

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 1. General Information

##### 1.1 Company Overview

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

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

These interim consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1110, *Consolidated Financial Statements*. SEC, as the controlling Company, consolidates its 161 subsidiaries including Samsung Display and Samsung Electronics America. The Group also applies the equity method of accounting to its 36 affiliates, including Samsung Electro-Mechanics.

##### 1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of March 31, 2015 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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	70.0
	SEMES	Manufacture of semiconductor/FPD	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
Domestic	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Medison	Medical equipment	68.5
	Samsung Venture Capital Union #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 Venture Capital Union #28	Technology business, Venture capital investments	99.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	NexusDX (Nexus)	Medical equipment	100.0
	Samsung Receivables (SRC)	Credit management	100.0
	NeuroLogica	Medical equipment	100.0
	Samsung Semiconductor (SSI)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Canada (SECA)	Sale of electronic devices	100.0
	Samsung Research America (SRA)	R&D	100.0
	Grandis	R&D	100.0
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0
	Samsung International (SII)	Manufacture of CTV/monitors	100.0
	Samsung Austin Semiconductor (SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico (SEM)	Sale of electronic devices	99.9
	SEMES America (SEMESA)	Semiconductor equipment	100.0
	Samsung Electronics Digital Appliance Mexico (SEDAM)	Manufacture of electronic devices	99.9
	Samsung Electronics Latinoamerica Miami (SEMI)	Sale of electronic devices	100.0
	Nvelo	Software	100.0
America	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
	SIMPRESS	Sale of printing solutions	100.0
	LoopPay	Develop and provide mobile payment service	100.0
	YESCO Electronics	Manufacture and sale of LED displays	100.0
	Beijing Integrated Circuit Industry International Fund (Beijing Fund)	Venture capital investments	99.0
	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
Europe	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

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
	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
Europe (Cont.)	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
Middle East and Africa	Samsung Electronics Pakistan (SEPAK)	Marketing	100.0
	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0
	Samsung Electronics Morocco (SEMRC)	Sale of electronic devices	100.0
	Samsung Electronics South Africa Production (SSAP)	Manufacture of CTV/monitors	100.0

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

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
China (Cont.)	Samsung Electronics China R&D Center (SCRC)	R&D	100.0
	Samsung (China) Semiconductor (SCS)	Manufacture of semiconductor	100.0
	Samsung Electronics (Beijing) Service (SBSC)	Services	100.0
	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

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

## Samsung Electronics Co., Ltd. and Subsidiaries

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

(1) 2015

<i>(In millions of Korean won)</i>	As of March 31, 2015		For the three months ended March 31, 2015	
	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Display (SDC)	₩ 37,657,400	₩ 5,998,638	₩ 6,654,684	₩ 408,248
Samsung Electronics America (SEA)	14,914,135	8,245,602	7,590,758	34,583
Samsung (China) Investment (SCIC)	10,461,232	8,542,937	3,138,366	131,675
Samsung Electronics Vietnam (SEV)	7,272,932	1,527,238	4,205,601	412,951
Samsung (China) Semiconductor (SCS)	7,252,950	4,334,724	535,522	44,943
Samsung Semiconductor (SSI)	6,844,574	3,115,524	4,651,184	15,705
Samsung Austin Semiconductor (SAS)	6,457,142	3,291,042	593,269	21,618
Samsung Electronics Europe Holding (SEEH)	6,444,170	4,629,832	-	2,138
Samsung Electronics Huizhou (SEHZ)	6,025,724	2,113,385	4,410,885	187,194
Samsung Electronics Vietnam THAINGUYEN (SEVT)	5,373,679	4,169,645	4,343,342	281,898
Samsung Electronica da Amazonia (SEDA)	3,884,426	1,591,848	1,741,065	208,375
Samsung India Electronics (SEIL)	3,524,090	2,287,050	1,947,753	41,062
Samsung Asia Private (SAPL)	3,373,403	789,308	391,784	13,493
Tianjin Samsung Telecom Technology (TSTC)	2,368,751	744,615	2,060,961	97,540
Shanghai Samsung Semiconductor (SSS)	2,325,486	1,851,511	2,588,725	30,669
Thai Samsung Electronics (TSE)	1,864,628	426,030	1,036,638	71,512
Samsung Suzhou LCD (SSL)	1,853,565	757,191	249,984	25,595
Samsung Electronics Europe Logistics (SELS)	1,834,889	1,538,819	3,104,293	215,808
Samsung Electronics Slovakia (SESK)	1,816,693	463,709	929,502	42,935
Samsung Electronics Taiwan (SET)	1,609,086	1,309,568	1,258,187	10,264
Samsung Electronics GmbH (SEG)	1,475,030	1,558,132	1,458,805	(149,360)
Samsung Electronics Hungarian (SEH)	1,210,857	289,293	687,322	14,368
Samsung Electronics Benelux (SEBN)	1,205,066	302,708	565,191	28,821
Samsung International (SII)	1,198,308	805,727	1,187,670	(18,609)
Samsung Display Dongguan (SDDG)	1,187,750	406,930	1,158,269	19,793

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) 2014

<i>(In millions of Korean won)</i>	As of December 31, 2014		For the three months ended March 31, 2014	
	Assets	Liabilities	Sales	Net Income (Loss)
Samsung Display (SDC)	₩ 37,939,965	₩ 6,728,991	₩ 5,947,527	₩ 1,279,409
Samsung Electronics America (SEA)	10,697,787	5,409,749	2,635,844	(33,028)
Samsung (China) Investment (SCIC)	9,603,679	7,830,941	6,154,186	20,116
Samsung Semiconductor (SSI)	7,577,935	3,883,673	4,376,811	16,344
Samsung Electronics Europe Holding (SEEH)	7,022,746	5,062,988	-	55,971
Samsung (China) Semiconductor (SCS)	6,765,278	3,911,166	-	(24,989)
Samsung Electronics Vietnam (SEV)	6,553,628	1,251,667	6,155,893	792,168
Samsung Austin Semiconductor (SAS)	6,503,003	3,375,099	608,656	15,702
Samsung Telecommunications America (STA)	5,321,014	4,573,413	5,025,660	45,843
Samsung Electronics Huizhou (SEHZ)	4,966,486	1,258,635	4,886,210	146,518
Samsung Electronics Vietnam THAINGUYEN (SEVT)	3,957,700	3,042,402	96,414	(14,176)
Samsung Electronica da Amazonia (SEDA)	3,797,166	1,330,302	1,885,070	204,166
Samsung Asia Private (SAPL)	3,110,433	671,729	378,033	1,061,523
Samsung India Electronics (SIEL)	2,949,605	1,776,936	1,841,991	229,941
Shanghai Samsung Semiconductor (SSS)	2,560,852	2,120,738	3,052,001	33,620
Tianjin Samsung Telecom Technology (TSTC)	2,316,054	789,395	3,585,478	203,564
Samsung Electronics Slovakia (SESK)	1,869,697	405,089	965,110	32,007
Samsung Suzhou LCD (SSL)	1,831,794	768,230	63,667	(74,783)
Thai Samsung Electronics (TSE)	1,654,988	307,109	1,201,746	47,956
Samsung Electronics Europe Logistics (SELS)	1,621,583	1,524,468	3,669,060	302,234
Samsung Electronics Taiwan (SET)	1,583,027	1,299,330	959,236	12,058
Samsung Electronics Hungarian (SEH)	1,287,972	323,972	728,415	47,787
Samsung Electronics (UK) (SEUK)	1,235,239	964,058	1,308,909	(100,894)
Samsung Electronics Benelux (SEBN)	1,207,723	245,237	707,421	(34,626)
Samsung Electronics GmbH (SEG)	1,142,897	1,082,420	1,862,116	(153,191)

(C) Changes in scope of consolidation

(1) Subsidiaries newly included in the consolidation for the three months ended March 31, 2015:

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

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(2) Subsidiaries excluded from the consolidation for the three months ended March 31, 2015:

Area	Subsidiary	Description
Domestic	Ray	Disposal
America	Samsung Telecommunications America (STA)	Consolidation <sup>1</sup>
	Paymate Global	Liquidation
China	Samsung Electronics Hainan Fiberoptics (SEHF)	Diposal

<sup>1</sup> Samsung Electronics America (SEA), a subsidiary of the Group, consolidated Samsung Telecommunications America (STA) on January 1, 2015.

## 2. Summary of Significant Accounting Policies

### 2.1 Basis of Presentation

The interim consolidated financial statements for the three months ended March 31, 2015, have been prepared in accordance with K-IFRS 1034, *Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with the K-IFRS standards and interpretations effective or early adopted at the reporting date.

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

#### *Amendment to Korean IFRS 1019, Employee Benefits*

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

### 2.2 Accounting Policies

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

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

An emission trading scheme came into effect in January 2015 and is accounted for under Korean Generally Accepted Accounting Standard 33, *Emission Rights and Liabilities*. The emission permits granted by the government for no consideration are recognized at zero value, and emission permits purchased are stated at cost, less accumulated impairment losses. A provision has been recorded for emissions produced under current emissions permits during the three months ended March 31, 2015, which was calculated using the stated rates in the current emissions permits held by the Group. A provision was also recorded for emissions produced during the three months ended March 31, 2015 in excess of the emissions permits held by the Group, which was calculated using market rates in effect during the period.

### 2.3 Convenience Translation into United States Dollar Amounts



## Samsung Electronics Co., Ltd. and Subsidiaries

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The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The US dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Korean won amounts are expressed in US dollars at the rate of ₩1,100.16 to US \$1, the average exchange rate for the three month period ended in March 31, 2015. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

#### 2.4 Critical Accounting Estimates and Assumptions

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

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

### 3. Financial Instruments by Category

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

(1) As of March 31, 2015

<i>(In millions of Korean won)</i>	<b>Assets at fair value through profit and loss</b>		<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>		<b>Total</b>		
<b>Assets</b>								
Cash and cash equivalents	₩	-	₩	18,395,883	₩	-	₩	18,395,883
Short-term financial instruments		-		34,511,437		-		34,511,437
Short-term available-for-sale financial assets		-		-		3,221,305		3,221,305
Trade receivables		-		24,911,678		-		24,911,678
Long-term available-for-sale financial assets		-		-		12,205,278		12,205,278
Other		79,524		3,260,358		100,051		3,439,933
<b>Total</b>	₩	79,524	₩	81,079,356	₩	15,526,634	₩	96,685,514

<i>(In millions of Korean won)</i>	<b>Liabilities at fair value through profit and loss</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Total</b>
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**Samsung Electronics Co., Ltd. and Subsidiaries**

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<b>Liabilities</b>								
Trade payables	₩	-	₩	8,736,903	₩	-	₩	8,736,903
Short-term borrowings		-		2,409,231		5,445,679		7,854,910
Other payables		-		10,880,443		-		10,880,443
Current portion of long-term liabilities		-		524,828		-		524,828
Debentures		-		1,382,138		-		1,382,138
Long-term borrowings		-		85,375		-		85,375
Long-term other payables		-		2,130,832		-		2,130,832
Other		55,351		7,434,236		-		7,489,587
<b>Total</b>	₩	55,351	₩	33,583,986	₩	5,445,679	₩	39,085,016

(2) As of December 31, 2014

<i>(In millions of Korean won)</i>	<b>Assets at fair value through profit or loss</b>		<b>Loans and receivables</b>		<b>Available-for-sale financial assets</b>		<b>Total</b>	
<b>Assets</b>								
Cash and cash equivalents	₩	-	₩	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
<b>Total</b>	₩	48,360	₩	87,839,712	₩	16,054,358	₩	103,942,430

<i>(In millions of Korean won)</i>	<b>Liabilities at fair value through profit and loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other financial liabilities</b>		<b>Total</b>	
<b>Liabilities</b>								
Trade payables	₩	-	₩	7,914,704	₩	-	₩	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
<b>Total</b>	₩	78,348	₩	37,693,241	₩	4,661,384	₩	42,432,973

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

<i>(In millions of Korean won)</i>	March 31, 2015	December 31, 2014
Equity securities - Listed	₩ 5,818,314	₩ 5,776,836
Equity securities - Non-listed	3,877,659	3,746,393
Debt securities <sup>1</sup>	2,509,305	3,144,280
<b>Total</b>	₩ 12,205,278	₩ 12,667,509

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

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

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

	March 31, 2015			December 31, 2014	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Value (Market Value)	Book Value (Market Value)
Samsung SDI	13,462,673	19.6	₩ 2,180,953	₩ 1,837,655	₩ 1,561,670
Samsung Heavy Industries	40,675,641	17.6	258,299	734,195	811,479
Samsung Fine Chemicals	2,164,970	8.4	45,678	89,738	70,795
Hotel Shilla	2,004,717	5.1	13,957	196,262	183,231
Cheil Worldwide	14,498,725	12.6	223,941	348,694	249,378
iMarket Korea	647,320	1.8	324	16,571	18,384
SFA	1,822,000	10.2	38,262	99,117	90,462
Wonik IPS	7,220,216	9.0	63,250	80,144	100,722
ASML	12,595,575	2.9	726,024	1,428,865	1,506,664
Rambus	4,788,125	4.2	92,682	66,559	58,368
Seagate Technology	12,539,490	3.8	218,544	720,936	916,597
Sharp	35,804,000	2.1	122,535	77,430	88,292
SunEdison Semiconductor	1,416,925	3.4	21,937	40,426	49,511
Wacom	8,398,400	5.0	62,013	44,682	36,084
Other			51,837	37,040	35,199
<b>Total</b>			₩ 4,120,236	₩ 5,818,314	₩ 5,776,836

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

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 5. Inventories

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

<i>(In millions of Korean won)</i>	March 31, 2015			December 31, 2014		
	Gross Amount	Valuation Allowance	Book Value	Gross Amount	Valuation Allowance	Book Value
	₩ 6,555,50			₩ 6,011,07		
Finished goods	1	₩ (222,278)	₩ 6,333,223	8	₩ (237,630)	₩ 5,773,448
Work in process	5,558,386	(515,122)	5,043,264	5,018,416	(553,345)	4,465,071
Raw materials and supplies	7,116,038	(319,626)	6,796,412	6,244,161	(287,155)	5,957,006
Materials in transit	946,912	-	946,912	1,121,979	-	1,121,979
		₩ (1,057,026				
<b>Total</b>	₩ 20,176,837	)	₩ 19,119,811	₩ 18,395,634	₩ (1,078,130)	₩ 17,317,504

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

(A) Changes in investments in associates and joint ventures for the three months ended March 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	March 31, 2015	March 31, 2014
Balance as of January 1	₩ 5,232,461	₩ 6,422,292
Acquisition	66,700	184,700
Disposal	(2,278)	-
Share of profit	55,208	30,136
Other <sup>1</sup>	(117,665)	(99,785)
Balance as of March 31	₩ 5,234,426	₩ 6,537,343

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

(B) Major investments in associates and joint ventures as of March 31, 2015, are as follows:

(1) Investments in associates

Investee	Nature of Relationship with Associate	Percentage of Ownership <sup>1</sup> (%)	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 <sup>2</sup>	Manufacture and supply engine and precision machines	25.5	Korea

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

<sup>2</sup> The Group's investment in Samsung Techwin met the asset held-for-sale classification criterion and was reclassified accordingly.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in joint ventures

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

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

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

(1) Investments in associates

*(In millions of Korean won)*

Investee	March 31, 2015		
	Acquisition cost	Net asset value <sup>1</sup>	Book value
Samsung Card	₩ 1,538,540	₩ 2,391,505	₩ 2,352,351
Samsung Electro-Mechanics	359,237	993,466	999,274
Samsung SDS	147,963	937,048	960,580
Other	811,633	537,538	674,048
<b>Total</b>	<b>₩ 2,857,373</b>	<b>₩ 4,859,557</b>	<b>₩ 4,986,253</b>

*(In millions of Korean won)*

Investee	December 31, 2014		
	Acquisition cost	Net asset value <sup>1</sup>	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
<b>Total</b>	<b>₩ 2,791,308</b>	<b>₩ 4,845,247</b>	<b>₩ 4,969,686</b>

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

(2) Investments in joint ventures

*(In millions of Korean won)*

Investee	March 31, 2015		
	Acquisition cost	Net asset value <sup>1</sup>	Book value
Samsung Corning Advanced Glass	₩ 215,000	₩ 193,698	₩ 193,981
Other	527,204	93,995	54,192
<b>Total</b>	<b>₩ 742,204</b>	<b>₩ 287,693</b>	<b>₩ 248,173</b>

*(In millions of Korean won)*

Investee	December 31, 2014		
	Acquisition cost	Net asset value <sup>1</sup>	Book value
Samsung Corning Advanced Glass	₩ 215,000	₩ 196,015	₩ 195,930
Other	527,204	100,948	66,845
<b>Total</b>	<b>₩ 742,204</b>	<b>₩ 296,963</b>	<b>₩ 262,775</b>

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(1) For the three months ended March 31, 2015

<i>(In millions of Korean won)</i>	<b>Balance as of January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive income/loss</b>	<b>Other<sup>1</sup></b>	<b>Balance as of March 31</b>
Samsung Card	₩ 2,354,026	₩ 30,983	₩ 10,560	₩ (43,219)	₩ 2,352,350
Samsung Electro-Mechanics	1,040,404	11,969	(39,015)	(14,084)	999,274
Samsung SDS	951,776	20,263	(2,727)	(8,733)	960,579
Samsung Corning Advanced Glass	195,930	(1,956)	6	1	193,981
Other	690,325	(6,051)	(12,876)	56,844	728,242
<b>Total</b>	₩ 5,232,461	₩ 55,208	₩ (44,052)	₩ (9,191)	₩ 5,234,426

<sup>1</sup> Other consists of acquisitions, disposals, dividends, and effects of changes in currency exchange rates.

(2) For the three months ended March 31, 2014

<i>(In millions of Korean won)</i>	<b>Balance as of January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive income/loss</b>	<b>Other<sup>1</sup></b>	<b>Balance as of March 31</b>
Samsung Card	₩ 2,340,009	₩ 25,326	₩ (10,496)	₩ (30,375)	₩ 2,324,464
Samsung Electro-Mechanics	954,496	(1,012)	(5,717)	(13,270)	934,497
Samsung SDI	1,175,204	7,528	16,313	(13,925)	1,185,120
Samsung SDS	879,956	16,951	(513)	(4,368)	892,026
Samsung Techwin	402,745	965	5,915	(6,762)	402,863
Samsung Corning Advanced Glass	111,961	(5,446)	(11)	99,894	206,398
Other	557,921	(14,176)	(2,744)	50,974	591,975
<b>Total</b>	₩ 6,422,292	₩ 30,136	₩ 2,747	₩ 82,168	₩ 6,537,343

<sup>1</sup> Other consists of acquisitions, disposals, dividends, and effects of changes in currency exchange rates.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

*(In millions of Korean won)*

Investee	2015		
	Samsung Card <sup>1</sup>	Samsung Electro-Mechanics	Samsung SDS
<b>1. Condensed financial information</b>			
<b>Condensed statement of financial position</b>			
Current assets	₩ 17,478,694	₩ 3,290,417	₩ 3,426,009
Non-current assets		4,222,479	2,319,542
Current liabilities		2,093,107	1,255,751
Non-current liabilities	11,092,832	967,957	234,085
Non-controlling interests	-	94,555	105,810
<b>Condensed statement of comprehensive income</b>			
Revenue	772,013	1,776,514	1,915,524
Profit from continuing operations <sup>2</sup>	109,085	36,759	88,397
Other comprehensive income (loss) <sup>2</sup>	28,199	(35,187)	(12,077)
Total comprehensive income <sup>2</sup>	137,284	1,572	76,320
<b>2. Dividends from associates</b>			
Dividends	₩ 43,393	₩ 13,270	₩ 8,736

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

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

*(In millions of Korean won)*

Investee	2014		
	Samsung Card <sup>1</sup>	Samsung Electro-Mechanics	Samsung SDS
<b>1. Condensed financial information</b>			
<b>Condensed statement of financial position</b>			
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
<b>Condensed statement of comprehensive income</b>			
Revenue	731,583	1,728,771	1,866,857
Profit from continuing operations <sup>2</sup>	67,602	1,661	71,871
Other comprehensive loss <sup>2</sup>	(28,026)	(25,486)	(2,270)
Total comprehensive income <sup>2</sup>	39,576	(23,825)	69,601
<b>2. Dividends from associates</b>			
Dividends	₩ 30,375	₩ 13,270	₩ 4,368

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

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



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
<b>Investee</b>	Samsung Corning Advanced Glass		Samsung Corning Advanced Glass	
<b>1. Condensed financial information</b>				
<b>Condensed statements of financial position</b>				
Current assets	₩	220,187	₩	228,312
- Cash and cash equivalent		6,610		14,696
Non-current assets		195,125		200,105
Current liabilities		25,672		34,719
- Current financial liabilities <sup>1</sup>		13,656		18,718
Non-current liabilities		2,244		1,669
<b>Condensed statements of comprehensive income<sup>2</sup></b>				
Revenue		71,191		50,227
Depreciation and amortization		446		87
Interest income		290		103
Income tax expense		(556)		(2,212)
Net loss from continuing operations		(4,644)		(10,904)
Other comprehensive loss		-		(23)
Total comprehensive loss		(4,644)		(10,927)
<b>2. Dividends from joint ventures</b>				
Dividends	₩	-	₩	-

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

<sup>2</sup> Amounts relate to the three months ended March 31, 2015 and 2014.

- (3) Profit (loss) amounts attributable to owners of the parent from associates and joint ventures which are not individually material for the three months ended March 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>			<b>2014</b>		
<b>Investee</b>	<b>Associates</b>	<b>Joint ventures</b>	<b>Associates</b>	<b>Joint ventures</b>		
Loss from continuing operations <sup>1</sup>	₩ (17,075)	₩ (3,739)	₩ (33,017)	₩ (49,980)		
Other comprehensive income (loss) <sup>1</sup>	(6,242)	(6,507)	4,817	11,547		
Total comprehensive loss <sup>1</sup>	₩ (23,317)	₩ (10,246)	₩ (28,200)	₩ (38,433)		

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

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

<i>(In millions of Korean won and number of shares)</i>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Number of shares held</b>	<b>Market value</b>	<b>Market value</b>	
Samsung Card	43,393,170	₩ 1,781,290	₩	1,917,978
Samsung Electro-Mechanics	17,693,084	1,360,598		967,812
Samsung SDS	17,472,110	4,673,789		5,128,064
Samsung Techwin	13,526,935	320,588		322,617

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 7. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the three months ended March 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Balance as of January 1	₩	80,872,950	₩	75,496,388
Acquisition and capital expenditures		7,212,625		5,373,794
Business combinations		34,776		-
Depreciation		(4,563,385)		(4,004,084)
Sales/disposals/impairment		(135,202)		(249,785)
Other <sup>1</sup>		20,658		(97,277)
Balance as of March 31	₩	83,442,422	₩	76,519,036

<sup>1</sup> Other includes effects of changes in foreign currency exchange rates.

(B) Details of depreciation of property, plant and equipment by line item for the three months ended March 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Cost of sales	₩	4,128,702	₩	3,619,728
Selling and administrative expenses		434,683		384,356
<b>Total</b>	₩	4,563,385	₩	4,004,084

#### 8. Intangible Assets

(A) Changes in intangible assets for the three months ended March 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Balance as of January 1	₩	4,785,473	₩	3,980,600
Internally generated (development costs)		304,477		186,694
External acquisitions		115,441		80,452
Business combinations		374,224		-
Amortization		(305,944)		(252,337)
Sales/disposals/impairment		(2,136)		(3,802)
Other <sup>1</sup>		66,983		128,630
Balance as of March 31	₩	5,338,518	₩	4,120,237

<sup>1</sup> Other includes effects of changes in foreign currency exchange rates.

(B) Details of amortization of intangible assets by line item for the three months ended March 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Cost of sales	₩	178,168	₩	107,648
Selling and administrative expenses		127,776		144,689
<b>Total</b>	₩	305,944	₩	252,337

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Borrowings

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

<i>(In millions of Korean won)</i>	Financial Institutions	Annual Interest Rates(%) as of March 31, 2015	March 31, 2015	December 31, 2014
<b>Short-term borrowings</b>				
Collateralized borrowings <sup>1</sup>	Woori Bank and others	0.4 ~ 11.2	₩ 5,445,679	₩ 4,661,384
Non-collateralized borrowings	Citibank and others	0.4 ~ 11.8	2,409,231	3,367,915
<b>Total</b>			₩ 7,854,910	₩ 8,029,299
<b>Current portion of long-term borrowings</b>				
Bank borrowings	SMBC and others	0.5 ~ 14.9	₩ 494,091	₩ 1,758,556
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	14,985	14,807
<b>Total</b>			₩ 509,076	₩ 1,773,363
<b>Long-term borrowings</b>				
Bank borrowings	SMBC and others	1.1 ~ 19.0	₩ 8,948	₩ 23,989
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	76,427	77,682
<b>Total</b>			₩ 85,375	₩ 101,671

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

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

#### 10. Debentures

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

<i>(In millions of Korean won)</i>	March 31, 2015	December 31, 2014
Korean won denominated debentures (A)	₩ 199,594	₩ 199,515
Foreign currency denominated debentures (B)	1,182,544	1,156,367
<b>Total</b>	₩ 1,382,138	₩ 1,355,882

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

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of March 31, 2015	March 31, 2015	December 31, 2014
Unsecured debentures	2011.11.17	2016.11.17	4.2	₩ 200,000	₩ 200,000
Less: Current portion				-	-
Less: Discounts				(406)	(485)
<b>Total</b>				₩ 199,594	₩ 199,515

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(In millions of Korean Won)</i>	<b>Issue Date</b>	<b>Due Date</b>	<b>Annual Interest Rates (%) as of March 31, 2015</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
US dollar denominated straight bonds <sup>1</sup>	1997.10.02	2027.10.01	7.7	₩ 71,825 (US\$65 million)	₩ 71,448 (US\$65 million)
US dollar denominated unsecured bonds <sup>2</sup>	2012.4.10	2017.4.10	1.8	1,105,000 (US\$1,000 million)	1,099,200 (US\$1,000 million)
Simpres Corporate Bond (ITAU)	2011.9.13	2016.9.14	14.5	8,554 (BRL 25,000 thousand)	-
Simpres Corporate Bond (SANTANDER)	2013.8.6	2018.8.6	15.0	20,530 (BRL 60,000 thousand)	-
Less: Current Portion				(15,670)	(5,496)
Less: Discounts				(7,695)	(8,785)
<b>Total</b>				₩ 1,182,544	₩ 1,156,367

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

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

#### 11. Net Defined Benefit Liabilities

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

<i>(In millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Present value of funded defined benefit obligations	₩ 7,682,020	₩ 7,404,205
Present value of unfunded defined benefit obligations	118,808	138,042
Subtotal	7,800,828	7,542,247
Fair value of plan assets	(7,327,506)	(7,340,905)
<b>Total</b>	₩ 473,322	₩ 201,342

(B) The amounts recognized in the consolidated statements of income for the three months ended March 31, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Current service cost	₩ 289,985	₩ 238,270
Interest cost	8,899	25,386
Past service cost	-	128,747
Other	2,741	(2,259)
<b>Total</b>	₩ 301,625	₩ 390,144

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) The pension expenses related to defined benefit plans recognized on the consolidated statements of income for the three months ended March 31, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Cost of sales	₩	132,625	₩	165,180
Selling and administrative expenses		169,000		224,964
<b>Total</b>	₩	301,625	₩	390,144

## 12. Provisions

Changes in the provisions during the three months ended March 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>Warranty (A)</b>	<b>Royalty expenses (B)</b>	<b>Long-term incentives (C)</b>	<b>Bonus (D)</b>	<b>Other (E)</b>	<b>Total</b>
Balance as of January 1, 2015	₩ 1,829,068	₩ 3,917,792	₩ 730,464	₩ -	₩ 13,476	₩ 6,490,800
Charged to the statement of income	417,193	253,996	43,664	900,949	16,352	1,632,154
Payment	(435,752)	(324,815)	(202,572)	-	-	(963,139)
Other <sup>1</sup>	(80,612)	(80,175)	-	-	(121)	(160,908)
Balance as of March 31, 2015	₩ 1,729,897	₩ 3,766,798	₩ 571,556	₩ 900,949	₩ 29,707	₩ 6,998,907

<sup>1</sup> Other includes effects of changes in foreign currency exchange rates.

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

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

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

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

(E) The Group makes provisions for the estimated emission expense to deliver permits exceeding the emission permits held by the Group for the applicable years. Details of emission rights and liabilities as of March 31, 2015 are as follows:

(1) Allocated amount of emission permits and estimated amount of emission for the next three years as of March 31, 2015 are as follows:

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Changes in the provisions for emissions as of March 31, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>	
Balance as of January 1	₩	-
Emission costs		1,987
<b>Balance as of March 31</b>	₩	<b>1,987</b>

### 13. Commitments and Contingencies

#### (A) Guarantees

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

<i>(In millions of Korean won)</i>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
Guarantees of debt for housing rental <sup>1</sup>	₩	70,247	₩	76,558

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

In addition to the guarantees described above, the Group provides guarantees for borrowings by Intellectual Keystone Technology (IKT), the Group's associate, to Citibank in the amount of ₩33,150 million (USD 30 million).

As of March 31, 2015, the Group's investments in Pusan Newport are pledged as collateral against the investee's debt.

#### (B) Litigation

(1) The litigation with Apple Inc. ("Apple") is ongoing in the United States as of the reporting date. Regarding the ongoing lawsuit in the United States, on August 24, 2012, the jury determined that the Group partially infringed Apple's design and utility patent and should pay damages to Apple. On March 1, 2013, however, the Judge ordered a new trial for a certain portion of the damages, ruling that it was originally miscalculated. On March 6, 2014, the Judge denied Apple's bid for a permanent injunction against the Group and made a final judgment restating the total damages amount determined by a jury verdict 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, the first trial judgment was pronounced to confirm the jury's verdict. The Group appealed the decision on the damages and the appeal is currently on-going. The final conclusion and the effect of the patent lawsuits with Apple are uncertain as of the reporting date.

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

- (2) Including civil claims from some overseas buyers for price-fixing related to the sale of TFT-LCD raised before the split, the Group is involved in claims, disputes, and investigations conducted by regulatory bodies at the reporting date. Although the outflow of resources and timing of these matters are uncertain, the Group believes the outcome will not have a material impact on the financial condition of the Group.
- (3) In addition, during the normal course of business with numerous companies, the Group has been involved in various claims, disputes, and investigations conducted by regulatory bodies. Although the outflow of resources

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

and timing of these matters are uncertain, the Group believes the outcome will not have a material impact on the financial condition of the Group.

#### (C) Other commitments

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

#### 14. Share Capital

The Group's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Group has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as of March 31, 2015, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩850,664 million (common stock ₩736,497 million and preferred stock ₩114,167 million), which does not agree with paid-in capital of ₩897,514 million.

#### 15. Retained Earnings

(A) Retained earnings as of March 31, 2015 and December 31, 2014 consist of:

<i>(In millions of Korean won)</i>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
Appropriated	₩	131,539,595	₩	119,947,785
Unappropriated		39,566,035		49,581,819
<b>Total</b>	₩	171,105,630	₩	169,529,604

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 16. Other Components of Equity

Other components of equity as of March 31, 2015 and December 31, 2014 consist of:

<i>(In millions of Korean won)</i>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
Treasury stock	₩	(9,752,372)	₩	(8,429,313)
Stock options		806		806
Unrealized gains on available-for-sale financial assets		2,108,056		1,850,195
Share of other comprehensive income of associates and joint ventures		515,273		559,280
Foreign currency translation		(5,588,891)		(4,566,887)
Remeasurement of net defined benefit liabilities		(2,021,623)		(1,996,792)
Other		(151,205)		(146,676)
<b>Total</b>	₩	<b>(14,889,956)</b>	₩	<b>(12,729,387)</b>

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

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

#### 17. Expenses by Nature

Expenses by nature for the three months ended March 31, 2015 and 2014 consist of the following:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Changes in finished goods and work in process	₩	(1,137,968)	₩	354,019
Raw materials and goods		19,180,417		21,402,457
Wages and salaries		4,714,744		4,485,185
Pension		313,024		402,604
Depreciation		4,563,385		4,004,084
Amortization		305,944		252,337
Welfare		860,080		821,212
Commission and service charges		1,944,909		2,550,416
Other		10,394,016		10,914,213
<b>Total<sup>1</sup></b>	₩	<b>41,138,551</b>	₩	<b>45,186,527</b>

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



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 18. Selling and Administrative Expenses

Selling and administrative expenses for the three months ended March 31, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>1) Selling and administrative expenses</b>		
Wages and salaries	₩ 1,369,401	₩ 1,338,623
Pension	68,701	87,310
Commission and service charges	1,944,909	2,550,416
Depreciation	172,334	164,075
Amortization	77,517	98,681
Advertising	653,799	677,862
Sales promotion	1,528,100	1,587,983
Transportation	798,985	839,661
Warranty	705,881	861,689
Other	1,372,296	1,239,868
<b>2) Research and development expenses</b>		
Total expenses	3,795,718	3,877,538
Capitalized expenses	(304,477)	(186,694)
<b>Total</b>	₩ 12,183,164	₩ 13,137,012

#### 19. Other Non-Operating Income and Expense

Details of other non-operating income and expense for the three months ended March 31, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>Non-operating income</b>		
Dividend income	₩ 61,066	₩ 1,307,086
Rental income	22,411	24,857
Gain on disposal of investments	33,786	74,095
Gain on disposal of property, plant and equipment	33,705	43,367
Other	215,164	462,191
<b>Total</b>	₩ 366,132	₩ 1,911,596

<i>(In millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>Non-operating expense</b>		
Loss on disposal of property, plant and equipment	₩ 33,074	₩ 53,309
Donations	120,312	50,251
Loss on disposal of assets classified as held for sale	-	723,869
Other	162,833	122,542
<b>Total</b>	₩ 316,219	₩ 949,971

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 20. Finance Income and Expense

(A) Details of finance income and expense for the three months ended March 31, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
<b>Finance income</b>				
Interest income:	₩	442,274	₩	417,663
Interest income from loans and receivables		414,984		408,716
Interest income from available-for-sale financial assets		27,290		8,947
Foreign exchange differences <sup>1</sup>		1,644,493		876,521
Gain on valuation of derivatives		312,885		156,107
<b>Total</b>	₩	2,339,652	₩	1,450,291

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
<b>Finance expense</b>				
Interest expense:	₩	166,918	₩	142,555
Interest expense from financial liabilities measured at amortized cost		98,691		99,404
Other financial liabilities		68,227		43,151
Foreign exchange differences <sup>1</sup>		1,813,563		981,220
Loss on valuation of derivatives		285,016		158,106
<b>Total</b>	₩	2,265,497	₩	1,281,881

<sup>1</sup> The Group recognizes foreign exchange gains and losses arising from foreign currency transactions and translation as finance income and expense.

#### 21. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the average annual income tax rate expected for the full financial year. The average annual tax rate expected as of March 31, 2015 to be effective for the year ended December 31, 2015 is 25.6% (March 31, 2014: 21.5%).

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 22. Earnings per Share

##### (A) Basic earnings per share

Basic earnings per share for the three months ended March 31, 2015 and 2014 are calculated as follows:

##### (1) Common stock

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

	<b>2015</b>	<b>2014</b>
Net income as reported on the statements of income	₩ 4,519,323	₩ 7,484,680
Net income available for common stock	3,924,175	6,499,012
Weighted-average number of common shares outstanding	129,462	130,923
Basic earnings per share (in Korean won)	₩ 30,311	₩ 49,640

##### (2) Preferred stock

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

	<b>2015</b>	<b>2014</b>
Net income as reported on the statements of income	₩ 4,519,323	₩ 7,484,680
Net income available for preferred stock	595,148	985,668
Weighted-average number of preferred shares outstanding	19,625	19,854
Basic earnings per preferred share (in Korean won)	₩ 30,326	₩ 49,646

##### (B) Diluted earnings per share

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

Diluted earnings per share for the three months ended March 31, 2015 and 2014 are calculated as follows:

##### (1) Common stock

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

	<b>2015</b>	<b>2014</b>
Net income available for common stock and common stock equivalents	₩ 3,924,195	₩ 6,499,115
Weighted-average number of shares of common stock and common stock equivalents	129,465	130,939
Diluted earnings per share (in Korean won)	₩ 30,311	₩ 49,635

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Preferred stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	<b>2015</b>	<b>2014</b>
Net income available for preferred stock and preferred stock equivalents	₩ 595,128	₩ 985,565
Weighted-average number of shares of preferred stock and preferred stock equivalents	19,625	19,854
Diluted earnings per preferred share (in Korean won)	₩ 30,325	₩ 49,961

### 23. Cash Flows Generated from Operating Activities

Adjustments and changes in assets and liabilities arising from operating activities for the three months ended March 31, 2015 and 2014 are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Adjustments for:		
Income tax expense	₩ 1,592,828	₩ 2,074,529
Finance income	(1,373,566)	(1,053,766)
Finance costs	974,622	624,053
Pension	313,024	402,604
Depreciation	4,563,385	4,004,084
Amortization	305,944	252,337
Bad debt expense	72,064	128,305
Gain on valuation of equity method	(55,208)	(30,136)
Gain on disposal of property, plant and equipment	(33,705)	(43,367)
Loss on disposal of property, plant and equipment	33,074	53,309
Obsolescence and scrapping of inventories	153,840	116,600
Loss on disposal of assets classified as held-for-sale	-	723,869
Dividend income	(61,066)	(1,307,086)
Other	(162,990)	(328,120)
<b>Adjustments, total</b>	₩ 6,322,246	₩ 5,617,215

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Changes in assets and liabilities :		
Decrease (Increase) in trade receivables	₩ (340,270)	₩ 340,983
Decrease in other receivables	919,694	301,594
Increase in advances	(21,868)	(79,398)
Increase in prepaid expenses	(351,386)	(2,772,299)
Increase in inventories	(2,271,425)	(514,024)
Increase in trade payables	1,210,116	1,693,791
Increase (Decrease) in other payables	(339,643)	2,653,370
Decrease in advances received	(104,390)	(64,813)
Increase (Decrease) in withholdings	25,788	(6,963)
Decrease in accrued expenses	(4,230,031)	(2,773,699)
Increase in provisions	855,749	358,752
Payment of severance benefits	(80,658)	(98,833)
Other	(168,002)	226,120
<b>Changes in net working capital, total</b>	<b>₩ (4,896,326)</b>	<b>₩ (735,419)</b>

#### 24. Financial Risk Management

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

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

Also, financial risk management officers are dispatched to the regional headquarters of each area including the United States, 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (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.

##### (2) Price risk

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

As of March 31, 2015 and December 31, 2014, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩58,183 million and ₩57,768 million, respectively.

##### (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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (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 receivables are 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.

#### (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.

#### (D) Capital risk management

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

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

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

<i>(In millions of Korean won)</i>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
Total liabilities	₩	59,631,070	₩	62,334,770
Total equity		167,619,307		168,088,188
Total liabilities to equity ratio		35.6%		37.1%

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(E) Fair value estimation

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

<i>(In millions of Korean won)</i>	March 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents <sup>1</sup>	₩ 18,395,883	₩ -	₩ 16,840,766	₩ -
Short-term financial instruments <sup>1</sup>	34,511,437	-	41,689,776	-
Short-term available-for-sale financial assets	3,221,305	3,221,305	3,286,798	3,286,798
Trade receivables <sup>1</sup>	24,911,678	-	24,694,610	-
Long-term available-for-sale financial assets <sup>2</sup>	12,205,278	11,805,491	12,667,509	12,272,756
Other	3,439,933	3,404,784	4,762,971	4,725,263
<b>Total financial assets</b>	<b>₩ 96,685,514</b>		<b>₩ 103,942,430</b>	
<b>Financial liabilities</b>				
Trade payables <sup>1</sup>	₩ 8,736,903	₩ -	₩ 7,914,704	₩ -
Short-term borrowings <sup>1</sup>	7,854,910	-	8,029,299	-
Other payables <sup>1</sup>	10,880,443	-	9,258,344	-
Current portion of long-term liabilities <sup>1</sup>	524,828	-	1,778,667	-
Debentures	1,382,138	1,407,237	1,355,882	1,377,113
Long-term borrowings	85,375	68,216	101,671	82,271
Long-term other payables	2,130,832	2,214,696	2,520,277	2,606,179
Other <sup>1</sup>	7,489,587	-	11,474,129	-
<b>Total financial liabilities</b>	<b>₩ 39,085,016</b>		<b>₩ 42,432,973</b>	

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

<sup>2</sup> Amount measured at cost (March 31, 2015: ₩399,787 million, December 31, 2014: ₩394,753 million) is excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

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

<i>(In millions of Korean won)</i>	March 31, 2015			
	Level 1	Level 2	Level 3	Total balance
<b>1) Assets</b>				
Short-term available-for-sale financial assets	₩ 817,680	₩ 2,403,625	₩ -	₩ 3,221,305
Long-term available-for-sale financial assets <sup>1</sup>	5,818,314	2,413,478	3,573,699	11,805,491
Other	-	75,005	104,570	179,575
<b>2) Liabilities</b>				
Other	-	55,351	-	55,351



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

<i>(In millions of Korean won)</i>	December 31, 2014			
	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 <sup>1</sup>	5,776,836	3,050,338	3,445,582	12,272,756
Other	-	45,898	102,513	148,411
2) Liabilities				
Other	-	78,348	-	78,348

<sup>1</sup> Amount measured at cost (March 31, 2015: ₩399,787 million, December 31, 2014: ₩394,753 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.

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

Specific valuation techniques used to value financial instruments include:

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

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

#### (3) Valuation technique and the inputs

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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.

<i>(In millions of Korean won)</i>				
Classification	Fair Value	Valuation Technique	Level 3 Inputs	Input Range (Weighted Average)
<b>Long-term available-for-sale financial assets</b>				
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%)
Corning Incorporated convertible preferred stock	3,159,862	Trinomial model	Risk adjusted discount rate Price volatility	4.73%~6.73% (5.73%) 30.4%~36.4% (33.4%)
<b>Derivatives</b>				
Embedded derivatives (convertible bonds)	4,519	Binomial model	Discount rate Stock price volatility	4.45%~8.26% (6.23%) 13.05%~18.04% (15.45%)

#### (4) Changes in Level 3 instruments:

<i>(In millions of Korean won)</i>	March 31, 2015		March 31, 2014	
Balance as of January 1	₩	3,548,095	₩	493,378
Purchases		39,219		2,453,321
Disposals		(3,447)		(8,311)
Amount recognized in profit or loss		2,058		-
Amount recognized in other comprehensive income		105,407		206,025
Other		(13,063)		(15,649)
Balance as of March 31	₩	3,678,269	₩	3,128,764

#### (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 <sup>1</sup>	₩	-	₩	239,167	₩	-	₩	(225,754)
	Embedded derivatives (convertible bonds) <sup>2</sup>		391		391		(386)		(386)

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Total	₩ 391	₩ 239,558	₩ (386)	₩ (226,140)
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<sup>1</sup> Changes in fair value are calculated by increasing or decreasing the correlation between volatility (30.4~36.4%) and discount rate for convertible preferred stock. Similarly, for other equity securities, changes in fair value are calculated with the correlation between growth ratio (-1% to 1%) and discount rate, which are significant unobservable inputs.

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

#### 25. Segment Information

##### (A) Operating segment information

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

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

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

##### (1) For the three months ended March 31, 2015

March 31, 2015	DS						Intercompany elimination within the group	Consolidated
<i>(In millions of Korean won)</i>	CE	IM	Total <sup>1</sup>	Semi- conductor	DP	Total <sup>1</sup>		
Total segment revenue	₩25,452,193	₩55,726,720	₩33,582,070	₩19,305,753	₩13,148,326	₩115,024,157	₩ (67,906,239)	₩47,117,918
Intercompany revenue	(15,195,210)	(29,839,870)	(16,478,374)	(9,039,038)	(6,296,159)	(67,906,239)	67,906,239	-
Net revenue <sup>2</sup>	10,256,983	25,886,850	17,103,696	10,266,715	6,852,167	47,117,918	-	47,117,918
Depreciation	157,277	240,571	4,006,719	2,891,833	1,061,564	4,563,385	-	4,563,385
Amortization	27,127	48,262	171,284	136,882	31,081	305,944	-	305,944
Operating profit	(135,884)	2,743,270	3,387,639	2,932,980	524,722	5,979,367	-	5,979,367

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

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

##### (2) For the three months ended March 31, 2014

March 31, 2014	DS						Intercompany elimination within the group	Consolidated
<i>(In millions of Korean won)</i>	CE	IM	Total <sup>1</sup>	Semi- conductor	DP	Total <sup>1</sup>		
Total segment	₩27,840,111	₩67,859,260	₩30,677,773	₩17,136,048	₩12,435,270	₩126,704,001	₩ (73,028,675)	₩53,675,326

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revenue								
Intercompany revenue	(16,523,869)	(35,417,246)	(15,121,314)	(7,741,936)	(6,338,518)	(73,028,675)	73,028,675	-
Net revenue <sup>2</sup>	11,316,242	32,442,014	15,556,459	9,394,112	6,096,752	53,675,326	-	53,675,326
Depreciation	150,591	172,679	3,534,077	2,410,150	1,071,706	4,004,084	-	4,004,084
Amortization	23,966	44,357	109,227	77,365	28,047	252,337	-	252,337
Operating profit	191,669	6,428,670	1,870,758	1,949,175	(83,574)	8,488,799	-	8,488,799

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

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

#### (B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as of and for the three months ended March 31, 2015 and 2014, is as follows:

<i>(In millions of Korean won)</i>	March 31, 2015						Intercompany elimination within the group	Consolidated
	Korea	America	Europe	Asia and Africa	China			
Net segment revenue	5,216,771	14,977,300	9,121,983	10,653,399	7,148,465	-	47,117,918	
Non-current assets <sup>1</sup>	64,022,499	7,858,237	789,846	6,093,134	10,374,193	(356,969)	88,780,940	

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

<i>(In millions of Korean won)</i>	March 31, 2014						Intercompany elimination within the group	Consolidated
	Korea	America	Europe	Asia and Africa	China			
Net segment revenue	5,790,084	15,437,620	11,797,166	10,832,330	9,818,126	-	53,675,326	
Non-current assets <sup>1</sup>	61,002,668	7,113,758	1,031,704	3,190,242	9,009,707	(708,806)	80,639,273	

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

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#### 26. Related Party Transactions

(A) Sale and purchase transactions

Sales and purchases with related parties for the three months ended March 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>		March 31, 2015			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates	Samsung SDS	₩ 8,435	₩ -	₩ 400,191	₩ 47,032
	Samsung Electro-Mechanics	2,659	-	622,525	-
	Samsung Techwin	1,812	-	3,488	29,537
	Samsung Card	1,531	-	8,416	-
	Other	60,168	3,524	1,307,081	57,944
	<b>Total (Associates)</b>	<b>74,605</b>	<b>3,524</b>	<b>2,341,701</b>	<b>134,513</b>
Joint ventures	Siltronic Samsung Wafer	-	-	41,390	-
	Other	1,970	-	49,379	-
	<b>Total (Joint ventures)</b>	<b>1,970</b>	<b>-</b>	<b>90,769</b>	<b>-</b>
Other related parties	Cheil Industries Inc. <sup>2</sup>	1,437	-	6,436	112,551
	Samsung SDI	11,642	-	399,155	2,232
	Other	27,741	-	270,828	85,220
	<b>Total (Other related parties)</b>	<b>40,820</b>	<b>-</b>	<b>676,419</b>	<b>200,003</b>

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

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

<i>(In millions of Korean won)</i>		March 31, 2014			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates	Samsung SDS	₩ 10,747	₩ -	₩ 492,476	₩ 83,139
	Samsung Electro-Mechanics	9,020	1	620,036	-
	Samsung Techwin	4,479	-	7,755	25,272
	Samsung Card	1,392	-	9,024	-
	Other	85,065	-	1,091,589	142,923
	<b>Total (Associates)</b>	<b>110,703</b>	<b>1</b>	<b>2,220,880</b>	<b>251,334</b>
Joint ventures	Samsung Corning Precision Materials <sup>2</sup>	164	-	67,826	-
	Siltronic Samsung Wafer	-	-	39,621	-
	Other	891	575	35,181	-
	<b>Total (Joint ventures)</b>	<b>1,055</b>	<b>575</b>	<b>142,628</b>	<b>-</b>
Other related parties	Cheil Industries Inc. <sup>3</sup>	1,734	-	24,708	76,283
	Samsung SDI	16,023	-	203,683	-
	Other	70,543	-	563,470	51,193
	<b>Total (Other related parties)</b>	<b>88,300</b>	<b>-</b>	<b>791,861</b>	<b>127,476</b>

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

<sup>2</sup> During the year ended December 31, 2014, the Group completed the disposal of all shares of Samsung Corning Precision Materials held by the Group.

<sup>3</sup> 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 of March 31, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2015</b>	
		<b>Receivables</b>	<b>Payables</b>
	<b>Name of Company<sup>1</sup></b>		
Associates	Samsung SDS	₩ 6,337	₩ 326,046
	Samsung Electro-Mechanics	2,370	296,978
	Samsung Techwin	9,157	36,625
	Samsung Card	9,815	689,420
	Other	68,756	453,663
	<b>Total (Associates)</b>	<b>96,435</b>	<b>1,802,732</b>
Joint ventures	Siltronic Samsung Wafer	12,971	12,267
	Other	1,051	35,737
	<b>Total (Joint ventures)</b>	<b>14,022</b>	<b>48,004</b>
Other related parties	Cheil Industries Inc. <sup>2</sup>	186,665	162,741
	Samsung SDI	3,150	137,251
	Other	15,992	96,551
	<b>Total (Other related parties)</b>	<b>205,807</b>	<b>396,543</b>

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

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

<i>(In millions of Korean won)</i>		<b>December 31, 2014</b>	
		<b>Receivables</b>	<b>Payables</b>
	<b>Name of Company<sup>1</sup></b>		
Associates	Samsung SDS	₩ 3,353	₩ 359,001
	Samsung Electro-Mechanics	1,431	237,816
	Samsung Techwin	1,353	18,977
	Samsung Card	5,431	1,124,240
	Other	61,903	393,963
	<b>Total (Associates)</b>	<b>73,471</b>	<b>2,133,997</b>
Joint ventures	Siltronic Samsung Wafer	19,143	11,445
	Other	474	39,262
	<b>Total (Joint ventures)</b>	<b>19,617</b>	<b>50,707</b>
Other related parties	Cheil Industries Inc. <sup>2</sup>	187,108	288,984
	Samsung SDI	4,771	122,936
	Other	18,052	126,422
	<b>Total (Other related parties)</b>	<b>209,931</b>	<b>538,342</b>

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

<sup>2</sup> 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 three months ended March 31, 2015 and 2014 consists of:

<i>(In millions of Korean won)</i>	<b>March 31, 2015</b>		<b>March 31, 2014</b>	
Salaries and other short-term employee benefits	₩	2,361	₩	13,172
Termination benefits		140		243
Other long-term benefits		2,079		1,784

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#### 27. Business Combination

Significant business combinations for the three months ended March 31, 2015 are as follow:

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

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

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

##### (B) Purchase price allocation

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

Had LoopPay been consolidated from January 1, 2015, revenues would increase by ₩85 million and net income would decrease by ₩2,151 million on the interim consolidated statement of income. The revenues and net loss contributed by LoopPay after the consolidation amount to ₩74 million and ₩2,250 million, respectively.

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

##### (A) Summary

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

During the year ended December 31, 2014, the management of the Group decided to sell all its 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.

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

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

##### (3) Sale of Optical Materials business segment

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

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

<i>(In millions of Korean Won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>	
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		511,441
Other non-current assets	-		3,696
<b>Total</b>	<b>511,441</b>	<b>₩</b>	<b>645,491</b>
Liabilities held-for-sale			
Current liabilities	-	₩	25,939
Non-current liabilities	-		2,377
<b>Total</b>	<b>-</b>	<b>₩</b>	<b>28,316</b>

Impairment loss recognized in 2014 from the reclassification of assets and liabilities held-for-sale amounts to ₩ 31,219 million.



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

<i>(In millions of Korean Won)</i>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
Gain on valuation of available-for-sale securities	₩	24,750	₩	24,750
Changes in equity under the equity-method		54,118		54,118
Foreign exchange translation adjustment		-		1,233
Total	₩	78,868	₩	80,101

#### 29. Events after the Reporting Period

The Group sold all its shares of Samsung General Chemicals Co., Ltd. that were classified as asset held-for-sale, to Hanwha Chemical and Hanwha Energy Corporation on April 30, 2015.