

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

The consolidated financial statements of the Group as at and for the year ended December 31, 2013 were audited in accordance with the previous Korean Standards on Auditing. We did not audit the financial statements of certain subsidiaries, whose financial statements represents 6.8% of the Group's consolidated total assets as at December 31, 2013, and 25.6% of the Group's consolidated sales for the year then ended. These financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the report of the other auditors.

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

February 24, 2015
Seoul, Korea

This report is effective as at February 24, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.28))

	Notes	December 31, 2014 KRW	December 31, 2013 KRW	December 31, 2014 USD	December 31, 2013 USD
Assets					
Current assets					
Cash and cash equivalents	4, 6, 7	16,840,766	16,284,780	15,997,688	15,469,535
Short-term financial instruments	5, 6, 7	41,689,776	36,722,702	39,602,713	34,884,299
Short-term available-for-sale financial assets	6, 9	3,286,798	1,488,527	3,122,255	1,414,009
Trade receivables	6, 7, 10	24,694,610	24,988,532	23,458,355	23,737,562
Non-trade receivables	10	3,539,875	2,887,402	3,362,663	2,742,854
Advances		1,989,470	1,928,188	1,889,874	1,831,660
Prepaid expenses		3,346,593	2,472,950	3,179,057	2,349,150
Inventories	11	17,317,504	19,134,868	16,450,560	18,176,943
Other current assets		1,795,143	2,135,589	1,705,275	2,028,678
Assets held-for-sale	12, 37	645,491	2,716,733	613,177	2,580,729
Total current assets		115,146,026	110,760,271	109,381,617	105,215,419
Non-current assets					
Long-term available-for-sale financial assets	6, 9	12,667,509	6,238,380	12,033,351	5,926,076
Investment in associates and joint ventures	12	5,232,461	6,422,292	4,970,515	6,100,781
Property, plant and equipment	13	80,872,950	75,496,388	76,824,309	71,716,907
Intangible assets	14	4,785,473	3,980,600	4,545,904	3,781,324
Long-term prepaid expenses		4,857,126	3,465,783	4,613,970	3,292,280
Deferred income tax assets	29	4,526,595	4,621,780	4,299,986	4,390,406
Other non-current assets		2,334,818	3,089,524	2,217,933	2,934,857
Total assets		230,422,958	214,075,018	218,887,585	203,358,050

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.28))

	Notes	December 31, 2014 KRW	December 31, 2013 KRW	December 31, 2014 USD	December 31, 2013 USD
Liabilities and Equity					
Current liabilities					
Trade and other payables	6	7,914,704	8,437,139	7,518,480	8,014,761
Short-term borrowings	6, 8, 15	8,029,299	6,438,517	7,627,338	6,116,194
Other payables	6	10,318,407	9,196,566	9,801,850	8,736,170
Advances received		1,427,230	1,706,313	1,355,780	1,620,892
Withholdings		1,161,635	1,176,046	1,103,482	1,117,171
Accrued expenses		12,876,777	11,344,530	12,232,143	10,776,603
Income tax payable		2,161,109	3,386,018	2,052,920	3,216,508
Current portion of long-term liabilities	6, 15, 16	1,778,667	2,425,831	1,689,624	2,304,390
Provisions	18	5,991,510	6,736,476	5,691,565	6,399,236
Other current liabilities		326,259	467,973	309,930	444,548
Liabilities held-for-sale	37	28,316	-	26,898	-
Total current liabilities		52,013,913	51,315,409	49,410,010	48,746,473
Non-current liabilities					
Debentures	6, 16	1,355,882	1,311,068	1,288,004	1,245,434
Long-term borrowings	6, 15	101,671	985,117	96,581	935,800
Long-term other payables	6	2,562,271	1,053,756	2,433,999	1,001,003
Net defined benefit liabilities	17	201,342	1,854,902	191,262	1,762,042
Deferred income tax liabilities	29	4,097,811	6,012,371	3,892,667	5,711,381
Provisions	18	499,290	460,924	474,295	437,849
Other non-current liabilities		1,502,590	1,065,461	1,427,368	1,012,122
Total liabilities		62,334,770	64,059,008	59,214,186	60,852,104

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.28))

	Notes	December 31, 2014 KRW	December 31, 2013 KRW	December 31, 2014 USD	December 31, 2013 USD
Equity attributable to owners of the parent					
Preferred stock	20	119,467	119,467	113,486	113,486
Common stock	20	778,047	778,047	739,097	739,097
Share premium		4,403,893	4,403,893	4,183,426	4,183,426
Retained earnings	21	169,529,604	148,600,282	161,042,656	141,161,092
Other components of equity	23	(12,729,387)	(9,459,073)	(12,092,132)	(8,985,535)
Accumulated other comprehensive income attributable to assets held-for-sale	37	80,101	-	76,091	-
		162,181,725	144,442,616	154,062,624	137,211,566
Non-controlling interests		5,906,463	5,573,394	5,610,775	5,294,380
Total equity		168,088,188	150,016,010	159,673,399	142,505,946
Total liabilities and equity		230,422,958	214,075,018	218,887,585	203,358,050

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

Samsung Electronics Co., Ltd. and its subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

(In millions of Korean won, in thousands of US dollars (Note 2.28))

	Notes	For the year ended December 31,			
		2014	2013	2014	2013
		KRW	KRW	USD	USD
Revenue		206,205,987	228,692,667	195,882,955	217,243,913
Cost of sales	25	128,278,800	137,696,309	121,856,939	130,802,991
Gross profit		77,927,187	90,996,358	74,026,016	86,440,922
Selling and administrative expenses	25, 26	52,902,116	54,211,345	50,253,744	51,497,430
Operating profit		25,025,071	36,785,013	23,772,272	34,943,492
Other non-operating income	27	3,801,357	2,429,551	3,611,054	2,307,923
Other non-operating expense	27	2,259,737	1,614,048	2,146,611	1,533,246
Share of profit of associates and joint ventures	12	342,516	504,063	325,369	478,829
Financial income	28	8,259,829	8,014,672	7,846,328	7,613,444
Financial expense	28	7,294,002	7,754,972	6,928,852	7,366,745
Profit before income tax		27,875,034	38,364,279	26,479,560	36,443,697
Income tax expense	29	4,480,676	7,889,515	4,256,366	7,494,552
Profit for the year		23,394,358	30,474,764	22,223,194	28,949,145
Profit attributable to owners of the parent		23,082,499	29,821,215	21,926,949	28,328,313
Profit attributable to non-controlling interests		311,859	653,549	296,245	620,832
Earnings per share for profit attributable to owners of the parent (in Korean Won, in US dollars)	30				
- Basic		153,105	197,841	145.44	187.94
- Diluted		153,096	197,800	145.43	187.90

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Korean won, in thousands of US dollars (Note 2.28))

	For the year ended December 31,				
	Notes	2014	2013	2014	2013
		KRW	KRW	USD	USD
Profit for the year		23,394,358	30,474,764	22,223,194	28,949,145
Other comprehensive loss					
Items not to be reclassified to profit or loss subsequently:					
Remeasurement of net defined benefit liabilities, net of tax	17, 23	(710,318)	(213,113)	(674,758)	(202,444)
Items to be reclassified to profit or loss subsequently:					
Changes in value of available-for-sale financial assets, net of tax	9, 23	(232,105)	186,480	(220,485)	177,144
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	12, 23	(128,932)	20,756	(122,477)	19,717
Foreign currency translation, net of tax	23	(922,059)	(1,000,961)	(875,899)	(950,851)
Other comprehensive loss for the year, net of tax		(1,993,414)	(1,006,838)	(1,893,619)	(956,434)
Total comprehensive income for the year		21,400,944	29,467,926	20,329,575	27,992,711
Comprehensive income attributable to :					
Owners of the parent		20,990,732	28,837,590	19,939,900	27,393,930
Non-controlling interests		410,212	630,336	389,675	598,781

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2013 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2013		119,467	778,047	4,403,893	119,985,689	(8,193,044)	-	117,094,052	4,386,154	121,480,206
Profit for the year		-	-	-	29,821,215	-	-	29,821,215	653,549	30,474,764
Changes in value of available-for-sale financial assets, net of tax	9, 23	-	-	-	-	187,477	-	187,477	(997)	186,480
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	12, 23	-	-	-	-	20,949	-	20,949	(193)	20,756
Foreign currency translation, net of tax	23	-	-	-	-	(986,691)	-	(986,691)	(14,270)	(1,000,961)
Remeasurement of net defined benefit liabilities, net of tax	17, 23	-	-	-	-	(205,360)	-	(205,360)	(7,753)	(213,113)
Total comprehensive income (loss)		-	-	-	29,821,215	(983,625)	-	28,837,590	630,336	29,467,926
Dividends	22	-	-	-	(1,206,622)	-	-	(1,206,622)	(42,155)	(1,248,777)
Capital transaction under common control		-	-	-	-	(312,959)	-	(312,959)	600,042	287,083
Changes in consolidated entities		-	-	-	-	-	-	-	(918)	(918)
Disposal of treasury stock	23, 24	-	-	-	-	41,817	-	41,817	-	41,817
Stock option activities	23, 24	-	-	-	-	(11,999)	-	(11,999)	-	(11,999)
Others		-	-	-	-	737	-	737	(65)	672
Total transactions with owners		-	-	-	(1,206,622)	(282,404)	-	(1,489,026)	556,904	(932,122)
Balance as at December 31, 2013		119,467	778,047	4,403,893	148,600,282	(9,459,073)	-	144,442,616	5,573,394	150,016,010

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.28))

2013 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2013		113,486	739,097	4,183,426	113,978,996	(7,782,886)	-	111,232,119	4,166,575	115,398,694
Profit for the year		-	-	-	28,328,313	-	-	28,328,313	620,832	28,949,145
Changes in value of available-for-sale financial assets, net of tax	9, 23	-	-	-	-	178,091	-	178,091	(947)	177,144
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	12, 23	-	-	-	-	19,900	-	19,900	(183)	19,717
Foreign currency translation, net of tax	23	-	-	-	-	(937,295)	-	(937,295)	(13,556)	(950,851)
Remeasurement of net defined benefit liabilities, net of tax	17, 23	-	-	-	-	(195,079)	-	(195,079)	(7,365)	(202,444)
Total comprehensive income (loss)		-	-	-	28,328,313	(934,383)	-	27,393,930	598,781	27,992,711
Dividends	22	-	-	-	(1,146,217)	-	-	(1,146,217)	(40,045)	(1,186,262)
Capital transaction under common control		-	-	-	-	(297,292)	-	(297,292)	570,003	272,711
Changes in consolidated entities		-	-	-	-	-	-	-	(872)	(872)
Disposal of treasury stock	23, 24	-	-	-	-	39,724	-	39,724	-	39,724
Stock option activities	23, 24	-	-	-	-	(11,398)	-	(11,398)	-	(11,398)
Others		-	-	-	-	700	-	700	(62)	638
Total transactions with owners		-	-	-	(1,146,217)	(268,266)	-	(1,414,483)	529,024	(885,459)
Balance as at December 31, 2013		113,486	739,097	4,183,426	141,161,092	(8,985,535)	-	137,211,566	5,294,380	142,505,946

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2014 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2014		119,467	778,047	4,403,893	148,600,282	(9,459,073)	-	144,442,616	5,573,394	150,016,010
Profit for the year		-	-	-	23,082,499	-	-	23,082,499	311,859	23,394,358
Changes in value of available-for-sale financial assets, net of tax	9, 23	-	-	-	-	(314,069)	-	(314,069)	81,964	(232,105)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	12, 23	-	-	-	-	(128,495)	-	(128,495)	(437)	(128,932)
Foreign currency translation, net of tax	23	-	-	-	-	(954,999)	-	(954,999)	32,940	(922,059)
Remeasurement of net defined benefit liabilities, net of tax	17, 23	-	-	-	-	(694,204)	-	(694,204)	(16,114)	(710,318)
Classified as held-for-sale	37	-	-	-	-	(80,101)	80,101	-	-	-
Total comprehensive income (loss)		-	-	-	23,082,499	(2,171,868)	80,101	20,990,732	410,212	21,400,944
Dividends	22	-	-	-	(2,157,011)	-	-	(2,157,011)	(74,216)	(2,231,227)
Capital transaction under common control		-	-	-	-	(158)	-	(158)	244	86
Changes in consolidated entities		-	-	-	-	-	-	-	569	569
Acquisition of treasury stock	23, 24	-	-	-	-	(1,125,322)	-	(1,125,322)	-	(1,125,322)
Disposal of treasury stock	23, 24	-	-	-	-	32,764	-	32,764	-	32,764
Stock option activities	23, 24	-	-	-	-	(9,436)	-	(9,436)	-	(9,436)
Others		-	-	-	3,834	3,706	-	7,540	(3,740)	3,800
Total transactions with owners		-	-	-	(2,153,177)	(1,098,446)	-	(3,251,623)	(77,143)	(3,328,766)
Balance as at December 31, 2014		119,467	778,047	4,403,893	169,529,604	(12,729,387)	80,101	162,181,725	5,906,463	168,088,188

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.28))

2014 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at January 1, 2014		113,486	739,097	4,183,426	141,161,092	(8,985,535)	-	137,211,566	5,294,380	142,505,946
Profit for the year		-	-	-	21,926,949	-	-	21,926,949	296,245	22,223,194
Changes in value of available-for-sale financial assets, net of tax	9, 23	-	-	-	-	(298,346)	-	(298,346)	77,861	(220,485)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	12, 23	-	-	-	-	(122,062)	-	(122,062)	(415)	(122,477)
Foreign currency translation, net of tax	23	-	-	-	-	(907,190)	-	(907,190)	31,291	(875,899)
Remeasurement of net defined benefit liabilities, net of tax	17, 23	-	-	-	-	(659,451)	-	(659,451)	(15,307)	(674,758)
Classified as held-for-sale	37	-	-	-	-	(76,091)	76,091	-	-	-
Total comprehensive income (loss)		-	-	-	21,926,949	(2,063,140)	76,091	19,939,900	389,675	20,329,575
Dividends	22	-	-	-	(2,049,027)	-	-	(2,049,027)	(70,500)	(2,119,527)
Capital transaction under common control		-	-	-	-	(150)	-	(150)	232	82
Changes in consolidated entities		-	-	-	-	-	-	-	541	541
Acquisition of treasury stock	23, 24	-	-	-	-	(1,068,987)	-	(1,068,987)	-	(1,068,987)
Disposal of treasury stock	23, 24	-	-	-	-	31,124	-	31,124	-	31,124
Stock option activities	23, 24	-	-	-	-	(8,964)	-	(8,964)	-	(8,964)
Others		-	-	-	3,642	3,520	-	7,162	(3,553)	3,609
Total transactions with owners		-	-	-	(2,045,385)	(1,043,457)	-	(3,088,842)	(73,280)	(3,162,122)
Balance as at December 31, 2014		113,486	739,097	4,183,426	161,042,656	(12,092,132)	76,091	154,062,624	5,610,775	159,673,399

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean won, in thousands of US dollars (Note 2.28))

	Notes	For the year ended December 31,			
		2014	2013	2014	2013
		KRW	KRW	USD	USD
Cash flows from operating activities					
Profit for the year		23,394,358	30,474,764	22,223,194	28,949,145
Adjustments	31	22,323,765	23,804,832	21,206,200	22,613,120
Changes in operating assets and liabilities	31	(3,837,136)	(1,313,245)	(3,645,042)	(1,247,502)
Cash flows from operating activities		41,880,987	52,966,351	39,784,352	50,314,763
Interest received		1,555,373	1,034,074	1,477,508	982,306
Interest paid		(463,740)	(434,857)	(440,524)	(413,087)
Dividend received		1,495,658	592,217	1,420,783	562,570
Income tax paid		(7,492,889)	(7,450,345)	(7,117,782)	(7,077,368)
Net cash generated from operating activities		36,975,389	46,707,440	35,124,337	44,369,184
Cash flows from investing activities					
Net increase in short-term financial instruments		(1,110,842)	(19,391,643)	(1,055,231)	(18,420,863)
Net decrease (increase) in short-term available-for-sale financial assets		(713,452)	33,663	(677,735)	31,978
Proceeds from disposal of long-term available-for-sale financial assets		202,904	1,691,463	192,746	1,606,785
Acquisition of long-term available-for-sale financial assets		(6,212,102)	(1,531,356)	(5,901,113)	(1,454,694)
Proceeds from disposal of associates and joint ventures		2,014,430	240	1,913,584	228
Acquisition of associates and joint ventures		(719,800)	(181,307)	(683,766)	(172,230)
Disposal of property, plant and equipment		385,610	377,445	366,306	358,549
Purchases of property, plant and equipment		(22,042,943)	(23,157,587)	(20,939,435)	(21,998,278)
Disposal of intangible assets		31,731	4,562	30,142	4,334
Purchases of intangible assets		(1,324,307)	(934,743)	(1,258,010)	(887,948)
Cash outflows from business combination		(176,625)	(167,155)	(167,783)	(158,787)
Others		(3,141,012)	(1,490,601)	(2,983,767)	(1,415,979)
Net cash used in investing activities		(32,806,408)	(44,747,019)	(31,164,062)	(42,506,905)

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

Samsung Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean won, in thousands of US dollars (Note 2.28))

	Notes	For the year ended December 31,			
		2014	2013	2014	2013
		KRW	KRW	USD	USD
Cash flows from financing activities					
Net increase (decrease) in short-term borrowings		1,833,419	(1,861,536)	1,741,635	(1,768,344)
Acquisition of treasury stock		(1,125,322)	-	(1,068,986)	-
Disposal of treasury stock		27,582	34,390	26,201	32,668
Proceeds from long-term borrowings and debentures		1,740,573	26,672	1,653,437	25,337
Repayment of long-term borrowings and debentures		(3,299,595)	(1,368,436)	(3,134,412)	(1,299,930)
Payment of dividends		(2,233,905)	(1,249,672)	(2,122,072)	(1,187,111)
Net increase in non-controlling interests		139	281,551	132	267,456
Net cash used in financing activities		(3,057,109)	(4,137,031)	(2,904,065)	(3,929,924)
Effect of exchange rate changes on cash and cash equivalents		(555,886)	(330,070)	(528,057)	(313,546)
Net increase (decrease) in cash and cash equivalents		555,986	(2,506,680)	528,153	(2,381,191)
Cash and cash equivalents					
Beginning of the year		16,284,780	18,791,460	15,469,535	17,850,726
End of the year		16,840,766	16,284,780	15,997,688	15,469,535

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

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 “Group”) operate three business divisions: Consumer Electronics (“CE”), Information technology & Mobile communications (“IM”), and Device Solution (“DS”). The CE division includes digital TVs, monitors, printers, air conditioners and refrigerators and the IM division includes mobile phones, communication systems, and computers. The DS division includes products such as memory and system LSI in the semiconductor business (“Semiconductor”), and LCD and OLED panels in the display business (“DP”). SEC 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 the Korean International Financial Reporting Standards (“Korean IFRS”) 1110, *Consolidated Financial Statements*. SEC, as the controlling company, consolidates its 158 subsidiaries, including Samsung Display and Samsung Electronics America (Note 1.2). The Group also applies the equity method of accounting to its 37 affiliates, including Samsung Electro-Mechanics.

1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as at December 31, 2014 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership ¹
	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	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
	Samsung Electronics Logitech	General logistics agency	100.0
Domestic	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
	Samsung Venture Capital Union #26	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #27	Technology business, Venture capital investments	99.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹	
America	Samsung Electronics America (SEA)	Sale of electronic devices	100.0	
	NexusDX (Nexus)	Medical equipment	100.0	
	Samsung Receivables (SRC)	Credit management	100.0	
	NeuroLogica	Medical equipment	100.0	
	Samsung Semiconductor (SSI)	Sale of semiconductor/LCD	100.0	
	Samsung Electronics Canada (SECA)	Sale of electronic devices	100.0	
	Samsung Research America (SRA)	R&D	100.0	
	Grandis	R&D	100.0	
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0	
	Samsung International (SII)	Manufacture of 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	
	RT SV CO-INVEST (RT-SV)	Technology business, Venture capital investments	99.9	
	Quietside	Sale of heating and cooling products	100.0	
	SmartThings	Sale of smart home electronics	100.0	
	PrinterOn	Sale of printing solutions	100.0	
	PrinterOn America	Sale of printing solutions	100.0	
	Europe	Samsung Electronics (UK) (SEUK)	Sale of electronic devices	100.0
		Samsung Electronics Holding (SEHG)	Holding Company	100.0
Samsung Semiconductor Europe GmbH (SSEG)		Sale of semiconductor/LCD	100.0	
Samsung Electronics GmbH (SEG)		Sale of electronic devices	100.0	
Samsung Electronics Iberia (SESA)		Sale of electronic devices	100.0	
Samsung Electronics France (SEF)		Sale of electronic devices	100.0	
Samsung Electronics Hungarian (SEH)		Manufacture and sale of electronic devices	100.0	
Samsung Electronics Czech and Slovak (SECZ)		Sale of electronic devices	100.0	
Samsung Electronics Italia (SEI)		Sale of electronic devices	100.0	
Samsung Electronics Europe Logistics (SELS)		Logistics	100.0	
Samsung Electronics Benelux (SEBN)		Sale of electronic devices	100.0	
Samsung Display Slovakia (SDSK)		Toll processing of LCD	100.0	
Samsung Electronics Romania (SEROM)		Sale of electronic devices	100.0	
Samsung Electronics Overseas (SEO)		Sale of electronic devices	100.0	
Samsung Electronics Polska (SEPOL)		Sale of electronic devices	100.0	

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹	
	Samsung Electronics Portuguesa (SEP)	Sale of electronic devices	100.0	
	Samsung Electronics Nordic (SENA)	Sale of electronic devices	100.0	
	Samsung Semiconductor Europe (SSEL)	Sale of semiconductor/LCD	100.0	
	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0	
	Samsung Electronics Slovakia (SESK)	Manufacture of 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 Electronics Rus (SER)	Marketing	100.0	
	Samsung Electronics Rus Company (SERC)	Sale of electronic devices	100.0	
	Samsung Electronics Ukraine (SEU)	Marketing	100.0	
Europe (Cont.)	Samsung Electronics Baltics (SEB)	Sale of electronic devices	100.0	
	Samsung Electronics Ukraine Company (SEUC)	Sale of electronic devices	100.0	
	Samsung R&D Institute Rus (SRR)	R&D	100.0	
	Samsung Electronics Kazakhstan (SEK)	Marketing	100.0	
	Samsung Electronics Central Eurasia (SECE)	Sale of electronic devices	100.0	
	Samsung Electronics Rus Kaluga (SERK)	Manufacture of 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	
	PrinterOn Europe	Sale of printing solutions	100.0	
	Samsung Electronics Caucasus (SECC)	Marketing	100.0	
		Samsung Electronics West Africa (SEWA)	Marketing	100.0
		Samsung Electronics East Africa (SEEA)	Marketing	100.0
		Samsung Gulf Electronics (SGE)	Sale of electronic devices	100.0
	Samsung Electronics Egypt (SEEG)	Manufacture of CTV/monitors	100.0	
	Samsung Electronics Israel (SEIL)	Marketing	100.0	
	Samsung Electronics Tunisia (SETN)	Marketing	100.0	
	Samsung Electronics Pakistan (SEPAK)	Marketing	100.0	
Middle East and Africa	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0	
	Samsung Electronics Turkey (SETK)	Sale of electronic devices	100.0	
	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0	
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0	
	Samsung Electronics Morocco (SEMRC)	Sale of electronic devices	100.0	
	Samsung Electronics South Africa Production (SSAP)	Manufacture of CTV/monitors	100.0	

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
China	Shanghai Samsung Semiconductor (SSS)	Sale of semiconductor/LCD	100.0
	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
	Tianjin Samsung LED (TSLED)	Manufacture of LED	100.0
	Tianjin Samsung Opto-Electronics (TSOE)	Manufacture of cameras/camcorders	90.0
	Samsung R&D Institute China-Xian (SRC-Xian)	R&D	100.0
	SEMES (Xian)	Semiconductor equipment	100.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
Rest of Asia	Samsung Electronics Indonesia (SEIN)	Manufacture and sale of electronic devices	100.0
	Samsung Telecommunications Indonesia (STIN)	Sale and services of communication systems	100.0
	Thai Samsung Electronics (TSE)	Manufacture and sale of electronic devices	91.8
	Samsung Electronics Philippines (SEPCO)	Sale of electronic devices	100.0
	Samsung Malaysia Electronics (SME)	Sale of electronic devices	100.0
	Samsung R&D Institute Bangladesh (SRBD)	R&D	100.0
	Samsung Electronics Vietnam (SEV)	Manufacture of electronic devices	100.0
	Samsung Telecommunications Malaysia (STM)	Communication system services	100.0
	Samsung Electronics Vietnam THAINGUYEN (SEVT)	Manufacture of communication equipment	100.0
	Samsung Medison India (SMIN)	Medical equipment	100.0
	Samsung Electronics New Zealand (SENZ)	Sale of electronic devices	100.0
	Samsung Display Bac Ninh (SDBN)	Manufacture of LCD	100.0

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(1) 2014

<i>(In millions of Korean won)</i>	2014			
	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Display (SDC)	₩ 37,939,965	₩ 6,728,991	₩ 24,980,628	₩ 1,698,239
Samsung Electronics America (SEA)	10,697,787	5,409,749	14,076,007	(80,403)
Samsung (China) Investment (SCIC)	9,603,679	7,830,941	16,451,983	162,677
Samsung Semiconductor (SSI)	7,577,935	3,883,673	19,105,338	194,713
Samsung Electronics Europe Holding (SEEH)	7,022,746	5,062,988	-	93,605
Samsung (China) Semiconductor (SCS)	6,765,278	3,911,166	877,508	166,754
Samsung Electronics Vietnam (SEV)	6,553,628	1,251,667	19,811,537	2,012,173
Samsung Austin Semiconductor (SAS)	6,503,003	3,375,099	2,423,230	78,747
Samsung Telecommunications America (STA)	5,321,014	4,573,413	23,002,379	66,255
Samsung Electronics Huizhou (SEHZ)	4,966,486	1,258,635	17,166,345	829,880
Samsung Electronics Vietnam THAINGUYEN (SEVT)	3,957,700	3,042,402	8,265,414	772,450
Samsung Electronica da Amazonia (SEDA)	3,797,166	1,330,302	7,936,105	887,715
Samsung Asia Private (SAPL)	3,110,433	671,729	1,423,212	1,057,873
Samsung India Electronics (SIEL)	2,949,605	1,776,936	6,849,389	428,757
Shanghai Samsung Semiconductor (SSS)	2,560,852	2,120,738	13,331,324	125,239
Tianjin Samsung Telecom Technology (TSTC)	2,316,054	789,395	11,413,234	510,357
Samsung Electronics Slovakia (SESK)	1,869,697	405,089	4,248,232	142,416
Samsung Suzhou LCD (SSL)	1,831,794	768,230	815,705	(38,931)
Thai Samsung Electronics (TSE)	1,654,988	307,109	4,442,707	202,647
Samsung Electronics Europe Logistics (SELS)	1,621,583	1,524,468	13,320,129	38,209
Samsung Electronics Taiwan (SET)	1,583,027	1,299,330	4,472,432	44,559
Samsung Electronics Hungarian (SEH)	1,287,972	323,972	3,113,297	109,549
Samsung Electronics (UK) (SEUK)	1,235,239	964,058	4,304,335	72,231
Samsung Electronics Benelux (SEBN)	1,207,723	245,237	2,394,375	30,404
Samsung Electronics GmbH (SEG)	1,142,897	1,082,420	6,377,894	(17,881)

(2) 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	22,664,923	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
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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(C) Changes in scope of consolidation

(1) Subsidiaries newly included in the consolidation for the year ended December 31, 2014:

Area	Subsidiary	Description
Domestic	Samsung Venture Capital Union #26	Incorporation
	Samsung Venture Capital Union #27	Incorporation
America	RT SV CO-INVEST (RT-SV)	Acquisition of shares
	Quietside	Acquisition of shares
	SmartThings	Acquisition of shares
	PrinterOn	Acquisition of shares
	PrinterOn America	Acquisition of shares
Europe	1397011 Ontario	Acquisition of shares
	PrinterOn Europe	Acquisition of shares
	Samsung Electronics Caucasus (SECC)	Incorporation
Middle East and Africa	Samsung Electronics South Africa Production (SSAP)	Incorporation
Asia	Samsung Display Bac Ninh (SDBN)	Incorporation

(2) Subsidiaries excluded from the consolidation for the year ended December 31, 2014:

Area	Subsidiary	Description
Domestic	World Cyber Games	Liquidation
	Samsung Electronics Football Club	Disposal
America	1397011 Ontario	Liquidation
Europe	Samsung Medison Europe (SMNL)	Liquidation
	Nanogen Recognomics (Nanogen)	Liquidation
Asia	Medison Medical Systems (India) (MI)	Liquidation
China	Medison Medical Equipment (Shanghai) (MMS)	Liquidation

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements of the Group presented have been prepared in accordance with Korean IFRS. International Financial Reporting Standards ("IFRS") have been adopted by the Korean Accounting Standards Board as Korean IFRS based on standards and interpretations published by the International Accounting Standards Board.

Korean IFRS permits the use of critical accounting estimates in the preparation of the financial statements and requires management judgments in applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

2.2 Changes in Accounting Policy and Disclosures

(A) New and amended standards adopted by the Group

The Group applied the following amended and enacted standards for the annual period beginning on January 1, 2014:

Amendment to Korean IFRS 1032, Financial Instruments: Presentation

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, 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 the outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. The adoption of this standard did not have a material impact on the consolidated financial statements.

Enactment of Korean IFRS 2121, Levies

Korean IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by the government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs (obligating event), as identified by the legislation. The application of this interpretation did not have a material impact on the consolidated financial statements.

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

The Group expects that new standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014, and not early adopted, would not have a material impact on its consolidated financial statements.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3 Consolidation

The Group prepares the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(A) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group 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 Group obtains control of a subsidiary and ceases when the Group loses control of the subsidiary.

The Group 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 Group 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 Group's previously held equity interest in the acquiree over (2) the net identifiable assets acquired. If this consideration (1) is lower 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 Group subsidiaries are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(C) Disposal of subsidiaries

If the Group 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 Group had directly disposed of the related assets or liabilities. As a result, the previously recognized other comprehensive income are reclassified into profit or loss.

(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.

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(E) Associates

Associates are all entities over which the Group has significant influence but does not have control, generally investees of which from 20% to 50% of voting stock is owned by the Group. Investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

(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 Group'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 parent 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 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 Group 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

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income. When the Group 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.

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 Group 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-derivative financial assets 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.

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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.

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 financial income. Dividends on available-for-sale financial assets are recognized in the statement of income as part of other non-operating income when the Group'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 Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially all of the risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group 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 Group 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 Group writes off financial assets when the assets are determined to no longer be 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, they are classified as current assets. If collection is expected beyond one year, 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.

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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.

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 of 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 Group 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 Group'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
Other	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.

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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 is 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 an 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 lives such as trademarks and licenses, are amortized using the straight-line method over their estimated useful lives.

The Group'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 lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill for which an impairment charge was previously recorded 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 Group 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 they are extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expires or when the terms of an existing financial liability are substantially modified.

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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, they are classified as current liabilities. If payment is expected beyond one year, 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 Group 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.

2.17 Provisions

A provision is recognized when the Group 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 Group has a variety of retirement pension plans including defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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 Group pays contributions to annuity plans that are managed either publicly or privately on a mandatory, contractual or voluntary basis. The Group 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.

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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.

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 Group 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 their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes are recognized in profit or loss in the year in which they are incurred. Certain derivatives that qualify as cash flow hedges and hedges on net investments in foreign operations are recognized under equity.

2.22 Dividend

Dividend distribution to the Group's shareholders is recognized as a liability when the dividends are approved.

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2.23 Share Capital

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

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 Group's activities. Revenue is shown net of value-added tax, returns, sales incentives and discounts and after eliminating intercompany transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group measures revenue by reliably estimating the contingencies associated with revenue based 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. Revenue is recognized net of discounts and returns, estimated at the time of sale based on past experience.

(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) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, to the extent of the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(D) Royalty income

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

(E) Dividend income

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

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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 attached to it. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to assets are recognized in liabilities as deferred income government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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.

2.27 Operating Segments

Operating segments are disclosed in the manner reported to the chief operating decision-maker (Note 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 Group 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 ₩1,052.70 to US \$1, the average exchange rate for the year ended December 31, 2014. 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 29, 2015.

3. Critical Accounting Estimates and Assumptions

The Group 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 Group 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 Group 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.

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(B) Provision for warranty

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

(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.

(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 Group, 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

At the end of each reporting period, the Group tests whether goodwill has become impaired by comparing the carrying amounts of cash-generating units to the recoverable amounts. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, and these calculations are based on estimates.

(F) Income taxes

Income taxes on the Group's taxable income from operating activities are subject to various tax laws and determinations of each tax authority across various countries throughout the world. There is uncertainty in determining the eventual tax effects on the taxable income from operating activities. The Group 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.

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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 at December 31, 2014 and 2013, consist of the following:

<i>(In millions of Korean won)</i>	2014		2013	
Cash on hand	₩	15,550	₩	14,454
Bank deposits and others		16,825,216		16,270,326
Total	₩	16,840,766	₩	16,284,780

5. Financial Assets Subject to Withdrawal Restrictions

Financial instruments subject to withdrawal restrictions as at December 31, 2014 and 2013, consist of the following:

<i>(In millions of Korean won)</i>	2014		2013	
Short-term financial instruments	₩	13,919	₩	23,850
Other non-current assets		202		15

6. Financial Instruments by Category

(A) Categorizations of financial assets and liabilities as at December 31, 2014 and 2013, are as follows:

(1) As at December 31, 2014

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

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<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 payables	₩	-	₩	7,914,704	₩	-	₩ 7,914,704
Short-term borrowings		-		3,367,915		4,661,384	8,029,299
Other payables		-		9,258,344		-	9,258,344
Current portion of long-term liabilities		-		1,778,667		-	1,778,667
Debentures		-		1,355,882		-	1,355,882
Long-term borrowings		-		101,671		-	101,671
Long-term other payables		-		2,520,277		-	2,520,277
Other		78,348		11,395,781		-	11,474,129
Total	₩	78,348	₩	37,693,241	₩	4,661,384	₩ 42,432,973

(2) As at 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 receivables		-		24,988,532		-	24,988,532
Long-term available-for-sale financial assets		-		-		6,238,380	6,238,380
Other		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 payables	₩	-	₩	8,437,139	₩	-	₩ 8,437,139
Short-term borrowings		-		3,181,582		3,256,935	6,438,517
Other payables		-		7,877,581		-	7,877,581
Current portion of long-term liabilities		-		2,425,831		-	2,425,831
Debentures		-		1,311,068		-	1,311,068
Long-term borrowings		-		985,117		-	985,117
Long-term other payables		-		1,023,714		-	1,023,714
Other		244,172		10,618,340		-	10,862,512
Total	₩	244,172	₩	35,860,372	₩	3,256,935	₩ 39,361,479

Samsung Electronics Co., Ltd. and Subsidiaries

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(B) Net gains or net losses on each category of financial instruments for the years ended December 31, 2014 and 2013, are as follows:

(1) As at December 31, 2014

(In millions of Korean won)

Financial Assets	Assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Total
Loss on valuation (other comprehensive income)	₩ -	₩ -	₩ (117,455)	₩ (117,455)
Gain/(loss) on valuation/disposal (profit or loss)	(8,755)	(23,522)	168,869	136,592
Reclassification from other comprehensive income to profit or loss	-	-	(153,693)	(153,693)
Interest income	-	1,734,963	98,398	1,833,361
Foreign exchange differences (profit or loss)	-	(59,125)	-	(59,125)
Foreign exchange differences (other comprehensive income)	-	-	(127,288)	(127,288)
Dividend income	-	-	1,436,235	1,436,235
Impairment/reversal (profit or loss)	-	12,387	(67,636)	(55,249)

(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)	₩ (15,153)	₩ -	₩ -	₩ (15,153)
Interest expense	-	466,371	126,569	592,940
Foreign exchange differences (profit or loss)	-	(343,865)	61,644	(282,221)

(2) As at 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
Reclassification from other comprehensive income to profit or loss	-	-	(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)

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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)

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 at December 31, 2014 and 2013, 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, but, as the trade payables are guaranteed by credit insurance or collateral, all default risk has been relieved

(A) Trade receivables

(In millions of Korean won)

	2014	2013
Counterparties with external credit rating:		
Superior ability to repay	₩ 2,368,544	₩ 3,414,467
Strong ability to repay	3,926,159	2,796,881
Acceptable ability to repay	2,812,165	2,491,635
Currently having the ability to repay	3,572,935	4,370,114
Subtotal	12,679,803	13,073,097
Counterparties without external credit rating:		
Group 1	8,978,175	9,429,612
Group 2	223,596	153,770
Subtotal	9,201,771	9,583,382
Total	₩ 21,881,574	₩ 22,656,479

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Cash equivalents and short-term financial instruments

<i>(In millions of Korean won)</i>	2014		2013	
Superior ability to repay	₩	3,808,656	₩	2,584,121
Strong ability to repay		52,949,611		49,891,037
Acceptable ability to repay		1,726,291		493,383
Currently having the ability to repay		4,311		1,111
Other ¹		26,123		23,376
Total	₩	58,514,992	₩	52,993,028

¹ Short-term financial instruments held at financial institutions (such as Credit unions) without an external credit rating.

8. Transfer of Financial Assets

Trade receivables of the Group have been discounted through factoring agreements with banks in 2014 and 2013. Collateral (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 statement of financial position (Note 15).

The following table presents a breakdown of discounted trade receivables as at December 31, 2014 and 2013:

<i>(In millions of Korean won)</i>	2014		2013	
Carrying amount of the discounted trade receivables ¹	₩	4,661,384	₩	3,256,935
Carrying amount of the related borrowings		4,661,384		3,256,935

¹ The discounted trade receivables include intercompany balances.

9. Available-for-Sale Financial Assets

Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Balance as at January 1	₩	7,726,907	₩	6,488,049
Acquisitions		9,304,021		4,031,357
Disposals		(2,521,342)		(4,120,906)
Gain on valuation of available-for-sale financial assets		(117,455)		1,271,817
Impairment		(63,600)		(5,177)
Foreign exchange differences		(127,288)		939
Other ¹		1,753,064		60,828
Balance as at December 31	₩	15,954,307	₩	7,726,907
(A) Current portion		3,286,798		1,488,527
(B) Non-current portion		12,667,509		6,238,380

¹ During the year ended December 31, 2014, the Group's ownership interest in Samsung SDI decreased. Consequently, ₩1,550,241 million was reclassified from investment in associate to available-for-sale financial assets.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Details of short-term available-for-sale financial assets as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Beneficiary certificates ¹	₩	2,166,143	₩	1,257,492
Government bonds		50,256		180,959
Bank debentures		1,070,399		50,076
Total	₩	3,286,798	₩	1,488,527

¹ Details of beneficiary certificates as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Bonds	₩	952,931	₩	1,232,523
Time deposits		1,154,703		364
Call loans		50,760		15,449
Other		7,749		9,156
Total	₩	2,166,143	₩	1,257,492

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, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Balance as at January 1	₩	7,492	₩	8,873
Fair value gains		16,990		7,492
Net gains transferred from equity		(7,492)		(8,873)
Balance as at December 31		16,990		7,492
Deferred income tax		(4,112)		(1,813)
Total	₩	12,878	₩	5,679

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 at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Equity securities - Listed	₩	5,776,836	₩	4,399,314
Equity securities - Non-listed		3,746,393		782,297
Debt securities ¹		3,144,280		1,056,769
Total	₩	12,667,509	₩	6,238,380

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

Details of listed equity securities as at December 31, 2014 and 2013, are as follows:

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

	2014			2013	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Value (Market Value)	Book Value (Market Value)
Samsung SDI	13,462,673	19.6	₩ 2,180,953	₩ 1,561,670	₩ -
Samsung Heavy Industries	40,675,641	17.6	258,299	811,479	1,547,708
Samsung Fine Chemicals	2,164,970	8.4	45,678	70,795	96,449
Hotel Shilla	2,004,717	5.1	13,957	183,231	133,314
Cheil Worldwide ¹	14,498,725	12.6	223,941	249,378	82,465
iMarket Korea	647,320	1.8	324	18,384	16,668
SFA	1,822,000	10.2	38,262	90,462	74,884
Wonik IPS	7,220,216	9.0	63,250	100,722	61,949
ASML	12,595,575	2.9	726,024	1,506,664	1,248,019
CSR ²	-	-	-	-	110,135
Rambus	4,788,125	4.2	92,682	58,368	47,851
Seagate Technology	12,539,490	3.8	218,544	916,597	743,161
Sharp	35,804,000	2.1	122,535	88,292	120,143
SunEdison Semiconductor	2,425,578	5.8	37,553	49,511	-
Wacom	8,398,400	5.0	62,013	36,084	62,268
Other			51,837	35,199	54,300
Total			₩ 4,135,852	₩ 5,776,836	₩ 4,399,314

¹ The Group acquired 11,500,000 shares of Cheil Worldwide during the year ended December 31, 2014.

² The Group disposed all of its CSR shares during the year ended December 31, 2014.

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

Details of non-listed equity securities as at December 31, 2014 and 2013, are as follows:

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

	2014			2013	
	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	6,586	7,021
Samsung Petrochemical ²	-	-	-	-	80,347
Samsung General Chemicals ²	-	-	-	-	80,653
Taewon Electric	45,000	15.0	16,544	17,094	17,072
Pantech ³	53,000,000	10.0	53,000	-	53,053
Corning Inc. ⁴	2,300	7.4	2,434,320	3,106,332	-
CSOT ⁵	-	9.5	278,130	278,130	278,130
Nanosys	13,100,436	11.2	17,861	21,786	17,861
OpenX ⁵	8,899,172	3.2	10,738	10,738	10,738
Other ³			339,361	295,050	226,745
Total			₩ 3,165,531	₩ 3,746,393	₩ 782,297

¹ As at December 31, 2014, the Group's investments in Pusan Newport are pledged as collateral against the investee's debt (Note 19).

² During 2014, Samsung General Chemicals Co., Ltd. merged with Samsung Petrochemical Co., Ltd., and the Group entered into an agreement with Hanwha Chemical and Hanwha Energy Corporation to sell all of its Samsung General Chemicals Co., Ltd. As a result, the shares are reclassified as assets held-for-sale.

³ Impairment losses on unlisted equity securities resulting from the decline in realizable value below the acquisition cost amounted to ₩58,357 million and ₩5,177 million for the years ended December 31, 2014 and 2013, respectively.

⁴ During the year ended December 31, 2014, the Group acquired 2,300 shares of convertible preferred shares of Corning Incorporated, which are convertible into common shares. Percentage of ownership is calculated under the assumption that all shares have been converted into common shares.

⁵ Nonmarketable shares, including CSOT, are measured at cost as the variability of estimated cash flow is significant and the probability of various estimates, including discount rate, cannot be reasonably assessed.

(3) Debt securities

Details of debt securities as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Corporate bonds	₩	108,275	₩	106,944
Government bonds		272,526		50,356
Bank debentures		2,763,479		899,469
Total	₩	3,144,280	₩	1,056,769

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in valuation gain (loss) on long-term available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Balance as at January 1	₩	2,845,693	₩	2,572,755
Fair value gain (loss)		(134,445)		1,264,325
Net (loss) transferred from equity		(146,201)		(991,387)
Balance as at December 31		2,565,047		2,845,693
Deferred income tax and non-controlling interests		(702,980)		(662,359)
Total	₩	1,862,067	₩	2,183,334

10. Trade and Other Receivables

(A) Trade and other receivables as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
	Trade	Non-Trade	Trade	Non-Trade
Receivables	₩ 25,008,013	₩ 3,559,111	₩ 25,292,231	₩ 2,931,605
Less: Provisions for impairment	(277,788)	(9,894)	(267,675)	(20,046)
Receivables, net	24,730,225	3,549,217	25,024,556	2,911,559
Less: Non-current portion	(35,615)	(9,342)	(36,024)	(24,157)
Current portion	₩ 24,694,610	₩ 3,539,875	₩ 24,988,532	₩ 2,887,402

The Group transferred receivable balances to financial institutions in exchange for cash during the years ended December 31, 2014 and 2013. The outstanding balances of transferred receivables, amounting to ₩4,661,384 million and ₩3,256,935 million, have been accounted for as collateralized borrowings as at December 31, 2014 and 2013, respectively (Note 15).

(B) Movements in the provisions for impairment of receivables for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
	Trade	Non-Trade	Trade	Non-Trade
Balance as at January 1	₩ (267,675)	₩ (20,046)	₩ (276,787)	₩ (2,595)
Reversals of unused amounts / (provisions for impaired receivables)	(17,475)	5,700	(2,785)	(18,794)
Receivables written off during the year as uncollectible	6,017	1,491	13,787	511
Other	1,345	2,961	(1,890)	832
Balance as at December 31	₩ (277,788)	₩ (9,894)	₩ (267,675)	₩ (20,046)

Samsung Electronics Co., Ltd. and Subsidiaries

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(C) The aging analysis of trade and other receivables as at December 31, 2014 and 2013, is as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Receivables not past due	₩	25,271,779	₩	25,420,912
Past due but not impaired ¹ :				
Less than 31 days overdue		2,333,812		2,058,708
Impaired ² :				
31 days to 90 days overdue		378,242		184,405
Over 90 days overdue		583,291		559,811
Total	₩	28,567,124	₩	28,223,836

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

² Provisions for impaired receivables amount to ₩287,682 million as at December 31, 2014 (2013: ₩287,721 million).

(D) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As at December 31, 2014, the Group has credit insurance with Korea Trade Insurance and overseas insurance companies against its export accounts receivables. In accordance with the terms of the contract, the Group is entitled to a compensation on bad debts if the criteria set forth in the agreement, such as customer's refusal of payment, are satisfied.

11. Inventories

Inventories as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014			2013		
	Gross Amount	Valuation Allowance	Book Value	Gross Amount	Valuation Allowance	Book Value
Finished goods	₩ 6,011,078	₩ (237,630)	₩ 5,773,448	₩ 7,597,391	₩ (168,041)	₩ 7,429,350
Work in process	5,018,416	(553,345)	4,465,071	4,352,080	(281,814)	4,070,266
Raw materials and supplies	6,244,161	(287,155)	5,957,006	6,960,985	(151,873)	6,809,112
Materials in transit	1,121,979	-	1,121,979	826,140	-	826,140
Total	₩18,395,634	₩(1,078,130)	₩17,317,504	₩19,736,596	₩ (601,728)	₩19,134,868

The cost of inventories recognized as expense and included in 'cost of sales' for the year ended December 31, 2014, amounts to ₩127,584,292 million (2013: ₩136,755,644 million). Inventory valuation loss of ₩637,233 million was recognized for the year ended December 31, 2014 (2013: ₩435,607 million).

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investments in Associates and Joint Ventures

(A) Changes in investments in associates and joint ventures for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Balance as at January 1	₩	6,422,292	₩	8,785,489
Acquisition		721,299		181,307
Disposal		(38,450)		(240)
Share of profit		342,516		504,063
Other ¹		(2,215,196)		(3,048,327)
Balance as at December 31	₩	5,232,461	₩	6,422,292

¹ Other consists of dividends, business combinations, and effects of changes in foreign exchange rates.

(B) Major investments in associates and joint ventures as at December 31, 2014, are as follows:

(1) Investments in associates

Investee	Nature of Relationship with Associate	Percentage of Ownership¹ (%)	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 SDS	Provide IT services including computer programming, system integration and management	22.6	Korea
Samsung Techwin ²	Manufacture and supply engine and precision machines	25.5	Korea

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

² During the year ended December 31, 2014, the Group's investment in Samsung Techwin met the asset held-for-sale classification criterion and was reclassified accordingly.

(2) Investments in joint ventures

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

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

Samsung Electronics Co., Ltd. and Subsidiaries

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(C) Details of investments in associates and joint ventures as at December 31, 2014 and 2013, are as follows:

(1) Investments in associates

(In millions of Korean won)

		2014			
Investee	Acquisition cost		Net asset value of equity shares¹		Book value
Samsung Card	₩	1,538,540	₩	2,393,185	₩ 2,354,026
Samsung Electro-Mechanics		359,237		1,038,184	1,040,404
Samsung SDS		147,963		928,548	951,776
Other		745,568		485,330	623,480
Total	₩	2,791,308	₩	4,845,247	₩ 4,969,686

(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
Other		582,646		375,959	548,553
Total	₩	3,226,639	₩	6,394,614	₩ 6,300,963

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

(2) Investments in joint ventures

(In millions of Korean won)

		2014			
Investee	Acquisition cost		Net asset value of equity shares¹		Book value
Samsung Corning Advanced Glass	₩	215,000	₩	196,015	₩ 195,930
Other		527,204		100,948	66,845
Total	₩	742,204	₩	296,963	₩ 262,775

(In millions of Korean won)

		2013			
Investee	Acquisition cost		Net asset value of equity shares¹		Book value
Samsung Corning Advanced Glass	₩	115,000	₩	111,961	₩ 111,961
Other		422,995		(16,357)	9,368
Total	₩	537,995	₩	95,604	₩ 121,329

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(D) Details of the valuations of investments in associates and joint ventures under the equity method for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

Investee	2014				
	Balance as at January 1	Gain/loss on valuation	Other comprehensive income/loss	Other ¹	Balance as at December 31
Samsung Card	₩ 2,340,009	₩ 189,533	₩ (145,141)	₩ (30,375)	₩ 2,354,026
Samsung Electro-Mechanics	954,496	114,013	(14,834)	(13,271)	1,040,404
Samsung SDI ²	1,175,204	11,636	32,795	(1,219,635)	-
Samsung SDS	879,956	95,160	(18,971)	(4,369)	951,776
Samsung Techwin ³	402,745	(4,094)	19,502	(418,153)	-
Samsung Corning Advanced Glass	111,961	(14,937)	(986)	99,892	195,930
Other	557,921	(48,795)	(1,297)	182,496	690,325
Total	₩ 6,422,292	₩ 342,516	₩ (128,932)	₩(1,403,415)	₩ 5,232,461

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

² During the year ended December 31, 2014, the Group's ownership interest in Samsung SDI decreased. Consequently, the investment was reclassified to available-for-sale financial assets.

³ During the year ended December 31, 2014, the Group's investment in Samsung Techwin met the asset held-for-sale classification criterion and was reclassified accordingly.

(In millions of Korean won)

Investee	2013				
	Balance as at January 1	Gain/loss on valuation	Other comprehensive income/loss	Other ¹	Balance as at 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
Other	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 Other consists of acquisitions, disposals, dividends, and effects of changes in foreign exchange rates.

² During the year ended December 31, 2013, the Group signed a framework agreement for comprehensive business cooperation with Corning Incorporated. During the year ended December 31, 2014, the Group completed disposal of all shares of Samsung Corning Precision Materials held by the Group.

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(E) Summary of the 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 at and for the years ended December 31, 2014 and 2013, is as follows:

<i>(In millions of Korean won)</i>	2014		
Investee	Samsung Card ¹	Samsung Electro-Mechanics	Samsung SDS
1. Condensed financial information			
Condensed statement of financial position:			
Current assets	₩ 17,736,627	₩ 3,553,987	₩ 3,228,074
Non-current assets		4,164,625	2,317,971
Current liabilities		2,151,002	1,117,969
Non-current liabilities	11,346,281	924,814	214,051
Non-controlling interests	-	89,390	101,766
Condensed statement of comprehensive income:			
Revenue	3,521,846	7,143,746	7,897,748
Profit from continuing operations ²	656,025	502,704	412,880
Other comprehensive loss ²	(387,559)	(65,510)	(83,938)
Total comprehensive income ²	268,466	437,194	328,942
2. Details of adjustments from the book value of investments in associates			
Net assets (a)	6,390,346	4,553,406	4,112,259
Ownership percentage (b) ³	37.5%	22.8%	22.6%
Net assets of equity shares (a x b)	2,396,380	1,038,184	929,371
Goodwill	17,181	-	26,801
Intercompany transactions	(59,535)	2,220	(4,396)
Book value of associates	2,354,026	1,040,404	951,776
3. Dividends from associates			
Dividends	₩ 30,375	₩ 13,270	₩ 4,368

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

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

³ Ownership percentage includes common and preferred stock.

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(In millions of Korean won)

2013

Investee	Samsung Card ¹	Samsung Electro- Mechanics	Samsung SDI	Samsung SDS	Samsung Techwin
1. Condensed financial information					
Condensed statement of financial position:					
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
Condensed statement of comprehensive income:					
Revenue	2,847,053	8,256,579	5,016,465	7,046,833	2,912,031
Profit from continuing operations ²	273,232	330,240	130,599	312,372	132,493
Other comprehensive income (loss) ²	84,153	26,676	(63,211)	(88,703)	21,596
Total comprehensive income ²	357,385	356,916	67,388	223,669	154,089
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 (b) ³	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	(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 liabilities as separate classifications in its statement of financial position.

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

³ Ownership percentage includes common and preferred stock.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (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 at and for the years ended December 31, 2014 and 2013, is as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Investee	Samsung Corning Advanced Glass		Samsung Corning Advanced Glass	
1. Condensed financial information				
Condensed statements of financial position				
Current assets	₩	228,312	₩	171,353
- Cash and cash equivalent		14,696		64,113
Non-current assets		200,105		95,310
Current liabilities		34,719		42,674
- Current financial liabilities ¹		18,718		40,575
Non-current liabilities		1,669		67
Condensed statements of comprehensive income				
Revenue		264,754		68,803
Depreciation and amortization		705		283
Interest income		912		4,618
Income tax expense		(6,133)		(567)
Loss from continuing operations ²		(29,922)		(4,604)
Other comprehensive loss ²		(2,028)		(21)
Total comprehensive loss ²		(31,950)		(4,625)

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

² Loss attributable to owners of the parent.

<i>(In millions of Korean won)</i>	2014		2013	
Investee	Samsung Corning Advanced Glass		Samsung Corning Advanced Glass	
2. Details of adjustments from the book value of investments in joint ventures				
Net assets (a)	₩	392,029	₩	223,922
Ownership percentage (b)		50.0%		50.0%
Net assets of equity shares (a x b)		196,015		111,961
Intercompany transactions ¹		(85)		-
Book value of joint ventures		195,930		111,961
3. Dividends from joint ventures				
Dividends	₩	-	₩	-

¹ Consists of unrealized gains and losses and other differences.

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(3) Profit (loss) amounts attributable to owners of the parent from associates and joint ventures which are not individually material for the years ended December 31, 2014 and 2013, are as follow:

(In millions of Korean won)	2014		2013		
	Investee	Associates	Joint ventures	Associates	Joint ventures
Loss from continuing operations ¹	₩ (32,436)	₩ (30,181)	₩ (139,194)	₩ (166,310)	₩ (166,310)
Other comprehensive income (loss) ¹	4,399	634	(11,862)	(1,942)	(1,942)
Total comprehensive loss ¹	₩ (28,037)	₩ (29,547)	₩ (151,056)	₩ (168,252)	₩ (168,252)

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

(F) Fair value of marketable investments in associates as at December 31, 2014 and 2013, is as follows:

(In millions of Korean won and number of shares)	2014		2013	
	Number of shares held	Market value	Market value	Market value
Samsung Electro-Mechanics	17,693,084	₩ 967,812	₩ 1,291,595	1,291,595
Samsung Card	43,393,170	1,917,978	1,622,905	1,622,905
Samsung SDS ¹	17,472,110	5,128,064	-	-
Samsung Techwin	13,526,935	322,617	735,865	735,865

¹ During the year ended December 31, 2014, Samsung SDS Co., Ltd listed its shares on the Korea Stock Exchange.

13. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)	2014					
	Land	Buildings and Structures	Machinery and Equipment	Construction In Progress	Other	Total
Balance as at January 1	₩ 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)
Acquisitions and capital expenditures ¹	357,794	3,595,210	16,048,623	2,476,963	956,520	23,435,110
Business combinations	-	-	-	-	940	940
Depreciation	-	(1,305,220)	(14,729,718)	-	(875,088)	(16,910,026)
Sales/disposals	(67,001)	(457,634)	(193,077)	(44,883)	(71,550)	(834,145)
Impairment	-	(2,280)	(173,140)	-	(6,710)	(182,130)
Other ²	(9,728)	53,407	300,724	(439,945)	(37,645)	(133,187)
Balance as at December 31	₩ 7,710,352	₩ 17,598,547	₩ 37,751,890	₩ 15,832,307	₩ 1,979,854	₩ 80,872,950
Acquisition cost	7,710,352	26,474,937	127,603,897	15,832,307	5,664,513	183,286,006
Accumulated depreciation and impairment	-	(8,876,390)	(89,852,007)	-	(3,684,659)	(102,413,056)

¹ The capitalized borrowing costs are ₩33,931 million and the interest rate used to calculate the borrowing costs eligible for capitalization is 2.06%.

² Other includes transfer to assets held-for-sale and effects of changes in foreign currency exchange rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2013

<i>(In millions of Korean won)</i>	Land	Buildings and Structures	Machinery and Equipment	Construction In Progress	Other	Total
Balance as at 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)
Other ²	(15,715)	(325,971)	(237,463)	35,457	(97,961)	(641,653)
Balance as at 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 Other includes effects of changes in foreign currency exchange rates.

(B) Details of depreciation of property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Cost of sales	₩ 15,309,212	₩ 14,053,512
Selling and administrative expenses	1,600,814	1,416,500
Total	₩ 16,910,026	₩ 15,470,012

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14. Intangible Assets

(A) Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014					
	Intellectual property rights	Capitalized cost	Membership	Goodwill	Other	Total
Balance as at January 1	₩ 1,231,673	₩ 752,669	₩ 177,532	₩ 560,534	₩ 1,258,192	₩ 3,980,600
Internally generated (development costs)	-	940,001	-	-	-	940,001
External acquisitions	288,197	-	4,835	-	91,274	384,306
Business combinations	50,429	-	-	175,885	18,498	244,812
Amortization	(211,940)	(396,078)	-	-	(535,377)	(1,143,395)
Sales/disposals	(40,666)	-	-	-	(27,838)	(68,504)
Impairment	(547)	(56,659)	-	(7,838)	(845)	(65,889)
Other ¹	23,335	-	48	10,995	479,164	513,542
Balance as at December 31	₩ 1,340,481	₩ 1,239,933	₩ 182,415	₩ 739,576	₩ 1,283,068	₩ 4,785,473

¹ Other includes transfer to assets held-for-sale and effects of changes in foreign currency exchange rates.

<i>(In millions of Korean won)</i>	2013					
	Intellectual property rights	Capitalized cost	Membership	Goodwill	Other	Total
Balance as at 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)
Other ¹	(40,960)	-	58	(4,348)	352,651	307,401
Balance as at December 31	₩ 1,231,673	₩ 752,669	₩ 177,532	₩ 560,534	₩ 1,258,192	₩ 3,980,600

¹ Other includes 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>	2014	2013
CE	₩ 379,612	₩ 199,758
IM	15,028	14,428
Semiconductor	181,126	183,539
DP	80,299	80,299
Other	83,511	82,510
Total	₩ 739,576	₩ 560,534

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.

- (1) For the year ended December 31, 2014, pursuant to the results of the goodwill impairment reviews performed, the Group recognized an impairment of ₩7,838 million on goodwill recognized at Samsung France Research Center (SFRC). The key assumptions used in calculating the value in use were as follows:

<i>(In percentage, %)</i>	Key assumptions
Sales growth rate	-
Perpetual growth rate	-
Pre-tax discount rate ¹	23.7

¹ Pre-tax discount rate applied to the cash flow projections.

- (2) For the year ended December 31, 2013, pursuant to the results of the goodwill impairment reviews performed, the Group recognized an impairment of ₩82,599 million on goodwill recognized in the Digital Imaging business. The key assumptions used in calculating the value-in-use were as follows:

<i>(In percentage, %)</i>	Key assumptions
Sales growth rate ¹	0.2
Perpetual growth rate ²	(4.1)
Pre-tax discount rate ³	13.0

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.

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(C) Details of amortization of intangible assets by line item for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Cost of sales	₩ 554,236	₩ 418,447
Selling and administrative expenses	589,159	556,954
Total	₩ 1,143,395	₩ 975,401

15. Borrowings

(A) Details of the carrying amounts of borrowings as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	Financial Institutions	Annual Interest Rates (%) as at December 31, 2014	2014	2013
Short-term borrowings				
Collateralized borrowings ¹	Woori Bank and others	0.6 ~ 11.4	₩ 4,661,384	₩ 3,256,935
Non-collateralized borrowings	Citibank and others	0.4 ~ 10.3	3,367,915	3,181,582
Total			₩ 8,029,299	₩ 6,438,517
Current portion of long-term borrowings				
Bank borrowings	SMBC and others	0.5 ~ 3.7	₩ 1,758,556	₩ 1,900,937
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	14,807	19,811
Total			₩ 1,773,363	₩ 1,920,748
Long-term borrowings				
Bank borrowings	SMBC and others	1.1 ~ 3.5	₩ 23,989	₩ 902,715
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	77,682	82,402
Total			₩ 101,671	₩ 985,117

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 at December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	Long-term borrowings
For the Years Ending December 31	
2015	₩ 1,773,363
2016	30,952
2017	7,430
2018	7,863
2019 and thereafter	55,426
Total	₩ 1,875,034

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16. Debentures

Details of the carrying amount of debentures as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Korean won denominated debentures (A)	₩ 199,515	₩ 198,566
Foreign currency denominated debentures (B)	1,156,367	1,112,502
Total	₩ 1,355,882	₩ 1,311,068

(A) Details of Korean won denominated debentures as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as at December 31, 2014	2014	2013
Unsecured debentures	2011.11.17	2014.11.17	4.1	₩ -	₩ 500,000
Unsecured debentures	2011.11.17	2016.11.17	4.2	200,000	200,000
Less: Current portion				-	(500,000)
Less: Discounts				(485)	(1,434)
Total				₩ 199,515	₩ 198,566

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

(B) Details of foreign currency denominated debentures as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as at December 31, 2014	2014	2013
US dollar denominated straight bonds ¹	1997.10.2	2027.10.1	7.7	₩ 71,448 (US\$65 million)	₩ 73,871 (US\$70 million)
US dollar denominated unsecured bonds ²	2012.4.10	2017.4.10	1.8	1,099,200 (US\$1,000 million)	1,055,300 (US\$1,000 million)
Less: Current portion				(5,496)	(5,277)
Less: Discounts				(8,785)	(11,392)
Total				₩ 1,156,367	₩ 1,112,502

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 at December 31, 2014, are as follows:

(In millions of Korean won)

For the Years Ending December 31

Debentures

2015	₩	5,496
2016		205,496
2017		1,104,696
2018		5,496
2019 and thereafter		49,464
Total	₩	1,370,648

17. Net Defined Benefit Liabilities

(A) Details of net defined benefit liabilities recognized on the statements of financial position as at December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

2014

2013

Present value of funded defined benefit obligations	₩	7,404,205	₩	5,672,147
Present value of unfunded defined benefit obligations		138,042		55,931
Subtotal		7,542,247		5,728,078
Fair value of plan assets		(7,340,905)		(3,873,176)
Total	₩	201,342	₩	1,854,902

(B) The amounts recognized in the statements of income for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

2014

2013

Current service cost	₩	959,182	₩	836,916
Net interest cost		104,040		82,487
Past service cost		132,286		-
Other		29,994		8,164
Total	₩	1,225,503	₩	927,567

(C) The amounts recognized as cost of defined contribution plans for the years ended December 31, 2014 and 2013, are ₩64,470 million and ₩44,430 million, respectively.

(D) The pension expenses related to defined benefit plans recognized on the statements of income for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

2014

2013

Cost of sales	₩	518,401	₩	376,588
Selling and administrative expenses		707,102		550,979
Total	₩	1,225,503	₩	927,567

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(E) Changes in the defined benefit obligations for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Balance as at January 1	₩ 5,728,078	₩ 4,669,467
Current service cost	959,182	836,916
Interest cost	306,810	226,271
Past service cost	132,286	-
Remeasurement:		
Actuarial gains or losses arising from changes in demographic assumptions	57,355	(38)
Actuarial gains or losses arising from changes in financial assumptions	722,156	(22,870)
Other	54,586	257,724
Benefits paid	(407,517)	(244,186)
Foreign exchange differences	(3,178)	(18,128)
Other	(7,511)	22,922
Balance as at December 31	₩ 7,542,247	₩ 5,728,078

(F) Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Balance as at January 1	₩ 3,873,176	₩ 2,939,528
Expected return on plan assets	202,770	143,784
Remeasurement factor of plan assets	(88,342)	(37,343)
Contributions by employer	3,536,443	978,313
Benefits paid	(187,391)	(141,017)
Foreign exchange differences	(497)	(3,035)
Other	4,746	(7,054)
Balance as at December 31	₩ 7,340,905	₩ 3,873,176

Expected contributions to post-employment benefit plans for the year ending December 31, 2015, are ₩1,401,755 million.

(G) Plan assets as at December 31, 2014 and 2013, consist of as follows:

<i>(In millions of Korean won)</i>	2014	2013
Debt instruments	₩ 7,317,174	₩ 3,851,102
Other	23,731	22,074
Total	₩ 7,340,905	₩ 3,873,176

(*) Plan assets are mostly invested in instruments which have a quoted price in active markets.

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(H) The principal actuarial assumptions as at December 31, 2014 and 2013, are as follows:

	2014	2013
Discount rate	1.2 ~ 6.5 %	1.0 ~ 7.0 %
Salary growth rate (including the effects of inflation)	1.7 ~ 6.6	1.7 ~ 6.6

(I) The sensitivity of the defined benefit obligations as at December 31, 2014, to changes in the weighted principal assumptions is:

	2014	2013
Discount rate		
1% increases	89%	90%
1% decreases	113%	112%
Salary growth rate		
1% increases	113%	112%
1% decreases	89%	90%

(J) The expected maturity analysis of pension benefits as at December 31, 2014, 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	₩ 350,687	₩ 344,256	₩ 1,390,932	₩ 3,684,219	₩ 5,770,094

The weighted average duration of the defined benefit obligations is 12.19 years.

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18. Provisions

Changes in provisions for the year ended December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	Warranty (A)	Royalty expenses (B)	Long-term incentives (C)	Other	Total
Balance as at January 1	₩ 1,945,992	₩ 4,272,670	₩ 921,848	₩ 56,890	₩ 7,197,400
Charged (credited) to the statement of income	2,261,665	956,350	217,075	(12)	3,435,078
Payment	(2,311,815)	(1,444,681)	(408,459)	(45,750)	(4,210,705)
Other ¹	(66,774)	133,453	-	2,348	69,027
Balance as at December 31	₩ 1,829,068	₩ 3,917,792	₩ 730,464	₩ 13,476	₩ 6,490,800

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

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

19. Commitments and Contingencies

- (A) Guarantees

<i>(In millions of Korean won)</i>	2014	2013
Guarantees of debt for housing rental ¹	₩ 76,558	₩ 151,985

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

In addition to the guarantees described above, the Group provides guarantees for borrowings by Intellectual Keystone Technology (IKT), the Group's associate, to Citibank in the amount of ₩32,976 million (USD 30 million).

As at December 31, 2014, the Group's investments in Pusan Newport are pledged as collateral against the investee's debt (Note 9).

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(B) Leases

The Group leases certain property, plant and equipment under various finance lease arrangements and recognizes the related amounts as lease assets or liabilities. Assets with a net book value of ₩102,569 million (2013: ₩110,655 million) are treated as finance lease agreements and are included in property, plant and equipment. Depreciation expense for the finance lease assets amounted to ₩11,787 million for the year ended December 31, 2014 (2013: ₩10,587 million).

The minimum lease payments under finance lease agreements and their present value as at December 31, 2014 and 2013, are as follows:

	2014		2013	
	Minimum Lease payments	Present values	Minimum Lease payments	Present values
Within one year	₩ 22,691	₩ 14,809	₩ 27,893	₩ 19,811
From one year to five years	59,123	30,577	57,508	28,213
More than five years	82,162	47,103	95,192	54,189
Total	₩ 163,976	₩ 92,489	₩ 180,593	₩ 102,213
Present value adjustment	(71,487)		(78,380)	
Finance lease payable	₩ 92,489		₩ 102,213	

(C) Litigation

- (1) The litigation with Apple Inc. (“Apple”) is ongoing in the United States as at the reporting date. Regarding the ongoing lawsuit in the United States, on August 24, 2012, the jury determined that the Group partially infringed Apple’s design and utility patent and should pay damages to Apple. On March 1, 2013, however, the Judge ordered a new trial for a certain portion of the damages, ruling that it was originally miscalculated. On March 6, 2014, the Judge denied Apple’s bid for a permanent injunction against the Group and made a final judgment restating the total damages amount determined by a jury verdict on November 21, 2013. The Group appealed the decision on the damages amount on March 7, 2014, and a hearing on the appeal was held on December 4, 2014.

Additionally, on May 5, 2014, the jury in another ongoing lawsuit determined that the Group partially infringed Apple’s utility patent and should pay damages to Apple. On November 25, 2014, first trial judgment was pronounced to confirm the jury’s verdict. The Group appealed the decision on the damages and the appeal is currently on-going. The final conclusion and the effect of the patent lawsuits with Apple are uncertain as at the reporting date.

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

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

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(D) Other commitments

As at December 31, 2014, the Group has a trade financing agreement, trade notes receivable discounting facilities, and loan facilities with accounts receivable pledged as collateral with 15 financial institutions, including Woori Bank, with a combined limit of up to ₩14,138,356 million.

In addition, the Group has a trade financing agreement with 21 financial institutions, including Korea Exchange Bank, for up to US\$5,073 million and ₩103,000 million, and has loan facilities with accounts receivable pledged as collateral with 5 financial institutions, including Industrial Bank of Korea, for up to ₩263,559 million.

Samsung Display has a facility loan agreement with 3 financial institutions, including BTMU, for up to US\$200 million.

SEA, a foreign subsidiary, has a contract for issuing ABS (Asset Backed Securities) backed by accounts receivable with BTMU and other financial institutions for up to US\$700 million.

20. Share Capital

The Group's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Group has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as at December 31, 2014, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩850,664 million (common stock ₩736,497 million, 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, 2014 and 2013, are as follows:

<i>(In number of shares)</i>	Preferred stock	Common stock
Balance as at January 1, 2013	130,847,899	19,853,734
Disposal of treasury stock through exercise of stock options	67,222	-
Balance as at December 31, 2013	130,915,121	19,853,734
Disposal of treasury stock through exercise of stock options	47,530	-
Acquisition of treasury stock	(758,055)	(131,250)
Balance as at December 31, 2014	130,204,596	19,722,484

21. Retained Earnings

Retained earnings as at December 31, 2014 and 2013, consist of:

<i>(In millions of Korean won)</i>	2014	2013
Appropriated	₩ 119,947,785	₩ 104,175,235
Unappropriated	49,581,819	44,425,047
Total	₩ 169,529,604	₩ 148,600,282

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22. Dividends

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

(A) Interim dividends (Record date: June 30, 2014 and 2013)

<i>(In millions of Korean won and number of shares)</i>		2014	2013
Number of shares eligible for dividends	Common stock	130,962,651 shares	130,878,713 shares
	Preferred stock	19,853,734 shares	19,853,734 shares
Dividend rate		10%	10%
Dividend amount	Common stock	₩ 65,481	₩ 65,439
	Preferred stock	9,927	9,927
Total		₩ 75,408	₩ 75,366

(B) Year-end dividends (Record date: December 31, 2014 and 2013)

<i>(In millions of Korean won and number of shares)</i>		2014	2013
Number of shares eligible for dividends	Common stock	130,204,596 shares	130,915,121 shares
	Preferred stock	19,722,484 shares	19,853,734 shares
Dividend rate	Common stock	390%	276%
	Preferred stock	391%	277%
Dividend amount	Common stock	₩ 2,538,990	₩ 1,806,629
	Preferred stock	385,574	274,974
Total		₩ 2,924,564	₩ 2,081,603

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23. Other Components of Equity

Other components of equity as at December 31, 2014 and 2013, consist of:

<i>(In millions of Korean won)</i>	2014	2013
Treasury stock	₩ (8,429,313)	₩ (7,323,432)
Stock options	806	10,243
Unrealized gains on available-for-sale financial assets	1,850,195	2,189,013
Share of other comprehensive income of associates and joint ventures	559,280	741,893
Foreign currency translation	(4,566,887)	(3,610,654)
Remeasurement of net defined benefit liabilities	(1,996,792)	(1,302,588)
Other	(146,676)	(163,548)
Total	₩ (12,729,387)	₩ (9,459,073)

The Group repurchases registered common stock and non-voting preferred stock and recognizes the repurchase amount in other components of equity. Such stock will be distributed upon exercise of stock options. Treasury stock as at December 31, 2014 and 2013, consists of the following:

<i>(In millions of Korean won and number of shares)</i>	2014		2013	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Number of shares	3,110,943 shares	17,094,741 shares	2,979,693 shares	16,384,216 shares
Acquisition cost	₩ 755,764	₩ 7,673,549	₩ 621,843	₩ 6,701,589

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24. Share-Based Compensation

The Group 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 Group. No share-based compensation has been granted since December 20, 2005.

A summary of the terms and the number of outstanding stock options as at December 31, 2014, 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 service 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)

	Date of the Grant		
	March 7, 2003	April 16, 2004	December 20, 2005
Granted	368,100	590,000	10,000
Expired	37,744	53,061	-
Exercised prior to December 31, 2013	314,509	438,034	5,000
Outstanding as at January 1, 2014	15,847	98,905	5,000
Exercised during 2013	15,847	51,375	-
Exercised during 2014	-	47,530	-
Outstanding as at December 31, 2014	-	-	5,000
Exercise price	₩ 288,800	₩ 580,300	₩ 606,700
Weighted average share price at the date of exercise during 2014	₩ -	₩ 1,342,919	₩ -
Exercise period	2005.3.8~ 2013.3.7	2006.4.17~ 2014.4.16	2007.12.21~ 2015.12.20

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, and stock consolidations.

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

Samsung Electronics Co., Ltd. and Subsidiaries

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25. Expenses by Nature

Expenses by nature for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Changes in finished goods and work in process	₩	1,261,097	₩	(716,124)
Raw materials used and merchandise purchased		84,356,410		95,786,128
Wages and salaries		17,696,265		17,250,962
Pension		1,289,973		971,997
Depreciation		16,910,026		15,470,012
Amortization		1,143,395		975,401
Welfare		3,478,817		3,142,187
Commission and service charges		8,499,107		9,124,803
Other expenses		46,545,826		49,902,288
Total¹	₩	181,180,916	₩	191,907,654

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

26. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
1) Selling and Administrative Expenses				
Wages and salaries	₩	5,214,171	₩	5,559,339
Pension		300,776		232,676
Commissions and service charges		8,499,107		9,124,803
Depreciation		670,709		555,944
Amortization		399,717		401,987
Advertising		3,773,649		4,165,290
Sales promotion		7,760,648		8,019,462
Transportation		3,733,045		3,929,114
Warranty		3,201,776		2,967,724
Other		4,963,012		4,935,604
2) Research and development expenses				
Total expenses		15,325,507		14,780,432
Capitalized expenses		(940,001)		(461,030)
Total	₩	52,902,116	₩	54,211,345

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27. Other Non-Operating Income and Expense

Details of other non-operating income for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Dividend income	₩ 1,436,235	₩ 112,159
Rental income	89,199	104,608
Gain on disposal of investments	152,281	1,117,029
Gain on disposal of property, plant and equipment	228,366	110,638
Other	1,895,276	985,117
Total	₩ 3,801,357	₩ 2,429,551

Details of other non-operating expense for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Loss on disposal of property, plant and equipment	₩ 222,841	₩ 187,863
Donations	409,796	495,301
Loss on disposal of assets classified as held-for-sale	723,869	-
Other	903,231	930,884
Total	₩ 2,259,737	₩ 1,614,048

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28. Financial Income and Costs

Details of financial income and costs for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Financial income		
Interest income		
Interest income from loans and receivables	₩ 1,734,963	₩ 1,342,394
Interest income from available-for-sale financial assets	98,398	9,215
Foreign exchange differences	5,766,640	6,199,517
Gains from derivatives	659,828	463,546
Total	₩ 8,259,829	₩ 8,014,672

<i>(In millions of Korean won)</i>	2014	2013
Financial costs		
Interest expense:		
Interest expense from financial liabilities measured at amortized cost	₩ 466,371	₩ 319,342
Other financial liabilities	126,569	190,316
Foreign exchange differences	6,016,728	6,529,622
Losses from derivatives	684,334	715,692
Total	₩ 7,294,002	₩ 7,754,972

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

29. Income Tax

(A) Income tax expense for the years ended December 31, 2014 and 2013, consists of:

<i>(In millions of Korean won)</i>	2014	2013
Current taxes:		
Current tax on profits for the year	₩ 5,953,438	₩ 7,406,736
Adjustments in respect to prior years	71,530	52,318
Deferred taxes:		
Changes in carryforward of unused tax credits	722,023	(52,085)
Changes in temporary differences	(483,290)	501,450
Changes in carryforward of unused tax losses	(1,792,553)	2,805
Other	(3,430)	(10,490)
Items charged directly to equity	12,958	(11,219)
Income tax expense	₩ 4,480,676	₩ 7,889,515

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

<i>(In millions of Korean won)</i>	2014	2013
Income before tax	₩ 27,875,034	₩ 38,364,279
Tax calculated at weighted average tax rates applicable ¹	6,880,857	9,576,241
Tax effects of:		
Permanent differences	(292,554)	(335,146)
Temporary differences for which no deferred income tax was recognized	(9,631)	1,307
Tax credits	(1,942,488)	(2,156,519)
Results of subsidiaries, associates and interests in joint ventures	201,835	318,359
Impact of changes in tax rates	1,756	5,526
Other	(359,099)	479,747
Income tax expense	₩ 4,480,676	₩ 7,889,515

¹ Weighted average of statutory tax rates that are applied differently for the profits of the Group at each tax authority as at December 31, 2014 and 2013.

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(C) Changes in deferred income tax assets and liabilities resulting from the tax effect of temporary differences for the years ended December 31, 2014 and 2013, are as follows:

(1) 2014

<i>(In millions of Korean won)</i>	Temporary Differences			Deferred Income Tax Assets (Liabilities)		
	Balance as at January 1	Increase (Decrease)	Balance as at December 31	Balance as at January 1	Increase (Decrease)	Balance as at December 31
Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (27,785)	₩ 13,417	₩ (14,368)	₩ (6,724)	₩ 3,247	₩ (3,477)
Revaluation of land	(3,476,104)	412	(3,475,692)	(841,217)	100	(841,117)
Investments in subsidiaries, associates and joint ventures ¹	(27,819,662)	(3,649,494)	(31,469,156)	(4,000,627)	(241,471)	(4,242,098)
Depreciation	834,746	1,774,306	2,609,052	135,376	507,818	643,194
Accrued income	(303,790)	(231,881)	(535,671)	(72,845)	(59,392)	(132,237)
Provisions and accrued expenses	12,345,693	(912,792)	11,432,901	3,153,146	(194,336)	2,958,810
Foreign currency translation	(181,302)	280,090	98,788	(44,025)	69,541	25,516
Asset impairment losses	342,089	237,566	579,655	81,899	59,478	141,377
Other	(4,185,045)	1,951,177	(2,233,868)	(877,479)	338,305	(539,174)
Subtotal	₩ (22,471,160)	₩ (537,199)	₩ (23,008,359)	₩ (2,472,496)	₩ 483,290	₩ (1,989,206)
Deferred tax arising from carryforwards						
Unused tax losses	₩ 107,228	₩ 7,358,111	₩ 7,465,339	₩ 25,006	₩ 1,792,553	₩ 1,817,559
Unused tax credits	1,341,650	(602,202)	739,448	1,312,192	(722,023)	590,169
Deferred tax recognized in other comprehensive income						
Valuation of available-for-sale financial instruments	₩ (2,887,880)	₩ 338,495	₩ (2,549,385)	₩ (664,172)	₩ 53,434	₩ (610,738)
Actuarial valuation	1,718,454	922,439	2,640,893	408,879	212,121	621,000
Subtotal	₩ (1,169,426)	₩ 1,260,934	₩ 91,508	₩ (255,293)	₩ 265,555	₩ 10,262
Deferred tax assets						₩ 4,526,595
Deferred tax liabilities						(4,097,811)
Total						₩ 428,784

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.

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(2) 2013

<i>(In millions of Korean won)</i>	Temporary Differences			Deferred Income Tax Assets (Liabilities)		
	Balance as at January 1	Increase (Decrease)	Balance as at December 31	Balance as at January 1	Increase (Decrease)	Balance as at 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 and accrued expenses	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
Other	(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)

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 Group periodically assesses its ability to recover deferred tax assets. In the event of a significant uncertainty regarding the Group's ultimate ability to recover such assets, 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.

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Temporary differences whose deferred tax effects were not recognized due to uncertainty regarding the ultimate realizability of such assets as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Unused tax losses	₩	7,366	₩	12,196
Unused tax credits		19,632		30,098

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>	2015		2016		2017		2018 and after	
Undisposed accumulated deficit	₩	-	₩	-	₩	-	₩	7,366
Tax credit carryforwards		3,978		-		12,812		2,842

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

<i>(In millions of Korean won)</i>	2014		2013	
Deferred tax asset (liability) to be recovered within 12 months	₩	1,564,682	₩	(107,699)
Deferred tax liability to be recovered after more than 12 months		(1,135,898)		(1,282,892)
Total	₩	428,784	₩	(1,390,591)

30. Earnings per Share

(A) Basic earnings per share

Basic earnings per share for the years ended December 31, 2014 and 2013, are calculated as follows:

(1) Common stock

<i>(In millions of Korean won, except per share data, and thousands of number of shares)</i>	2014		2013	
Profit attributable to owners of the Parent company	₩	23,082,499	₩	29,821,215
Profit available for common stock		20,045,198		25,893,396
Weighted-average number of common shares outstanding		130,924		130,880
Basic earnings per share	₩	153,105	₩	197,841

(2) Preferred stock

<i>(In millions of Korean won, except per share data, and thousands of number of shares)</i>	2014		2013	
Profit attributable to owners of the Parent company	₩	23,082,499	₩	29,821,215
Profit available for common stock		3,037,301		3,927,819
Weighted-average number of preferred shares outstanding		19,849		19,854
Basic earnings per preferred share	₩	153,020	₩	197,838

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(B) Diluted earnings per share

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

Diluted earnings per share for the years ended December 31, 2014 and 2013, is calculated as follows:

(1) Common stock

(In millions of Korean won, except per share data, and thousands of number of shares)

	2014	2013
Profit available for common stock and common stock equivalents	₩ 20,045,299	₩ 25,894,151
Weighted-average number of shares of common stock and dilutive potential common stock	130,933	130,911
Diluted earnings per share	₩ 153,096	₩ 197,800

(2) Preferred stock

(In millions of Korean won, except per share data, and thousands of number of shares)

	2014	2013
Net income available for preferred stock and preferred stock equivalents	₩ 3,037,200	₩ 3,927,064
Weighted-average number of shares of preferred stock and dilutive potential preferred stock	19,849	19,854
Diluted earnings per preferred share	₩ 153,015	₩ 197,800

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31. Cash Generated from Operations

(A) Adjustments and changes in assets and liabilities arising from operating activities for the years ended December 31, 2014 and 2013, are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	2014	2013
Adjustments for:		
Income tax expense	₩ 4,480,676	₩ 7,889,515
Financial income	(3,094,422)	(2,551,623)
Financial costs	1,933,565	1,568,663
Severance and retirement benefits	1,289,973	971,997
Depreciation	16,910,026	15,470,012
Amortization	1,143,395	975,401
Bad debt expenses	365,681	282,978
Gain on valuation of equity method investments	(342,516)	(504,063)
Gain on disposal of property, plant and equipment	(228,366)	(110,638)
Loss on disposal of property, plant and equipment	222,841	187,863
Obsolescence and scrapping of inventories	1,354,405	1,045,360
Gain on disposal of investments	(152,281)	(1,117,029)
Loss on disposal of assets classified as held-for-sale	723,869	-
Dividend income	(1,436,235)	(112,159)
Impairment losses on intangible assets	65,889	108,420
Other income/expense	(912,735)	(299,865)
Adjustments, total	₩ 22,323,765	₩ 23,804,832

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	2014	2013
Changes in assets and liabilities:		
Increase in trade receivables	₩ (177,409)	₩ (1,993,705)
(Increase) decrease in other receivables	(701,942)	192,054
Decrease (increase) in advances	90,122	(144,720)
Increase in prepaid expenses	(2,126,336)	(321,953)
Decrease (increase) in inventories	266,961	(3,097,762)
Decrease in trade payables	(265,898)	(965,677)
Increase in other payables	1,053,152	1,296,263
(Decrease) increase in advances received	(50,848)	49,495
(Decrease) increase in withholdings	(10,687)	323,874
Increase in accrued expenses	1,586,212	2,261,910
(Decrease) increase in provisions	(702,672)	2,009,248
Payment of severance benefits	(407,517)	(244,186)
Increase in plan assets	(3,349,052)	(837,296)
Other	958,778	159,210
Changes in net working capital, total	₩ (3,837,136)	₩ (1,313,245)

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(B) The Group's statements of cash flows are prepared using indirect method. Significant transactions not affecting cash flows for the years ended December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Valuation of available-for-sale financial assets	₩ (117,455)	₩ 1,271,817
Reclassification of construction in progress and machinery in transit to property, plant and equipment	19,979,420	16,578,339
Reclassification of available-for-sale financial assets to assets held-for-sale	100,051	-
Reclassification of investment in associates to assets held-for-sale	411,390	2,716,733
Valuation of investments in associates and joint ventures	(128,932)	20,756
Reclassification of current maturities of long-term borrowings	1,773,363	1,920,748
Reclassification of current maturities of bonds	5,496	505,277

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

32. Financial Risk Management

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

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

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

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

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(A) Market risk

(1) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States, European Union, South America, Japan and other Asian countries. Revenues and expenses arise from foreign currency transactions and exchange positions, and the most widely used currencies are the US Dollar, EU's EURO, Japanese Yen and Chinese Yuan. Foreign exchange risk management of the Group is carried out by both SEC and its subsidiaries. To minimize foreign exchange risk arising from operating activities, the Group's foreign exchange management policy requires normal business transactions to be in local currency or for the cash-in currency to be matched up with the cash-out currency. The Group's foreign exchange risk management policy also defines foreign exchange risk, measuring period, controlling responsibilities, management procedures, hedging period and hedge ratio.

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

The 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>	2014		2013	
	Increase	Decrease	Increase	Decrease
USD	₩ (171,265)	₩ 171,265	₩ 8,472	₩ (8,472)
EUR	(36,381)	36,381	9,136	(9,136)
JPY	(42,529)	42,529	(45,131)	45,131

(2) Price risk

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

As at December 31, 2014 and 2013, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩57,768 million and ₩43,993 million, respectively.

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(3) Interest rate risk

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

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

The sensitivity risk of the Group 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 rates on borrowings are presented below:

<i>(In millions of Korean won)</i>	2014		2013	
	Increase	Decrease	Increase	Decrease
Financial assets	₩ 52,977	₩ (52,977)	₩ 46,025	₩ (46,025)
Financial liabilities	(30,722)	30,722	(22,942)	22,942
Net effect	₩ 22,255	₩ (22,255)	₩ 23,083	₩ (23,083)

(B) Credit risk

Credit risk arises during the normal course of transactions and investing activities where clients or other parties fail to discharge an obligation. The Group monitors and sets the client's and counterparty's credit limit on a periodic basis based on the client's and counterparty's financial conditions, default history and other important factors.

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

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

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(C) Liquidity risk

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

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

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

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.

<i>(In millions of Korean won)</i>	2014				
	Less than 3 months	4-6 months	7-12 months	1-5 years	More than 5 years
Financial liabilities	₩ 34,502,783	₩ 706,077	₩ 3,528,699	₩ 3,994,862	₩ 106,857

<i>(In millions of Korean won)</i>	2013				
	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

The table above shows the Group's financial liabilities based on the remaining period at the statement of financial position date until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The Group's trading portfolio of derivative instruments has been included at its fair value of ₩78,348 million (2013: ₩244,172 million). 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 Group 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 at December 31, 2014 is ₩115,211 million (December 31, 2013: ₩183,644 million).

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(D) Capital risk management

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

The Group's capital risk management policy has not changed since the fiscal year ended December 31, 2013. As at December 31, 2014, the Group has maintained an A+ and A1 credit rating from S&P and Moody's, respectively, on its long term debt.

The total liabilities to equity ratios as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Total liabilities	₩ 62,334,770	₩ 64,059,008
Total equity	168,088,188	150,016,010
Total liabilities to equity ratio	37.1%	42.7%

(E) Fair value estimation

(1) Carrying amounts and fair values of financial instruments by category as at December 31, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents ¹	₩ 16,840,766	₩ -	₩ 16,284,780	₩ -
Short-term financial instruments ¹	41,689,776	-	36,722,702	-
Short-term available-for-sale financial assets	3,286,798	3,286,798	1,488,527	1,488,527
Trade receivables ¹	24,694,610	-	24,988,532	-
Long-term available-for-sale financial assets ²	12,667,509	12,272,756	6,238,380	5,850,155
Other	4,762,971	4,725,263	5,472,956	5,436,470
Total financial assets	₩ 103,942,430		₩ 91,195,877	
Financial liabilities				
Trade payables ¹	₩ 7,914,704	₩ -	₩ 8,437,139	₩ -
Short-term borrowings ¹	8,029,299	-	6,438,517	-
Other payables ¹	9,258,344	-	7,877,581	-
Current portion of long-term liabilities ¹	1,778,667	-	2,425,831	-
Debentures	1,355,882	1,377,113	1,311,068	1,327,569
Long-term borrowings	101,671	82,271	985,117	971,844
Long-term other payables	2,520,277	2,606,179	1,023,714	1,090,580
Other ¹	11,474,129	-	10,862,512	-
Total financial liabilities	₩ 42,432,973		₩ 39,361,479	

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

² Amount measured at cost (2014: ₩394,753 million, 2013: ₩388,225 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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(2) The following table presents the assets and liabilities, by level, that are measured at fair value:

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

2013				
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
1) Assets				
Short-term available-for-sale financial assets	₩ 1,257,492	₩ 231,035	₩ -	₩ 1,488,527
Long-term available-for-sale financial assets ¹	4,399,314	957,463	493,378	5,850,155
Other	-	40,552	-	40,552
2) Liabilities				
Derivatives	-	244,172	-	244,172

¹ Amount measured at cost (2014: ₩394,753 million, 2013: ₩388,225 million) is excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

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

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

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

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

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

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Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. For trade and other receivables, the book value approximates a reasonable estimate of fair value.

(3) Valuation technique and the inputs

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

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

(In millions of Korean won)

Classification	Fair Value	Valuation Technique	Level 3 Inputs	Input Range (Weighted Average)
Long-term available-for-sale financial assets				
Taewon Electric	₩ 17,094	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.76%~9.76% (8.76%)
Samsung Venture Investment	6,586	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00%~1.00% (0%) 7.74%~9.74% (8.74%)
Samsung General Chemicals	100,051	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00%~1.00% (0%) 10.48%~12.48% (11.48%)
Coming Incorporated convertible preferred stock	3,106,333	Trinomial model	Risk adjusted discount rate Price volatility	4.96%~6.96% (5.96%) 30.5%~36.5% (33.5%)
Derivatives				
Embedded derivatives (convertible bonds)	2,462	Binomial model	Discount rate Stock price volatility	5.16%~10.3% (7.78%) 11.88%~17.6% (14.53%)

(4) Changes in Level 3 instruments:

(In millions of Korean won)

	2014	2013
Balance as at January 1	₩ 493,378	₩ 389,195
Purchases	2,586,120	151,741
Disposals	(97,487)	(46,357)
Amount recognized in profit or loss	(67,581)	(5,177)
Amount recognized in other comprehensive income	646,856	2,615
Other	(13,191)	1,361
Balance as at December 31	₩ 3,548,095	₩ 493,378

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

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

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

<i>(In millions of Korean won)</i> Classification	Favorable Changes		Unfavorable Changes	
	Profit or Loss	Equity	Profit or Loss	Equity
Long-term available-for-sale financial assets ¹	₩ -	₩ 231,909	₩ -	₩ (225,568)
Embedded derivatives (convertible bonds) ²	466	466	(475)	(475)
Total	₩ 466	₩ 232,375	₩ (475)	₩ (226,043)

¹ Changes in fair value are calculated by increasing or decreasing the correlation between volatility (30.5% to 36.5%) and discount rate for convertible preferred stock. Similarly, for other equity securities, changes in fair value are calculated with the correlation between growth ratio (-1% to 1%) and discount rate, which are significant unobservable inputs.

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

(6) Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>		2014			
Classification	Carrying amount	Level 1	Level 2	Level 3	Total
Assets					
Other	₩ 4,614,560	₩ -	₩ 4,576,852	₩ -	₩ 4,576,852
Liabilities					
Debentures	1,355,882	-	1,377,113	-	1,377,113
Long-term borrowings	101,671	-	82,271	-	82,271
Long-term other payables	2,520,277	-	2,606,179	-	2,606,179

<i>(In millions of Korean won)</i>		2013			
Classification	Carrying amount	Level 1	Level 2	Level 3	Total
Assets					
Other non-current assets	₩ 5,432,404	₩ -	₩ 5,395,918	₩ -	₩ 5,395,918
Liabilities					
Debentures	1,311,068	-	1,327,569	-	1,327,569
Long-term borrowings	985,117	-	971,844	-	971,844
Long-term other payables	1,023,714	-	1,090,580	-	1,090,580

As at December 31, 2014, assets and liabilities not measured at fair value but for which the fair value is disclosed and categorized within Level 2 in the fair value hierarchy, are measured using the present value technique which discounts future cash flows with appropriate interest rates.

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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.

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

(1) For the year ended December 31, 2014

2014 (In millions of Korean won)	DS						Intercompany elimination within the group	Consolidated
	CE	IM	Total ¹	Semi conductor	DP	Total ¹		
Total segment revenue	₩124,916,892	₩236,438,979	₩131,459,756	₩ 75,058,071	₩ 52,227,615	₩494,576,550	₩(288,370,563)	₩206,205,987
Intercompany revenue	(74,733,757)	(124,674,435)	(65,669,950)	(35,328,169)	(26,500,446)	(288,370,563)	288,370,563	-
Net revenue ²	50,183,135	111,764,544	65,789,806	39,729,902	25,727,169	206,205,987	-	206,205,987
Depreciation	596,151	761,214	14,946,633	10,506,903	4,235,596	16,910,026	-	16,910,026
Amortization	98,165	186,471	534,487	402,862	117,139	1,143,395	-	1,143,395
Operating profit	1,184,325	14,562,885	9,430,915	8,776,442	660,181	25,025,071	-	25,025,071

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(2) For the year ended December 31, 2013

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

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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(B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as at and for the years ended December 31, 2014 and 2013, is as follows:

2014							
<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the group	Consolidated
Net segment revenue	20,728,917	68,704,659	42,944,592	40,801,466	33,026,353	-	206,205,987
Non-current assets ¹	63,355,887	7,650,511	847,611	4,486,482	9,965,909	(647,977)	85,658,423

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

2013							
<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the group	Consolidated
Net segment revenue	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 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, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	Name of Company ¹	2014			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates	Samsung SDS	₩ 29,355	₩ -	₩1,886,282	₩ 228,515
	Samsung Electro-Mechanics	28,852	110	2,379,046	-
	Samsung Techwin	17,508	-	57,226	78,736
	Samsung Card	7,835	-	39,867	170,739
	Other	393,679	10,433	5,058,140	352,904
	Total (associates)	477,229	10,543	9,420,561	830,894
Joint ventures	Samsung Corning Precision Materials ²	164	-	67,826	-
	Siltronic Samsung Wafer	-	-	153,610	-
	Other	2,599	647	184,430	-
	Total (joint ventures)	2,763	647	405,866	-
Other related parties	Cheil Industries Inc. ³	6,485	-	104,377	524,048
	Samsung SDI	64,481	324,246	1,230,004	355,543
	Other	229,384	-	1,900,435	117,597
	Total (other related parties)	300,350	324,246	3,234,816	997,188

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

² During the year ended December 31, 2014, the Group sold all of its Samsung Corning Precision Materials shares.

³ During the year ended December 31, 2014, Samsung Everland changed its name to Cheil Industries Inc.

<i>(In millions of Korean won)</i>	Name of Company ¹	2013			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates	Samsung SDS	₩ 35,166	₩ 130,77	₩1,673,999	₩ 369,395
	Samsung Electro-Mechanics	72,897	192	2,662,680	76
	Samsung SNS ²	11,418	-	164,093	3,973
	Samsung Techwin	15,582	-	84,074	68,949
	Samsung Card	22,468	-	40,787	-
	Other	183,209	-	3,971,374	283,829
Total (associates)	340,740	130,963	8,597,007	726,222	
Joint ventures	Samsung Corning Precision Materials	9,931	-	1,758,317	145,324
	Siltronic Samsung Wafer	-	-	195,795	-
	Other	83	-	147	-
	Total (joint ventures)	10,014	-	1,954,259	145,324
Other related parties	Cheil Industries Inc. ³	12,690	-	543,162	487,107
	Samsung SDI	52,909	-	667,658	1,258
	Other	319,572	-	2,113,771	23,344
	Total (other related parties)	385,171	-	3,324,591	511,709

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

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

³ During the year ended December 31, 2014, Samsung Everland changed its name to Cheil Industries Inc.

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(B) Balances of receivables and payables

Balances of receivables and payables arising from sales and purchases of goods and services as at December 31, 2014 and 2013, are as follows:

<i>(In millions of Korean won)</i>	Name of Company ¹	2014	
		Receivables	Payables
	Samsung SDS	₩ 3,353	₩ 359,001
	Samsung Electro-Mechanics	1,431	237,816
Associates	Samsung Techwin	1,353	18,977
	Samsung Card	5,431	1,124,240
	Other	61,903	393,963
	Total (associates)	73,471	2,133,997
		Siltronic Samsung Wafer	19,143
Joint ventures	Other	474	39,262
	Total (joint ventures)	19,617	50,707
	Cheil Industries Inc. ²	187,108	288,984
Other related parties	Samsung SDI	4,771	122,936
	Other	18,052	126,422
	Total (other related parties)	209,931	538,342

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

² During the year ended December 31, 2014, Samsung Everland changed its name to Cheil Industries Inc.

<i>(In millions of Korean won)</i>	Name of Company ¹	2013	
		Receivables	Payables
	Samsung SDS	₩ 11,319	₩ 479,417
	Samsung Electro-Mechanics	5,972	168,494
Associates	Samsung Techwin	1,879	44,286
	Samsung Card	8,539	476,009
	Other	44,211	330,348
	Total (associates)	71,920	1,498,554
		Samsung Corning Precision Materials	3,514
Joint ventures	Siltronic Samsung Wafer	-	1,454
	Other	3	25
	Total (joint ventures)	3,517	267,879
	Cheil Industries Inc. ²	188,982	282,777
Other related parties	Samsung SDI	4,863	39,207
	Other	45,997	172,500
	Total (other related parties)	239,842	494,484

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

² During the year ended December 31, 2014, Samsung Everland changed its name to Cheil Industries Inc.

(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, 2014 and 2013, consists of:

<i>(In millions of Korean won)</i>	2014		2013	
Salaries and other short-term employee benefits	₩	26,969	₩	23,906
Termination benefits		973		763
Other long-term benefits		7,137		7,402

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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 Group for the years ended December 31, 2014 and 2013, is as follows:

2014 <i>(In millions of Korean won)</i>	Percentage of Non-Controlling Interests	Balance as at January 1	Net Income	Dividends	Other	Balance as at December 31
Samsung Display and its subsidiaries	15.2%	₩ 5,104,125	₩ 171,178	₩ (1,851)	₩86,740	₩ 5,360,192

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

(B) The summarized financial information for each subsidiary with non-controlling interests that are material to the Group 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, 2014	December 31, 2013
Current assets	₩ 14,185,656	₩ 14,473,616
Non-current assets	25,380,046	23,454,045
Current liabilities	6,158,562	6,115,203
Non-current liabilities	871,085	914,399
Equity attributable to:	32,536,055	30,898,059
Owners of the parent	32,073,951	30,434,116
Non-controlling interests	462,104	463,943

(2) Summarized consolidated statements of comprehensive income

<i>(In millions of Korean won)</i>	Samsung Display and its subsidiaries	
	2014	2013
Sales	₩ 25,646,109	₩ 29,478,707
Net income	1,153,734	2,669,623
Other comprehensive income	485,350	(26,415)
Total comprehensive income attributable to:	1,639,084	2,643,208
Owners of the parent	1,640,637	2,631,672
Non-controlling interests	(1,553)	11,536

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(3) Summarized consolidated statements of cash flows

<i>(In millions of Korean won)</i>	Samsung Display and its subsidiaries	
	2014	2013
Cash flows from operating activities	₩ 4,722,526	₩ 7,748,974
Cash flows from investing activities	(6,269,805)	(10,321,562)
Cash flows from financing activities	416,556	(1,339,815)
Exchange rate effect on foreign currency (cash)	9,249	13,546
Decrease in cash and cash equivalents	(1,121,474)	(3,898,857)
Cash and cash equivalents at beginning of period	1,442,856	5,341,713
Cash and cash equivalents at end of period	321,382	1,442,856

36. Business Combination

Samsung Electronics America, the Group's subsidiary, acquired 100% of the equity shares of SmartThings on August 18, 2014.

(A) Overview of the acquired company

Name of the acquired company	SmartThings, Inc.
Headquarters location	Washington D.C. USA.
Representative director	Alexander Hawkinson
Industry	Sale of smart home electronics

(B) Purchase price allocation

<i>(In millions of Korean Won)</i>	Amount
I. Consideration transferred	₩ 166,546
II. Identifiable assets and liabilities	
Cash and cash equivalents	2,471
Trade and other receivables	667
Inventories	1,208
Property, plant and equipment	126
Intangible assets	47,763
Trade and other payables	(5,681)
Deferred income tax liabilities	(13,225)
Total net identifiable assets	33,329
III. Goodwill (I – II)	₩ 133,217

Had SmartThings been consolidated from January 1, 2014, revenues would increase by ₩2,469 million and net loss would increase by ₩6,786 million on the consolidated statement of income. The revenues and net loss contributed by SmartThings after the consolidation date of August 18, 2014 amount to ₩2,733 million and ₩7,424 million, respectively.

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

(A) As at December 31, 2014

(1) Summary

i. Sale of optical materials business segment

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

ii. Sale of Samsung Techwin Co., Ltd

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

iii. Sale of Samsung General Chemicals Co., Ltd.

During the year ended December 31, 2014, the management of the Group decided to sell all shares of Samsung General Chemicals Co., Ltd. to Hanwha Chemical and Hanwha Energy Corporation. The contract was entered into on November 26, 2014, and the transaction and associated due diligence will be completed by June 2015.

(2) Details of assets and liabilities reclassified as held-for-sale, as at December 31, 2014, are as follows:

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

Impairment loss recognized from the reclassification of assets and liabilities held-for-sale amounts to ₩ 31,219 million.

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- (3) Details of cumulative income or expense recognized in other comprehensive income relating to the disposal group classified as held-for-sale as at December 31, 2014 and 2013, are as follows:

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

- (B) As at December 31, 2013

The Group entered into a comprehensive business cooperation agreement with Corning Incorporated during the year ended December 31, 2013. During the year ended December 31, 2014, the Group sold all of its shares of Samsung Corning Precision Materials. The Group received an additional dividend declared following the resolution of the general meeting of the Samsung Corning Precision Materials shareholders. Also, the respective agreement includes ex-post settlement conditions based on the business performance of Samsung Corning Precision Materials which may result in the future outflow of or inflow to the Group's resource. As at the reporting date, the future inflow or outflow are uncertain and thus, its impact to the Group's financial statements cannot be estimated. The Group's management, however, believes the future inflow or outflow will not have a material impact on the financial conditions of the Group.

38. Events after the Reporting Period

- (A) On January 1, 2015, Samsung Electronics America (SEA), a subsidiary of the Group, merged with Samsung Telecommunications America (STA), also a subsidiary of the Group. The merger was between two subsidiaries under common control, therefore, the merger was accounted for by transferring the book values on the consolidated financial statements. No additional goodwill was recognized.
- (B) Based on an agreement entered into in September 1999 related to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, SMI's creditors (the "Creditors") filed a civil action in December 2005 against 28 Samsung Group affiliates, including the Group, seeking to recover ₩2,450 billion in losses as well as additional penalty amounts. On January 29, 2015, the Supreme Court ordered the Samsung Group affiliates to pay the Creditors an additional penalty of ₩600 billion plus an interest on late penalty payment (charged at 6% annual interest rate). On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay to the Creditors a penalty of ₩600 billion and interest due to late payment. Compared to the January 2011 ruling, the penalty amount remained the same and the interest charge on late penalty payment increased by 1% annually, thus the total amount due to Creditors increased by ₩4 billion as a result of the Supreme Court's January 2015 decision.