115,000	114,274
Others	941,743	(184,308)	(96,473)	(149,627)	511,335
Total	₩ 9,204,169	₩ 986,611	₩ (350,491)	₩(1,054,800)	₩ 8,785,489

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE 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, details of adjustments from the book value of investments in associates, and dividends received from associates as of and for the years ended December 31, 2013 and 2012, is as follows:

<i>(In millions of Korean won)</i>		2013				
Investee	Samsung Card ¹	Samsung Electro- Mechanics	Samsung SDI	Samsung SDS	Samsung Techwin	
1. Condensed financial information						
Current assets	₩ 16,560,926	₩ 2,650,765	₩ 2,063,192	₩ 2,928,998	₩ 1,561,706	
Non-current assets		4,534,578	8,492,479	2,371,102	1,872,518	
Current liabilities	10,358,265	1,787,432	1,526,957	1,219,484	1,169,253	
Non-current liabilities		1,139,884	1,486,297	197,222	560,191	
Non-controlling interests	-	83,966	164,323	80,644	1,628	
Revenue	2,847,053	8,256,579	5,016,465	7,046,833	2,912,031	
2. Details of adjustments from the book value of investments in associates						
Net assets (a)	6,202,661	4,174,061	7,378,094	3,802,750	1,703,152	
Ownership percentage ² (b)	37.5%	22.8%	19.7%	22.6%	25.5%	
Net assets of equity shares (a x b)	2,322,897	951,693	1,451,770	858,671	433,624	
Goodwill	17,181	-	-	26,801	-	
Intercompany transactions, etc.	(69)	2,803	(276,566)	(5,516)	(30,879)	
Book value of associates	2,340,009	954,496	1,175,204	879,956	402,745	
3. Dividends from associates						
Dividends	₩ 30,375	₩ 17,693	₩ 13,924	₩ 3,914	₩ 6,763	

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

² Ownership percentage includes common and preferred stocks

<i>(In millions of Korean won)</i>		2013				
Investee	Samsung Card	Samsung Electro- Mechanics	Samsung SDI	Samsung SDS	Samsung Techwin	Others
Profit (loss) from continuing operations ¹	₩ 273,232	₩ 330,240	₩ 130,599	₩ 312,372	₩ 132,493	₩(139,194)
Other comprehensive income (loss) ¹	84,153	26,676	(63,211)	(88,703)	21,596	(11,862)
Total comprehensive income (loss) ¹	₩ 357,385	₩ 356,916	₩ 67,388	₩ 223,669	₩ 154,089	₩(151,056)

¹ Profit attributable to owners of the parent

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(In millions of Korean won)

2012

Investee	Samsung Card ¹	Samsung Electro- Mechanics	Samsung SDI	Samsung SDS	Samsung Techwin
1. Condensed financial information					
Current assets	₩ 16,287,816	₩ 2,631,235	₩ 2,414,856	₩ 2,283,331	₩ 1,386,237
Non-current assets		4,260,230	8,480,231	2,182,077	1,854,702
Current liabilities	10,357,253	1,959,072	2,004,041	1,067,256	1,019,550
Non-current liabilities		966,744	1,326,564	153,211	643,713
Non-controlling interests	-	71,252	191,257	60,909	2,094
Revenue	3,817,670	7,912,830	5,771,185	6,105,858	2,934,702

2. Details of adjustments from the book value of investments in associates

Net assets (a)	5,930,563	3,894,397	7,373,225	3,184,032	1,575,582
Ownership percentage ² (b)	37.5%	22.8%	19.7%	21.7%	25.5%
Net assets of equity shares (a x b)	2,221,201	887,933	1,450,811	689,874	401,146
Goodwill	17,181	-	-	19,597	-
Intercompany transactions, etc.	(309)	2,527	(276,628)	(7,663)	(40,407)
Book value of associates	2,238,073	890,460	1,174,183	701,808	360,739

3. Dividends from associates

Dividends	₩ 30,375	₩ 13,270	₩ 13,924	₩ 3,914	₩ 6,763
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¹ Samsung Card does not present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position.

² Ownership percentage includes common and preferred stocks

(In millions of Korean won)

2012

Investee	Samsung Card	Samsung Electro- Mechanics	Samsung SDI	Samsung SDS	Samsung Techwin	Others
Profit (loss) from continuing operations ¹	₩ 749,875	₩ 411,299	₩ 1,471,502	₩ 395,805	₩ 131,030	₩ (84,072)
Post-tax profit from discontinued operations ¹	-	29,503	-	-	-	-
Other comprehensive income (loss) ¹	(570,471)	1,009	(150,859)	(34,303)	(118,743)	(34,316)
Total comprehensive income (loss) ¹	₩ 179,404	₩ 441,811	₩ 1,320,643	₩ 361,502	₩ 12,287	₩ (118,388)

¹ Profit attributable to owners of the parent

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- (2) Summary of condensed financial information of major joint ventures, details of adjustments from the book value of investments in joint ventures, and dividends from joint ventures as of and for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013		2012		
Investee	Samsung Corning Advanced Glass		Samsung Corning Precision Materials		Samsung Corning Advanced Glass
1. Condensed financial information					
Current assets	₩	171,353	₩	3,429,581	₩ 187,684
- Cash and cash equivalent		64,113		1,707,998	10,887
Non-current assets		95,310		3,731,710	51,669
Current liabilities		42,674		431,475	10,702
- Current financial liabilities ¹		40,575		148,492	10,393
Non-current liabilities		67		80,507	103
Non-controlling interests		-		8,442	-
Revenue		68,803		3,245,243	30,288
Depreciation and amortization		283		390,091	35
Interest income		4,618		109,710	4,600
Income tax expense		(567)		299,996	(178)
2. Details of adjustments from the book value of investments in joint ventures					
Net assets (a)		223,922		6,640,867	228,548
Ownership percentage ² (b)		50.0%		42.5%	50.0%
Net assets of equity shares (a x b)		111,961		2,825,104	114,274
Intercompany transactions, etc. ³		-		(30,487)	-
Book value of joint ventures		111,961		2,794,617	114,274
3. Dividends from joint ventures					
Dividends	₩	-	₩	927,984	₩ -

¹ Account payables, other payables, provisions are excluded

² Ownership percentage includes common and preferred stocks

³ Consist of unrealized gains and losses, and other differences

<i>(In millions of Korean won)</i>	2013			2012		
Investee	Samsung Corning Advanced Glass		Others	Samsung Corning Advanced Glass		Others
Profit (loss) from continuing operations ¹	₩	(4,604)	₩ (166,310)	₩ 1,353,460	₩ (1,452)	₩ (129,202)
Other comprehensive income (loss) ¹		(21)	(1,942)	(9,536)	-	(12,901)
Total comprehensive income (loss) ¹	₩	(4,625)	₩ (168,252)	₩ 1,343,924	₩ (1,452)	₩ (142,103)

¹ Profit attributable to owners of the parent

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(F) Fair value of marketable investments in associates as of December 31, 2013 and 2012, is as follows:

<i>(In millions of Korean won and number of shares)</i>	2013		2012
	Number of shares held	Market value	Market value
Samsung SDI	9,282,753	₩ 1,503,806	₩ 1,401,696
Samsung Electro-Mechanics	17,693,084	1,291,595	1,755,154
Samsung Card	43,393,170	1,622,905	1,583,851
Samsung Techwin	13,526,935	₩ 735,865	₩ 807,558

13. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013					
	Land	Buildings and Structures	Machinery and Equipment	Construction In Progress	Others	Total
Balance as of January 1	₩ 7,152,141	₩ 13,008,839	₩ 38,046,176	₩ 8,492,885	₩ 1,784,702	₩ 68,484,743
Acquisition cost	7,152,141	19,624,030	110,034,355	8,492,885	5,011,914	150,315,325
Accumulated depreciation and impairment	-	(6,615,191)	(71,988,179)	-	(3,227,212)	(81,830,582)
Acquisitions and capital expenditures ¹	322,433	4,209,093	12,627,962	5,362,760	1,237,317	23,759,565
Business combinations	-	31	877	-	144	1,052
Depreciation	-	(1,146,000)	(13,473,515)	-	(850,497)	(15,470,012)
Sales/disposals	(29,572)	(30,850)	(320,296)	(50,930)	(60,143)	(491,791)
Impairment	-	(78)	(145,263)	-	(175)	(145,516)
Others ²	(15,715)	(325,971)	(237,463)	35,457	(97,961)	(641,653)
Balance as of December 31	₩ 7,429,287	₩ 15,715,064	₩ 36,498,478	₩ 13,840,172	₩ 2,013,387	₩ 75,496,388
Acquisition cost	7,429,287	23,375,035	118,621,699	13,840,172	5,518,351	168,784,544
Accumulated depreciation and impairment	-	(7,659,971)	(82,123,221)	-	(3,504,964)	(93,288,156)

¹ The capitalized borrowing costs are ₩52,039 million and the interest rate used to calculate the borrowing costs eligible for capitalization is 1.73%.

² Others include effects of changes in foreign currency exchange rates.

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2012

<i>(In millions of Korean won)</i>	Land	Buildings and Structures	Machinery and Equipment	Construction In Progress	Others	Total
Balance as of January 1	₩ 7,214,734	₩ 12,778,760	₩ 33,453,220	₩ 6,982,473	₩ 1,614,764	₩ 62,043,951
Acquisition cost	7,214,734	18,472,852	96,618,176	6,982,473	4,683,845	133,972,080
Accumulated depreciation and impairment	-	(5,694,092)	(63,164,956)	-	(3,069,081)	(71,928,129)
Acquisitions and capital expenditures ¹	54,960	1,681,106	18,302,895	1,854,111	956,723	22,849,795
Business combinations	-	-	654,490	21,612	29,007	705,109
Depreciation	-	(1,121,614)	(12,895,133)	-	(818,299)	(14,835,046)
Sales/disposals	(76,724)	(100,854)	(604,989)	(22,213)	(114,292)	(919,072)
Impairment	-	(3,992)	(211,299)	-	(34)	(215,325)
Others ²	(40,829)	(224,567)	(653,008)	(343,098)	116,833	(1,144,669)
Balance as of December 31	₩ 7,152,141	₩ 13,008,839	₩ 38,046,176	₩ 8,492,885	₩ 1,784,702	₩ 68,484,743
Acquisition cost	7,152,141	19,624,030	110,034,355	8,492,885	5,011,914	150,315,325
Accumulated depreciation and impairment	-	(6,615,191)	(71,988,179)	-	(3,227,212)	(81,830,582)

¹ The capitalized borrowing costs are ₩36,129 million and the interest rate used to calculate the borrowing costs eligible for capitalization is 2.50%.

² Others include effects of changes in foreign currency exchange rates.

(B) Details of depreciation of property, plant and equipment by line item for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Cost of sales	₩ 14,053,512	₩ 13,666,700
Selling and administrative expenses, etc.	1,416,500	1,168,346
	₩ 15,470,012	₩ 14,835,046

Samsung Electronics Co., Ltd. and Subsidiaries

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14. Intangible Assets

(A) Changes in intangible assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013					
	Intellectual property rights	Capitalized cost	Membership	Goodwill	Others	Total
Balance as of January 1	₩ 1,186,033	₩ 602,274	₩ 170,843	₩ 573,845	₩ 1,196,710	₩ 3,729,705
Internally generated						
(development costs)	-	461,030	-	-	-	461,030
External acquisitions	284,392	-	7,203	-	182,118	473,713
Business combinations	49,046	-	-	115,331	2,176	166,553
Amortization	(200,452)	(310,635)	-	-	(464,314)	(975,401)
Sales/disposals	(44,633)	-	(572)	(24,651)	(4,125)	(73,981)
Impairment	(1,753)	-	-	(99,643)	(7,024)	(108,420)
Others ¹	(40,960)	-	58	(4,348)	352,651	307,401
Balance as of December 31	₩ 1,231,673	₩ 752,669	₩ 177,532	₩ 560,534	₩ 1,258,192	₩ 3,980,600

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

<i>(In millions of Korean won)</i>	2012					
	Intellectual property rights	Capitalized cost	Membership	Goodwill	Others	Total
Balance as of January 1	₩ 983,802	₩ 473,024	₩ 197,957	₩ 523,409	₩ 1,177,044	₩ 3,355,236
Internally generated						
(development costs)	-	359,639	-	-	-	359,639
External acquisitions	227,538	-	9,520	-	64,832	301,890
Business combinations	163,164	-	3,670	259,961	71,917	498,712
Amortization	(169,668)	(229,186)	-	-	(388,116)	(786,970)
Sales/disposals	(13,123)	-	(39,095)	-	(980)	(53,198)
Impairment	(124)	(1,203)	-	(204,746)	(10,717)	(216,790)
Others ¹	(5,556)	-	(1,209)	(4,779)	282,730	271,186
Balance as of December 31	₩ 1,186,033	₩ 602,274	₩ 170,843	₩ 573,845	₩ 1,196,710	₩ 3,729,705

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

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(B) Goodwill

Goodwill is allocated to cash-generating units at the end of the reporting period, and consists of the following:

<i>(In millions of Korean won)</i>	2013	2012
S. LSI business	₩ 109,120	₩ 112,723
Memory business	74,418	74,995
Health Care Equipment business	199,758	89,258
Digital Imaging business	-	82,599
LCD business	80,299	80,299
LED business	79,277	79,277
Others	17,662	54,694
Total	₩ 560,534	₩ 573,845

Goodwill impairment reviews are undertaken annually, and the recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business. In addition, a constant growth rate assumption is used for perpetual cash flow calculation.

Pursuant to the results of the goodwill impairment reviews performed, the Company recognized an impairment of goodwill for the Digital Imaging business. The major assumptions used in calculating the value in use are as follows:

Samsung Digital Imaging	2013	2012
Sales growth rate ¹	0.2	6.7
Perpetual growth rate ²	(4.1)	(2.4)
Pre-tax discount rate ³	13.0	15.6

¹ Future cash flows for 5 years are projected based on previous growth rate and the industry estimates.

² The projected growth rate beyond five years is consistent with industry estimates.

³ Pre-tax discount rate applied to the cash flow projections

Sales growth rate was determined on the basis of past performance and expectations of market fluctuations. The discount rate reflects the special risk related to the division.

The carrying value of Samsung Digital Imaging exceeded the value in use by ₩82,599 million in 2013 and ₩204,600 million in 2012 and the amounts have been recognized as the other non-operating expenses in the consolidated statements of income.

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(C) Details of amortization of intangible assets by line item for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Cost of sales	₩ 418,447	₩ 327,869
Selling and administrative expenses, etc.	556,954	459,101
Total	₩ 975,401	₩ 786,970

15. Borrowings

(A) Details of the carrying amounts of borrowings as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	Financial Institutions	Annual Interest Rates (%) as of December 31, 2013	2013	2012
Short-term borrowings				
Collateralized borrowings ¹	Woori Bank, etc.	0.6 ~ 11.7	₩ 3,256,935	₩ 4,328,503
Non-collateralized borrowings	Citi Bank, etc.	0.6 ~ 19.0	3,181,582	4,115,249
Total			₩ 6,438,517	₩ 8,443,752
Current portion of long-term borrowings				
Bank borrowings	SMBC, etc.	1.3 ~ 7.4	₩ 1,900,937	₩ 480,567
Financial lease liabilities ²	CSSD, etc.	1.1 ~ 15.7	19,811	13,293
Total			₩ 1,920,748	₩ 493,860
Long-term borrowings				
Bank borrowings	SMBC, etc.	0.7 ~ 5.3	₩ 902,715	₩ 3,521,257
Financial lease liabilities ²	CSSD, etc.	1.1 ~ 15.7	82,402	101,771
Total			₩ 985,117	₩ 3,623,028

¹ Collateralized borrowings are secured by trade receivables (Note 8).

² Leased property, plant and equipment were pledged as collateral (Note 19).

(B) Maturities of long-term borrowings outstanding as of December 31, 2013, are as follows:

<i>(In millions of Korean won)</i>	Long-term borrowings
For the Years Ending December 31	
2014	₩ 1,920,748
2015	356,455
2016	559,624
2017	7,248
2018 and thereafter	61,790
Total	₩ 2,905,865

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16. Debentures

Details of carrying amount of debentures as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Korean won denominated debentures (A)	₩ 198,566	₩ 697,822
Foreign currency denominated debentures (B)	1,112,502	1,131,552
Total	₩ 1,311,068	₩ 1,829,374

(A) Details of Korean won denominated debentures as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of December 31, 2013	2013	2012
Unsecured debentures	2010.6.17	2013.6.17	-	-	500,000
Unsecured debentures	2011.11.17	2014.11.17	4.1	500,000	500,000
Unsecured debentures	2011.11.17	2016.11.17	4.2	200,000	200,000
Less: Current portion				(500,000)	(500,000)
Less: Discounts				(1,434)	(2,178)
Total				198,566	697,822

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

(B) Details of foreign currency denominated debentures as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of December 31, 2013	2013	2012
US dollar denominated straight bonds ¹	1997.10.2	2027.10.1	7.7	₩ 73,871 (US\$70 million)	₩ 80,333 (US\$75 million)
US dollar denominated unsecured bonds ²	2012.4.10	2017.4.10	1.8	1,055,300 (US\$ 1,000 million)	1,071,100 (US\$1,000 million)
Less: Current portion				(5,277)	(5,356)
Less: Discounts				(11,392)	(14,525)
Total				₩ 1,112,502	₩ 1,131,552

¹ US dollar 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.

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(C) Maturities of debentures outstanding as of December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	Debentures	
For the Years Ending December 31		
2014	₩	505,277
2015		5,277
2016		205,277
2017		1,060,577
2018 and thereafter		52,763
Total	₩	1,829,171

17. Net Defined Benefit Liabilities

(A) Details of net defined benefit liabilities recognized on the statements of financial position as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Present value of funded defined benefit obligations	₩ 5,672,147	₩ 4,593,284
Present value of unfunded defined benefit obligations	55,931	76,183
Subtotal	5,728,078	4,669,467
Fair value of plan assets	(3,873,176)	(2,939,528)
Total	₩ 1,854,902	₩ 1,729,939

(B) The amounts recognized in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Current service cost	₩ 836,916	₩ 670,123
Interest cost	82,487	58,591
Others	8,164	8,033
	₩ 927,567	₩ 736,747

(C) The amounts recognized as cost of defined contribution plan for the years ended December 31, 2013 and 2012, are ₩44,430 million and ₩31,676 million, respectively.

(D) The pension expenses related to defined benefit plans by line item recognized on the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Cost of sales	₩ 376,588	₩ 291,355
Selling and administrative expenses, etc.	550,979	445,392
	₩ 927,567	₩ 736,747

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(E) Changes in the defined benefit obligations for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Balance as of January 1	₩ 4,669,467	₩ 3,542,340
Current service cost	836,916	670,123
Interest cost	226,271	194,625
Remeasurement:		
Actuarial gains or losses arising from changes in demographic assumptions	(38)	81,587
Actuarial gains or losses arising from changes in financial assumptions	(22,870)	473,488
Others	257,724	55,396
Benefits paid	(244,186)	(301,444)
Foreign exchange differences	(18,128)	(22,028)
Others	22,922	(24,620)
Balance as of December 31	₩ 5,728,078	₩ 4,669,467

(F) Changes in the fair value of plan assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Balance as of January 1	₩ 2,939,528	₩ 2,423,152
Expected return on plan assets	143,784	136,034
Remeasurement factor of plan assets	(37,343)	(47,333)
Contributions by the employer	978,313	595,420
Benefits paid	(141,017)	(155,000)
Foreign exchange differences	(3,035)	(8,812)
Others	(7,054)	(3,933)
Balance as of December 31	₩ 3,873,176	₩ 2,939,528

Expected contributions to post-employment benefit plans for the year ending December 31, 2014, are ₩1,176,458 million.

(G) Plan assets as of December 31, 2013 and 2012, consist of as follows:

<i>(In millions of Korean won)</i>	2013	2012
Equity instruments	₩ -	₩ 59,988
Debt instruments	3,851,102	2,859,415
Others	22,074	20,125
	₩ 3,873,176	₩ 2,939,528

¹ Plan assets are mostly invested in instruments which have a quoted price in active market.

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(H) The principal actuarial assumptions as of December 31, 2013 and 2012, are as follows:

<i>(In %)</i>	2013	2012
Discount rate	1.0 ~ 7.0	3.7 ~ 7.0
Salary growth rate	1.7 ~ 6.6	2.5 ~ 9.0

(I) The sensitivity of the defined benefit obligations as of December 31, 2013, to changes in the weighted principal assumptions is:

	Rate of change
Discount rate	
1% increases	90%
1% decreases	112%
Salary growth rate	
1% increases	112%
1% decreases	90%

(J) The actual returns on plan assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Actual return on plan assets	₩ 106,441	₩ 88,701

(K) Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, is as follows:

<i>(In millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Total
Pension benefits	₩ 307,533	₩ 318,113	₩ 1,253,532	₩ 3,507,267	₩ 5,386,445

The weighted average duration of the defined benefit obligations is 11.00 years.

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18. Provisions

Changes in the provisions for the year ended December 31, 2013, are as follows:

<i>(In millions of Korean won)</i>	Warranty (A)	Royalty expenses (B)	Long-term incentives (C)	Others	Total
Balance as of January 1	₩ 2,032,817	₩ 2,773,196	₩ 576,329	₩ 81,040	₩ 5,463,382
Charged (credited) to the statement of income	2,076,633	1,854,900	498,483	(6,862)	4,423,154
Payment	(2,104,019)	(278,961)	(152,964)	(16,636)	(2,552,580)
Others ¹	(59,439)	(76,465)	-	(652)	(136,556)
Balance as of December 31	₩ 1,945,992	₩ 4,272,670	₩ 921,848	₩ 56,890	₩ 7,197,400

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

- (A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs.
- (B) The Company makes provisions for the estimated royalty expenses under negotiation with counterparties. The timing of payment depends on the settlement of the negotiation.
- (C) The Company has a long-term incentive plan for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive cost for the accrued period.

19. Commitments and Contingencies

- (A) Guarantees

<i>(In millions of Korean won)</i>	2013	2012
Guarantees of debt for housing rental ¹	₩ 151,985	₩ 151,817

¹ Represent 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 Company provides guarantees for borrowings by Intellectual Keystone Technology (IKT), the Company's associate, to Citibank in the amount of ₩ 31,659 million (USD 30 million).

As of December 31, 2013, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt (Note 9).

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(B) Lease

The Company leases certain property, plant and equipment under various finance lease arrangements. Assets recorded under finance lease agreements are included in property, plant and equipment with a net book value of ₩110,655 million (2012: ₩121,402 million). Depreciation expense for the finance lease assets amounted to ₩10,587 million for the year ended December 31, 2013 (2012: ₩9,650 million).

The minimum lease payments under finance lease agreements and their present value as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013		2012	
	Minimum Lease payments	Present values	Minimum Lease payments	Present values
Within one year	₩ 27,893	₩ 19,811	₩ 21,399	₩ 13,293
From one year to five years	57,508	28,213	70,310	40,216
More than five years	95,192	54,189	108,865	61,555
Total	₩ 180,593	₩ 102,213	₩ 200,574	₩ 115,064
Present value adjustment	(78,380)		(85,510)	
Finance lease payables	₩ 102,213		₩ 115,064	

(C) Litigation

- (1) Based on the agreement entered on August 24, 1999 with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, SMI's creditors (the "Creditors") filed a civil action against Mr. Kun Hee Lee, chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450 billion (approximately USD 2.32 billion) for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest. During the course of Samsung Life Insurance's ("SLI") Initial Public Offering ("IPO"), its shares owned by the Creditors were disposed of, and the part of proceeds exceeding the par value of ₩70,000 was deposited into an escrow account (₩877.6 billion, approximately USD 0.83 billion). Most of the claims with regards to the lawsuit have been withdrawn. On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay to the Creditors ₩600 billion (approximately USD 0.57 billion) and penalties due to delay. In accordance with the Seoul High Court order, ₩620.4 billion (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. The Samsung Group affiliates and the Creditors appealed the Seoul High Court's ruling to the Korean Supreme Court and the appeal is currently in progress.
- (2) The litigation with Apple Inc. in multiple regions including the USA is ongoing as of the reporting date. Regarding the ongoing lawsuit in the USA, on August 24, 2012, the jury determined that the Company partially infringed Apple's design and utility patent and should pay damages to Apple. On March 1, 2013, however, the Judge ordered a new trial for a certain portion of the damages, ruling that it was originally miscalculated. As of the reporting date, the first appeal is still ongoing regarding the jury's verdict on November 21, 2013. The final conclusion and the effect of the patent lawsuits with Apple are uncertain as of the reporting date.

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- (3) In addition, during the normal course of business with numerous companies, the Company 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 Company believes the outcome will not have a material impact on the financial condition of the Company.

(D) Other commitments

As of December 31, 2013, the Company has a trade financing agreement, trade notes receivable discounting facilities, and loan facilities with accounts receivable pledged as collateral with 13 financial institutions, including Woori Bank, with a combined limit of up to ₩13,309,900 million.

In addition, the Company has a trade financing agreement with 19 financial institutions, including Korea Exchange Bank, for up to US\$3,723 million and ₩83,000 million, and has loan facilities with accounts receivable pledged as collateral with 6 financial institutions, including Industrial Bank of Korea, for up to ₩288,600 million.

Samsung Display has a facility loan agreement with 3 financial institutions including SMBC for up to JPY 60,700 million.

Two foreign subsidiaries including SEA have a contract for issuing ABS (Asset Backed Securities) backed by accounts receivable with BTMU and other financial institutions for up to US\$1,169 million and other 3 subsidiaries including SSDG have a credit facility agreement with Bank of China and other financial institutions for up to CNY 3,400 million and EUR 30 million.

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20. Share Capital

The Company's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Company has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as of December 31, 2013, excluding retired shares. Due to retirement of shares, the total par value of the shares issued is ₩850,664 million (common stock ₩736,497 million, preferred stock ₩114,167 million), which does not agree with paid-in capital of ₩897,514 million.

Changes in the number of shares outstanding for the years ended December 31, 2013 and 2012, are as follows:

<i>(In number of shares)</i>	Number of shares of		
	Preferred stock	Common stock	Total
Balance as of January 1, 2012	19,853,734	130,386,723	150,240,457
Disposal of treasury stock through exercise of stock option	-	191,309	191,309
Other disposal of treasury stock	-	269,867	269,867
Balance as of December 31, 2012	19,853,734	130,847,899	150,701,633
Disposal of treasury stock through exercise of stock option	-	67,222	67,222
Balance as of December 31, 2013	19,853,734	130,915,121	150,768,855

21. Retained Earnings

Retained earnings as of December 31, 2013 and 2012, consist of:

<i>(In millions of Korean won)</i>	2013		2012	
Appropriated, etc.	₩	104,175,235	₩	87,915,275
Unappropriated		44,425,047		32,070,414
Total	₩	148,600,282	₩	119,985,689

Samsung Electronics Co., Ltd. and Subsidiaries

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22. Dividends

The Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-month periods ended June 30, 2013 and 2012, and as year-end dividends for the years ended December 31, 2013 and 2012.

Details of interim dividends and year-end dividends are as follows:

(A) Interim dividends

<i>(In millions of Korean won and number of shares)</i>		2013	2012
Number of shares eligible for dividends	Common stock	130,878,713 shares	130,759,755 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate		10%	10%
Dividend amount	Common stock	₩ 65,439	₩ 65,380
	Preferred stock	9,927	9,927
Total		₩ 75,366	₩ 75,307

(B) Year-end dividends

<i>(In millions of Korean won and number of shares)</i>		2013	2012
Number of shares eligible for dividends	Common stock	130,915,121 shares	130,847,899 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate	Common stock	276%	150%
	Preferred stock	277%	151%
Dividend amount	Common stock	₩ 1,806,629	₩ 981,359
	Preferred stock	274,974	149,896
Total		₩ 2,081,603	₩ 1,131,255

(C) Dividend payout ratio

	2013	2012
Dividend payout ratio	7.2%	5.2%

(D) Dividend yield ratio

	2013		2012	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock
Dividend yield ratio ¹	1.0%	1.4%	0.5%	1.0%

¹ The average closing price for a week before 2 trading days prior to dividend date.

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23. Other Components of Equity

(A) Other components of equity as of December 31, 2013 and 2012, consist of:

<i>(In millions of Korean won)</i>	2013	2012
Treasury stock	(7,323,432)	(7,350,927)
Stock options	10,243	22,242
Unrealized gains on available-for-sale financial assets	2,189,013	2,001,536
Share of other comprehensive income of associates and joint ventures	741,893	720,944
Foreign currency translation	(3,610,654)	(2,623,963)
Remeasurement of net defined benefit liabilities	(1,302,588)	(1,097,228)
Others	(163,548)	134,352
	(9,459,073)	(8,193,044)

(B) Details of treasury stock as of December 31, 2013 and 2012, are as follows:

The Company repurchases registered common stock and non-voting preferred stock, and recognizes the repurchase amount in other components of equity. Such stock will be distributed upon exercise of stock options, etc.

<i>(In millions of Korean won and number of shares)</i>	2013		2012	
	Preferred Stock	Common Stock	Common Stock	Preferred Stock
Number of shares	2,979,693 shares	16,384,216 shares	2,979,693 shares	16,451,438 shares
Acquisition cost	₩ 621,843	₩ 6,701,589	₩ 621,843	₩ 6,729,084

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24. Share-Based Compensation

The Company has a stock option plan that provides for the granting of stock purchase options to employees or directors who have contributed or are expected to contribute to the management and technological innovation of the Company. No share-based compensation has been granted since December 20, 2005. All options currently issued are fully vested.

A summary of the terms and the number of outstanding stock options as of December 31, 2013 is as follows:

- Type of stock to be issued through stock options: registered common stock
- Granting method: Issuance of new common stock (use of treasury stock possible as well)
- Exercise conditions: 2 or more years of employee services from the date of the grant
- The number of shares and per-share exercise price of stock to be issued through stock options (after the exclusion of stock options expired due to termination, etc.)

	Date of the Grant				
	February 28, 2002	March 25, 2002	March 7, 2003	April 16, 2004	December 20, 2005
Granted	988,000	121,000	368,100	590,000	10,000
Expired	53,859	12,942	37,744	53,061	-
Exercised prior to December 31, 2012	934,141	108,058	314,509	438,034	5,000
Outstanding as of January 1, 2013	-	-	15,847	98,905	5,000
Exercised during 2013	-	-	15,847	51,375	-
Outstanding as of December 31, 2013	-	-	-	47,530	5,000
Exercise price	₩ 329,200	₩ 342,800	₩ 288,800	₩ 580,300	₩ 606,700
Weighted average share price at the date of exercise during 2013	-	-	₩ 1,517,741	₩ 1,448,886	-
Exercise period from the date of the grant	2 - 10 years	2 - 10 years	2 - 10 years	2 - 10 years	2 - 10 years

Note 1: The number of shares and exercise prices are subject to adjustments resulting from capital increase with or without consideration, stock dividends, stock splits, stock consolidations, etc.

Note 2: As of reporting date, exercise periods of stock options granted on March 16, 2000, March 9, 2001, February 28, 2002, March 25, 2002, March 7, 2003, and October 15, 2004 have all expired, and all such options have been exercised.

Samsung Electronics Co., Ltd. and Subsidiaries

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25. Expenses by Nature

Expenses by nature for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Raw materials and goods	₩ 95,070,004	₩ 85,193,865
Wages and salaries	17,250,962	13,629,400
Pension	971,997	768,423
Depreciation	15,470,012	14,835,046
Amortization	975,401	786,970
Welfare	3,142,187	2,481,756
Commission and service charges	9,124,803	6,961,701
Other expenses	49,902,288	47,397,114
Total¹	₩ 191,907,654	₩ 172,054,275

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

26. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
1) Selling and Administrative Expenses		
Wages and salaries	₩ 5,559,339	₩ 4,032,848
Pension	232,676	204,929
Commission and service charges	9,124,803	6,961,701
Depreciation	555,944	442,080
Amortization	401,987	353,909
Advertising	4,165,290	4,887,089
Sales promotion	8,019,462	6,055,105
Transportation	3,929,114	3,794,950
Warranty	2,967,724	3,247,757
Others	4,935,604	3,889,181
2) Research and development expenses		
Total expenses	14,780,432	11,892,434
Capitalized expenses	(461,030)	(359,639)
Total	₩ 54,211,345	₩ 45,402,344

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27. Other Non-Operating Income and Expense

Details of other non-operating income for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Dividend income	₩ 112,159	₩ 106,181
Rental income	104,608	98,462
Gain on disposal of investments	1,117,029	112,505
Gain on disposal of property, plant and equipment	110,638	147,645
Others	985,117	1,088,196
	₩ 2,429,551	₩ 1,552,989

Details of other non-operating expense for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Loss on disposal of property, plant and equipment	₩ 187,863	₩ 324,993
Donations	495,301	235,349
Impairment losses on intangible assets	108,420	216,790
Others	822,464	798,893
	₩ 1,614,048	₩ 1,576,025

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28. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Finance income		
Interest income		
Interest income from loans and receivables	₩ 1,342,394	₩ 840,150
Interest income from available-for-sale financial assets	9,215	5,281
Foreign exchange differences	6,199,517	6,452,612
Gains on valuation of derivatives	65,787	27,719
Gains on derivatives transaction	397,759	510,792
	₩ 8,014,672	₩ 7,836,554

<i>(In millions of Korean won)</i>	2013	2012
Finance costs		
Interest expense:		
Interest expense from financial liabilities measured at amortized cost	₩ 319,342	₩ 277,512
Other financial liabilities	190,316	321,494
Foreign exchange differences	6,529,622	6,596,524
Losses on valuation of derivatives	209,311	124,344
Losses on derivatives transaction	506,381	614,576
	₩ 7,754,972	₩ 7,934,450

The Company recognizes foreign exchange gains and losses arising from foreign currency transactions and translation as finance income and costs.

29. Income Tax

(A) Income tax expense for the years ended December 31, 2013 and 2012, consists of:

<i>(In millions of Korean won)</i>	2013	2012
Current taxes:		
Current tax on profits for the year	₩ 7,406,736	₩ 5,656,298
Adjustments in respect of prior years	52,318	95,296
Deferred taxes:		
Changes in the carryforward of unused tax credits	(52,085)	235,640
Changes in temporary differences	501,450	19,885
Changes in the carryforward of unused tax losses	2,805	(850)
Others	(10,490)	60,654
Items charged directly to equity	(11,219)	2,809
Income tax expense	₩ 7,889,515	₩ 6,069,732

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(B) The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

<i>(In millions of Korean won)</i>	2013	2012
Income before tax	₩ 38,364,279	₩ 29,915,017
Tax calculated at weighted average tax rates applicable ¹	9,576,241	7,664,722
Tax effects of:		
Permanent differences	(335,146)	(161,762)
Temporary differences for which no deferred income tax was recognized	1,307	(7,930)
Tax credit	(2,156,519)	(1,980,710)
Subsidiaries, associates and interests in joint ventures	318,359	650,000
Impact of changes in tax rates	5,526	(3,602)
Others	479,747	(90,986)
Income tax expense	₩ 7,889,515	₩ 6,069,732
Effective tax rate	20.56%	20.29%

¹ Weighted average statutory tax rates that are applied differently for the profits of the Company at each tax authority as of December 31, 2013 and 2012.

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(C) Deferred income tax assets and liabilities resulting from the tax effect of temporary differences as of December 31, 2013 and 2012, are as follows:

(1) As of December 31, 2013

<i>(In millions of Korean won)</i>	Temporary Differences			Deferred Income Tax Assets (Liabilities)		
	Balance as of January 1	Increase (Decrease)	Balance as of December 31	Balance as of January 1	Increase (Decrease)	Balance as of December 31
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (33,097)	₩ 5,312	₩ (27,785)	₩ (8,010)	₩ 1,286	₩ (6,724)
Revaluation of land	(3,477,691)	1,587	(3,476,104)	(841,601)	384	(841,217)
Investments in subsidiaries, associates and joint ventures ¹	(25,263,866)	(2,555,796)	(27,819,662)	(3,682,268)	(318,359)	(4,000,627)
Depreciation	1,237,393	(402,647)	834,746	193,344	(57,968)	135,376
Accrued income	(124,177)	(179,613)	(303,790)	(28,163)	(44,682)	(72,845)
Provisions, accrued expenses and others	10,362,208	1,983,485	12,345,693	2,556,845	596,301	3,153,146
Foreign currency translation	(13,260)	(168,042)	(181,302)	(5,967)	(38,058)	(44,025)
Asset impairment losses	90,656	251,433	342,089	16,524	65,375	81,899
Assets held for sale	-	7,527,869	7,527,869	-	1,821,744	1,821,744
Others	(894,234)	(10,818,680)	(11,712,914)	(171,750)	(2,527,473)	(2,699,223)
Subtotal	₩ (18,116,068)	₩ (4,355,092)	₩ (22,471,160)	₩ (1,971,046)	₩ (501,450)	₩ (2,472,496)
Deferred tax arising from carryforwards						
Unused tax losses	₩ 130,992	₩ (23,764)	₩ 107,228	₩ 27,811	₩ (2,805)	₩ 25,006
Unused tax credits	1,316,509	25,141	1,341,650	1,260,107	52,085	1,312,192
Deferred tax recognized in other comprehensive income						
Valuation of available-for-sale financial instruments	₩ (2,581,628)	₩ (306,252)	₩ (2,887,880)	₩ (580,092)	₩ (84,080)	₩ (664,172)
Actuarial valuation	1,471,318	247,136	1,718,454	349,833	59,046	408,879
Subtotal	₩ (1,110,310)	₩ (59,116)	₩ (1,169,426)	₩ (230,259)	₩ (25,034)	₩ (255,293)
Deferred tax assets						₩ 4,621,780
Deferred tax liabilities						(6,012,371)
Total						₩ (1,390,591)

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(2) As of December 31, 2012

<i>(In millions of Korean won)</i>	Temporary Differences			Deferred Income Tax Assets (Liabilities)		
	Balance as of January 1	Increase (Decrease)	Balance as of December 31	Balance as of January 1	Increase (Decrease)	Balance as of December 31
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (18,146)	₩ (14,951)	₩ (33,097)	₩ (4,391)	₩ (3,619)	₩ (8,010)
Revaluation of land	(4,017,316)	539,625	(3,477,691)	(972,191)	130,590	(841,601)
Investments in subsidiaries, associates and joint ventures ¹	(13,450,537)	(11,813,329)	(25,263,866)	(3,032,268)	(650,000)	(3,682,268)
Depreciation	(13,547)	1,250,940	1,237,393	(62,124)	255,468	193,344
Accrued income	(92,953)	(31,224)	(124,177)	(21,337)	(6,826)	(28,163)
Provisions, accrued expenses and others	7,144,431	3,217,777	10,362,208	1,806,514	750,331	2,556,845
Foreign currency translation	150,908	(164,168)	(13,260)	35,482	(41,449)	(5,967)
Asset impairment losses	52,901	37,755	90,656	10,937	5,587	16,524
Others	779,626	(1,673,860)	(894,234)	288,217	(459,967)	(171,750)
Subtotal	₩ (9,464,633)	₩ (8,651,435)	₩ (18,116,068)	₩ (1,951,161)	₩ (19,885)	₩ (1,971,046)
Deferred tax arising from carryforwards						
Undisposed accumulated deficit	₩ 100,401	₩ 30,591	₩ 130,992	₩ 26,961	₩ 850	₩ 27,811
Tax credit carryforwards	1,512,052	(195,543)	1,316,509	1,495,747	(235,640)	1,260,107
Deferred tax recognized in other comprehensive income						
Valuation of available-for-sale financial instruments	₩ (1,316,863)	₩ (1,264,765)	₩ (2,581,628)	₩ (318,052)	₩ (262,040)	₩ (580,092)
Actuarial valuation	813,514	657,804	1,471,318	196,149	153,684	349,833
Subtotal	₩ (503,349)	₩ (606,961)	₩ (1,110,310)	₩ (121,903)	₩ (108,356)	₩ (230,259)
Deferred tax assets						₩ 2,516,080
Deferred tax liabilities						(3,429,467)
Total						₩ (913,387)

¹ Deferred tax assets were not recognized if it is probable that the temporary differences will not reverse in the foreseeable future for investments in subsidiaries, associates and joint ventures.

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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Temporary differences whose deferred tax effects were not recognized due to the uncertainty regarding ultimate realizability of such assets as of December 31, 2013 and 2012 are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Unused tax losses	₩ 12,196	₩ -
Unused tax credits	30,098	48,262

Expiry dates of unused tax losses and unused tax credits for which no deferred tax asset is recognized in the balance sheet are as follows:

<i>(In millions of Korean won)</i>	2014	2015	2016	2017 and after
Undisposed accumulated deficit	₩ -	₩ -	₩ -	₩ 12,196
Tax credit carryforwards	4,170	3,437	18,525	3,966

(D) The liquidity analysis of deferred tax assets and deferred tax liabilities is as follows:

<i>(In millions of Korean won)</i>	2013	2012
Current	₩ (107,699)	₩ 1,898,481
Non-current	(1,282,892)	(2,811,868)
Total	₩ (1,390,591)	₩ (913,387)

30. Earnings per Share

Basic earnings per share for the years ended December 31, 2013 and 2012, are calculated as follows:

<i>(In millions of Korean won and thousands of number of shares)</i>	2013	2012
Net income as reported on the statements of income	₩ 29,821,215	₩ 23,185,375
Net income available for common stock	25,893,396	20,130,020
Weighted-average number of common shares outstanding (in thousands)	130,880	130,698
Basic earnings per share (in Korean won)	₩ 197,841	₩ 154,020

<i>(In millions of Korean won and thousands of number of shares)</i>	2013	2012
Net income as reported on the statements of income	₩ 29,821,215	₩ 23,185,375
Net income available for preferred stock	3,927,819	3,055,355
Weighted-average number of preferred shares outstanding (in thousands)	19,854	19,854
Basic earnings per preferred share (in Korean won)	₩ 197,838	₩ 153,893

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Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: stock options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the years ended December 31, 2013 and 2012, are calculated as follows:

<i>(In millions of Korean won and thousands of number of shares)</i>	2013	2012
Net income available for common stock and common stock equivalents	₩ 25,894,151	₩ 20,131,405
Weighted-average number of shares of common stock and common stock equivalents (in thousands)	130,911	130,766
Diluted earnings per share (in Korean won)	₩ 197,800	₩ 153,950

<i>(In millions of Korean won and thousands of number of shares)</i>	2013	2012
Net income available for preferred stock and preferred stock equivalents	₩ 3,927,064	₩ 3,053,970
Weighted-average number of shares of preferred stock and preferred stock equivalents (in thousands)	19,854	19,854
Diluted earnings per preferred share (in Korean won)	₩ 197,800	₩ 153,823

Samsung Electronics Co., Ltd. and Subsidiaries

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31. Cash Generated from Operations

(A) Cash flows from operating activities as of December 31, 2013 and 2012, consist of the following:

<i>(In millions of Korean won)</i>	2013	2012
Adjustments for:		
Income tax expense	₩ 7,889,515	₩ 6,069,732
Finance income	(2,551,623)	(2,068,888)
Finance costs	1,568,663	1,755,715
Severance and retirement benefits	971,997	768,423
Depreciation	15,470,012	14,835,046
Amortization	975,401	786,970
Bad debt expenses, etc.	282,978	205,424
Gain on valuation of equity method	(504,063)	(986,611)
Gain on disposal of property, plant and equipment	(110,638)	(147,645)
Loss on disposal of property, plant and equipment	187,863	324,993
Obsolescence and scrapping of inventories, etc.	1,045,360	1,212,222
Gain on disposal of investments	(1,117,029)	(112,505)
Impairment losses on intangible assets	108,420	216,790
Other income/expense	(412,024)	(100,107)
Adjustments, total	₩ 23,804,832	₩ 22,759,559

<i>(In millions of Korean won)</i>	2013	2012
Changes in assets and liabilities:		
Increase in trade receivables	₩ (1,993,705)	₩ (2,032,126)
Decrease/(increase) in other receivables	192,054	(536,202)
Increase in advances	(144,720)	(277,329)
Increase in prepaid expenses	(321,953)	(72,285)
Increase in inventories	(3,097,762)	(4,011,553)
Decrease in trade payables	(965,677)	(465,450)
Increase/(decrease) in other payables	1,296,263	(416,870)
Increase in advances received	49,495	88,152
Increase/(decrease) in withholdings	323,874	(663,733)
Increase in accrued expenses	2,261,910	2,183,846
Increase in provisions	2,009,248	1,824,693
Payment of severance benefits	(244,186)	(301,444)
Increase in plan assets	(837,296)	(440,420)
Others	159,210	(657,228)
Changes in net working capital, total	₩ (1,313,245)	₩ (5,777,949)

Samsung Electronics Co., Ltd. and Subsidiaries

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(B) Significant transactions not affecting cash flows for the years ended December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Valuation of available-for-sale financial assets	₩ 1,271,817	₩ 1,185,256
Reclassification of construction in progress and machinery in transit to property, plant and equipment	16,578,339	19,567,010
Reclassification of investment in associates to assets held for sale	2,716,733	-
Valuation of investments in associates and joint ventures	20,756	(350,491)
Non-cash consideration transferred for business combinations	-	(633,708)
Reclassification of current maturities of long-term borrowings	1,920,748	493,860
Reclassification of current maturities of bonds	505,277	505,356

(C) The Company reported cash receipts and payments arising from transactions occurring frequently and short-term financial instruments, loans, and borrowings on a net basis.

(D) Among the net cash used in investing activities for the year ended December 31, 2013, cash outflows from business combination include the acquisition of assets and liabilities of NeuroLogica.

32. Financial Risk Management

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

The finance team mainly carries out the Company's financial risk management. With the cooperation of the Company'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 of America, England, Singapore, China, Japan, Brazil and Russia to operate the local finance center for global financial risk management.

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(A) Market risk

(1) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States of America, 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. Foreign exchange risk management of the Company is carried out by both SEC and its subsidiaries. To minimize foreign exchange risk arising from operating activities, the Company'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 Company's foreign exchange risk management policy also defines foreign exchange risk, measuring period, controlling responsibilities, management procedures, hedging period and hedge ratio.

The Company 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.

A summary of foreign assets and liabilities of the Company, presented in Korean won, as of December 31, 2013 and 2012 is as follows:

<i>(In millions of Korean won)</i>	2013				2012			
	USD	EUR	JPY	Others	USD	EUR	JPY	Others
Financial assets	₩ 9,834,247	₩ 1,253,898	₩ 269,600	₩ 1,581,019	₩12,709,235	₩ 1,085,390	₩ 178,373	₩ 1,577,076
Financial liabilities	9,664,814	1,071,174	1,172,213	191,674	9,550,081	978,953	1,142,081	214,639

Foreign currency exposure to financial assets and liabilities of a 5% currency rate change against the Korean won are presented below.

<i>(In millions of Korean won)</i>	2013		2012	
	Increase	Decrease	Increase	Decrease
Financial assets	₩ 646,938	₩ (646,938)	₩ 777,504	₩ (777,504)
Financial liabilities	(604,994)	604,994	(594,288)	594,288
Net effect	41,944	(41,944)	183,216	(183,216)

(2) Price risk

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

As of December 31, 2013 and 2012, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩43,933 million and ₩44,359 million, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(3) Interest rate risk

Risk of changes in interest rate for a floating interest rate financial instrument is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk mainly through interest bearing liabilities and assets. The Company's position with regard to interest rate risk exposure is mainly driven by its debt obligations such as bonds, interest-bearing deposits and issuance of receivables. In order to avoid interest rate risk, the Company maintains minimum external borrowings by facilitating cash pooling systems on a regional and global basis. The Company manages exposed interest rate risk via periodic monitoring and handles risk factors on a timely basis.

The sensitivity risk of the Company is determined based on the following assumptions:

- Changes in market interest rates that could impact the interest income and expenses of floating interest rate financial instruments

Based on the above assumption, changes to profit and net equity as a result of 1% increases in interest rate on borrowings are presented below:

<i>(In millions of Korean won)</i>	2013		2012	
	Increase	Decrease	Increase	Decrease
Financial assets	₩ 46,025	₩ (46,025)	₩ 78,164	₩ (78,164)
Financial liabilities	(22,942)	22,942	(21,864)	21,864
	₩ 23,083	₩ (23,038)	₩ 56,300	₩ (56,300)

(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 Company 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.

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 Company 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 Company's finance team and the local finance center. The Company requires separate approval for contracts with restrictions.

Most of the Company's accounts receivable is adequately insured to manage any risk, therefore, the Company estimates its credit risk exposure to be limited. The Company estimates that its maximum exposure to credit risk is the carrying value of its financial assets, net of impairment losses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(C) Liquidity risk

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

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

In addition, the Company 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.

The following table is an undiscounted cash flow analysis for financial liabilities that are presented on the statements of financial position according to their remaining contractual maturity.

2013 <i>(In millions of Korean won)</i>	Less than 3 months	4-6 months	7-12 months	1-5 years	More than 5 years
Financial liabilities	₩ 33,862,896	₩ 1,095,285	₩ 4,806,477	₩ 2,564,769	₩ 65,772

2012 <i>(In millions of Korean won)</i>	Less than 3 months	4-6 months	7-12 months	1-5 years	More than 5 years
Financial liabilities	₩ 32,257,940	₩ 1,690,825	₩ 2,371,879	₩ 7,006,975	₩ 76,236

The Company's trading portfolio of derivative instruments have been included at their fair value of ₩244,172 million (2012: ₩79,212 million) within the less than three month time bucket because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Net settled derivatives consist of forward exchange contracts used by the Company to manage the exchange rate profile.

The maximum liquidity risk exposure from those other than the above financial liabilities (e.g. payment guarantees for affiliated companies and performance bonds) as of December 31, 2013 is ₩183,644 million (December 31, 2012: ₩ 151,817 million).

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(D) Capital risk management

The purpose of capital management is to maintain a sound capital structure. The Company 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 Company's capital risk management policy has not changed since the fiscal year ended December 31, 2012. The Company has maintained an A+ and A1 credit ratings from S&P and Moody's, respectively, on its long term debt.

The total liabilities to equity ratios as of December 31, 2013 and 2012, are as follows:

<i>(In millions of Korean won)</i>	2013	2012
Total liabilities	₩ 64,059,008	₩ 59,591,364
Total equity	150,016,010	121,480,206
Total liabilities to equity ratio	42.7%	49.1%

(E) Fair value measurement

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

2013

<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
Derivatives	₩ -	₩ 40,552	₩ -	₩ 40,552
Available-for-sale financial assets ¹	5,656,806	1,188,498	493,378	7,338,682
Total assets	5,656,806	1,229,050	493,378	7,379,234
Derivatives	-	244,172	-	244,172
Total liabilities	₩ -	₩ 244,172	₩ -	₩ 244,172

2012

<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
Derivatives	₩ -	₩ 47,227	₩ -	₩ 47,227
Available-for-sale financial assets ¹	5,694,730	125,994	389,195	6,209,919
Total assets	5,694,730	173,221	389,195	6,257,146
Derivatives	-	79,212	-	79,212
Total liabilities	₩ -	₩ 79,212	₩ -	₩ 79,212

¹ Amount measured at cost (2013: ₩388,225 million, 2012: ₩278,130 million) is 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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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 Company 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 is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of 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.

(2) Changes in Level 3 instruments:

<i>(In millions of Korean won)</i>	2013	2012
Balance as of January 1	₩ 389,195	₩ 623,739
Purchases	151,741	82,508
Disposals, etc.	(46,357)	(31,972)
Gains and losses recognized in other comprehensive income	2,615	(6,294)
Others ¹	(3,816)	(278,786)
Balance as of December 31	₩ 493,378	₩ 389,195

¹ Amount measured at cost is included 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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(3) Valuation technique and the inputs

The Company utilizes a present value technique to discount future cash flows at a proper interest rate for corporate bonds, government and public bonds, and bank debentures that are classified as Level 2 in the fair value hierarchy. The Company uses a binomial pricing model derived from the assumption that the underlying assets for the currency forward contracts follow a binomial probability distribution.

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)
Samsung Petrochemical	80,347	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 6.37% ~ 8.37% (7.37%)
Samsung General Chemicals	80,653	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.01% ~ 9.01% (8.01%)
Taewon Electric	17,072	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 6.06% ~ 8.06% (7.06%)
Pantech	53,053	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 8.81% ~ 10.81% (9.81%)
Samsung Venture Investment	7,021	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.69% ~ 9.69% (8.69%)
Embedded derivatives (convertible bonds, etc.)	13,240	Binomial model	Discount rate Stock price volatility	6.81% ~ 12.96% (8.34%) 13.77% ~ 20.02% (17.15%)

(4) 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 from changes in inputs for each financial instrument, which is categorized within Level 3 and subject to sensitivity analysis, are as follows:

(In millions of Korean won)

Classification	Favorable Changes		Unfavorable Changes	
	Profit or Loss	Equity	Profit or Loss	Equity
Available-for-sale financial assets ¹	-	35,324	-	(27,586)
Embedded derivatives (convertible bonds, etc.) ²	1,457	1,457	(1,499)	(1,499)
Total	1,457	36,781	(1,499)	(29,085)

¹ For equity securities, changes in their fair value are calculated by increasing or decreasing the correlation between growth ratio (-1% ~ 1%) and discount rate, which are significant unobservable inputs.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. 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. Operating segment information for the year ended December 31, 2012 has been restated in accordance with the organizational changes.

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 it has not been provided regularly to the Management Committee.

The segment information provided to the Management committee for the reportable segments for the years ended December 31 2013 and 2012, is as follows:

2013 (In millions of Korean won)	DS						Intercompany elimination within the group	Consolidated
	CE	IM	Total ¹	Semi conductor	DP	Total ¹		
Total segment revenue	125,088,762	299,161,654	134,394,781	70,908,145	61,294,886	558,196,178	(329,503,511)	228,692,667
Intercompany revenue	(74,757,247)	(160,344,435)	(66,633,875)	(33,471,566)	(31,457,770)	(329,503,511)	329,503,511	-
Net revenue ²	50,331,515	138,817,219	67,760,906	37,436,579	29,837,116	228,692,667	-	228,692,667
Depreciation	653,354	632,498	13,689,148	9,295,951	4,203,457	15,470,012	-	15,470,012
Amortization	93,699	188,353	416,916	294,605	106,249	975,401	-	975,401
Operating profit	1,673,343	24,957,741	10,000,665	6,887,978	2,980,563	36,785,013	-	36,785,013

2012 (In millions of Korean won)	DS						Intercompany elimination within the group	Consolidated
	CE	IM	Total ¹	Semi conductor	DP	Total ¹		
Total segment Revenue	117,897,781	224,920,171	136,724,256	66,976,623	69,359,762	479,499,910	(278,396,297)	201,103,613
Intercompany revenue	(66,792,679)	(119,075,488)	(68,436,962)	(32,090,017)	(36,360,406)	(278,396,297)	278,396,297	-
Net revenue ²	51,105,102	105,844,683	68,287,294	34,886,606	32,999,356	201,103,613	-	201,103,613
Depreciation	578,686	484,231	13,354,303	9,087,880	4,179,088	14,835,046	-	14,835,046
Amortization	76,380	182,730	274,568	186,497	77,047	786,970	-	786,970
Operating profit	2,324,036	19,418,235	7,416,325	4,173,730	3,214,750	29,049,338	-	29,049,338

¹ The total amount includes others not composing operating segments.

² Net revenue by segment includes intersegment revenue by segment.

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(B) Regional information

The regional segment information provided to the Management Committee for the reportable segments for the years ended 31 December 2013 and 2012, is as follows:

2013

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the group	Consolidated
Total segment revenue	193,645,486	94,703,877	79,416,987	76,409,011	114,020,817	(329,503,511)	228,692,667
Intercompany revenue	(170,862,177)	(25,320,451)	(26,738,602)	(32,712,684)	(73,869,597)	329,503,511	-
Revenue from							
external customers	22,783,309	69,383,426	52,678,385	43,696,327	40,151,220	-	228,692,667
Non-current assets ¹	61,881,863	7,172,187	1,024,699	2,636,552	7,436,424	(674,737)	79,476,988

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

2012

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the group	Consolidated
Total segment revenue	179,434,349	81,440,718	75,448,403	57,246,033	85,930,407	(278,396,297)	201,103,613
Intercompany revenue	(150,254,258)	(23,277,536)	(25,927,742)	(21,167,278)	(57,769,483)	278,396,297	-
Revenue from							
external customers	29,180,091	58,163,182	49,520,661	36,078,755	28,160,924	-	201,103,613
Non-current assets ¹	60,591,343	6,890,648	1,030,437	1,749,330	2,574,796	(622,106)	72,214,448

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

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34. Related Party Transactions

(A) Sale and purchase transactions

Sales and purchases with related parties for the years ended December 31, 2013 and 2012, are as follows:

2013 <i>(In millions of Korean won)</i>	Name of Company ¹	Sales, etc.	Disposal of fixed assets	Purchase, etc.	Purchase of fixed assets
Associates	Samsung SDS	₩ 35,166	₩ 130,771	₩1,673,999	₩ 369,395
	Samsung Electro-Mechanics	72,897	192	2,662,680	76
	Samsung SDI	52,909	-	667,658	1,258
	Samsung SNS ²	11,418	-	164,093	3,973
	Samsung Techwin	15,582	-	84,074	68,949
	Others	412,353	-	6,042,874	284,231
	Total (associates)	600,325	130,963	11,295,378	727,882
Joint ventures	Samsung Corning Precision Materials	9,931	-	1,758,317	145,324
	Siltronic Samsung Wafer	-	-	195,795	-
	Others	83	-	147	-
	Total (joint ventures)	10,014	-	1,954,259	145,324
Other related parties	Samsung Everland	12,690	-	543,162	487,107
	Others	112,896	-	83,058	22,942
	Total (other related parties)	125,586	-	626,220	510,049

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

² Samsung SNS was acquired by Samsung SDS in 2013, and the above amounts relate to transactions prior to the acquisition.

2012 <i>(In millions of Korean won)</i>	Name of Company ¹	Sales, etc.	Disposal of fixed assets	Purchase, etc.	Purchase of fixed assets
Associates	Samsung SDS	₩ 68,234	₩ 202	₩1,508,214	₩ 365,482
	Samsung Electro-Mechanics	163,086	104	2,229,786	-
	Samsung SDI	117,020	1	874,972	183
	Samsung SNS	15,697	-	227,165	208
	Samsung Techwin	25,051	-	89,889	79,076
	Others	417,228	35	4,303,946	31,689
	Total (associates)	806,316	342	9,233,972	476,638
Joint ventures	Samsung Corning Precision Materials	20,185	14,660	2,517,028	-
	Siltronic Samsung Wafer	-	-	255,665	-
	Others	639	-	28,296	-
	Total (joint ventures)	20,824	14,660	2,800,989	-
Other related parties	Samsung Everland	8,363	281	398,621	319,459
	Others	100,584	-	34,042	48
	Total (other related parties)	108,947	281	432,663	319,507

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

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(B) Balances of receivables and payables

Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2013 and 2012, are as follows:

2013			
<i>(In millions of Korean won)</i>	Name of Company	Receivables, etc.	Payables, etc.
Associates	Samsung SDS	₩ 11,319	₩ 479,417
	Samsung Electro-Mechanics	5,972	168,494
	Samsung SDI	4,863	39,207
	Samsung Techwin	1,879	44,286
	Others	65,714	477,446
	Total (associates)	89,747	1,208,850
Joint ventures	Samsung Corning Precision Materials	3,514	266,400
	Siltronic Samsung Wafer	-	1,454
	Others	3	25
	Total (joint ventures)	3,517	267,879
Other related parties	Samsung Everland	188,982	282,777
	Others	24,494	25,402
	Total (other related parties)	213,476	308,179

2012			
<i>(In millions of Korean won)</i>	Name of Company	Receivables, etc.	Payables, etc.
Associates	Samsung SDS	₩ 13,651	₩ 384,590
	Samsung Electro-Mechanics	9,823	160,804
	Samsung SDI	6,285	55,784
	Samsung SNS	9,310	49,044
	Samsung Techwin	1,859	18,167
	Others	44,773	286,960
	Total (associates)	85,701	955,349
Joint ventures	Samsung Corning Precision Materials	560	380,904
	Siltronic Samsung Wafer	-	20,595
	Others	318	7,386
	Total (joint ventures)	878	408,885
Other related parties	Samsung Everland	166,828	178,049
	Others	23,012	1,597
	Total (other related parties)	189,840	179,646

(C) 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 years ended December 31, 2013 and 2012, consists of:

<i>(In millions of Korean won)</i>	2013	2012
Salaries and other short-term employee benefits	₩ 23,906	₩ 10,062
Termination benefits	763	530
Other long-term benefits	7,402	5,865

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Information about Non-Controlling Interests

(A) Changes in accumulated non-controlling interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Company for the years ended December 31, 2013 and 2012, is as follows:

2013 <i>(In millions of Korean won)</i>	Percentage of Non- Controlling Interests	Balance as of January 1	Net Income	Dividends	Others	Balance as of December 31
Samsung Display and its subsidiaries	15.2%	4,061,948	433,700	(1,553)	610,030	5,104,125
2012 <i>(In millions of Korean won)</i>	Percentage of Non- Controlling Interests	Balance as of January 1	Net Income	Dividends	Others	Balance as of December 31
Samsung Display and its subsidiaries	15.2%	-	325,405	-	3,736,543	4,061,948

(B) The summarized financial information for each subsidiary with non-controlling interests that are material to the Company before intercompany eliminations is as follows:

(1) Summarized consolidated statements of financial position

<i>(In millions of Korean won)</i>	Samsung Display and its subsidiaries	
	December 31, 2013	December 31, 2012
Current assets	14,473,616	11,605,285
Non-current assets	23,454,045	23,338,931
Current liabilities	6,115,203	6,328,757
Non-current liabilities	914,398	2,627,547
Equity attributable to:	30,898,060	25,987,912
Owners of the parent	30,434,116	25,840,634
Non-controlling interests	463,944	147,278

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summarized consolidated statements of comprehensive income

<i>(In millions of Korean won)</i>	Samsung Display and its subsidiaries	
	2013	2012
Sales	29,478,707	21,737,347
Net income	2,669,623	2,329,078
Other comprehensive income	(26,415)	(82,279)
Total comprehensive income attributable to:	2,643,208	2,246,799
Owners of the parent	2,631,672	2,252,282
Non-controlling interests	11,536	(5,483)

(3) Summarized consolidated statements of cash flows

<i>(In millions of Korean won)</i>	Samsung Display and its subsidiaries	
	2013	2012
Cash flows from operating activities	7,748,974	6,073,334
Cash flows from investing activities	(10,321,562)	(3,659,543)
Cash flows from financing activities	(1,339,815)	1,004,134
Exchange rate effect on foreign currency (cash)	13,546	(7,152)
Increase (decrease) in cash and cash equivalents	(3,898,857)	3,410,773
Cash and cash equivalents at beginning of period	5,341,713	1,930,940
Cash and cash equivalents at end of period	1,442,856	5,341,713

36. Business Combination

Samsung Electronics America, the Company's subsidiary, acquired 100% of equity shares of NeuroLogica, with a closing date of January 28, 2013 and the entity became part of the consolidation as of the same date.

(A) Overview of the acquired company

Name of the acquired company	NeuroLogica
Headquarters location	Danvers, MA. USA
Representative director	Eric Bailey
Classification of the acquired company	Non-listed company
Current relationship with the Company	Subsidiary

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Purchase price allocation

The following table summarizes the consideration paid for NeuroLogica, the amounts of the assets acquired and liabilities assumed as of the acquisition date.

<i>(In millions of Korean won)</i>	Amount
I. Consideration transferred	₩ 167,819
II. Identifiable assets and liabilities	
Cash and cash equivalents	664
Trade and other receivables	7,301
Inventories	8,576
Property, plant and equipment	1,052
Intangible assets	51,222
Trade and other payables	(8,265)
Deferred income tax liabilities	(8,630)
Total net identifiable assets	51,920
III. Goodwill	₩ 115,899

Had NeuroLogica been consolidated on January 1, 2013, revenue would increase by ₩1,043 million and net loss would increase by ₩403 million on the consolidated statement of income. Revenue and net loss contributed by NeuroLogica after the consolidation date of January 28, 2013 amount to ₩38,646 million and ₩385 million, respectively.

37. Events after the Reporting Period

- (A) On January 1, 2014, an amendment to local income tax laws was promulgated in Republic of Korea, where the controlling Company is domiciled. This is expected to affect the measurements of current tax for annual periods beginning on or after January 1, 2014 and of deferred tax assets resulting from the decline in future tax effects on tax credit carryforwards.
- (B) On January 15, 2014, the Company disposed of all shares (percentage of ownership: 42.54%) of Samsung Corning Precision Materials for USD 1,902 million and acquired 2,300 shares of convertible preferred stocks of Corning Incorporated for USD 2,300 million.
- (C) Based on the Board of Directors resolution dated January 24, 2014, the Company decided to participate in a capital increase (investment amount: ₩ 301,000 million) to expand the production capacity and to fund the development of biosimilars of Samsung Biologics, a related party of the Company.