

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	Notes	June 30, 2015 KRW	December 31, 2014 KRW	June 30, 2015 USD	December 31, 2014 USD
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	17,865,256	16,840,766	16,264,253	15,331,572
Short-term financial instruments	3	38,858,419	41,689,776	35,376,101	37,953,725
Short-term available-for-sale financial assets	3	5,110,168	3,286,798	4,652,218	2,992,250
Trade receivables	3	25,578,142	24,694,610	23,285,943	22,481,590
Non-trade receivables	3	2,591,286	3,539,875	2,359,067	3,222,647
Advances paid		1,836,060	1,989,470	1,671,521	1,811,183
Prepaid expenses		3,499,521	3,346,593	3,185,910	3,046,686
Inventories	5	19,311,159	17,317,504	17,580,579	15,765,587
Other current assets		1,112,133	1,795,143	1,012,469	1,634,270
Assets held-for-sale	4, 28	27,507	645,491	25,042	587,645
<b>Total current assets</b>		<b>115,789,651</b>	<b>115,146,026</b>	<b>105,413,103</b>	<b>104,827,155</b>
<b>Non-current assets</b>					
Long-term available-for-sale financial assets	3, 4	9,163,116	12,667,509	8,341,959	11,532,304
Investment in associates and joint ventures	6	5,303,043	5,232,461	4,827,808	4,763,551
Property, plant and equipment	7	84,666,258	80,872,950	77,078,847	73,625,478
Intangible assets	8	5,530,413	4,785,473	5,034,802	4,356,620
Long-term prepaid expenses		4,449,705	4,857,126	4,050,942	4,421,852
Deferred income tax assets		4,599,808	4,526,595	4,187,594	4,120,942
Other non-current assets		2,188,892	2,334,818	1,992,734	2,125,582
<b>Total assets</b>		<b>231,690,886</b>	<b>230,422,958</b>	<b>210,927,789</b>	<b>209,773,484</b>

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

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

Notes	June 30, 2015 KRW	December 31, 2014 KRW	June 30, 2015 USD	December 31, 2014 USD	
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
Trade payables	3	6,766,875	7,914,704	6,160,458	7,205,424
Short-term borrowings	3, 9	9,771,024	8,029,299	8,895,389	7,309,749
Other payables	3	8,116,638	10,318,407	7,389,261	9,393,718
Advances received		1,313,180	1,427,230	1,195,499	1,299,328
Withholdings		950,311	1,161,635	865,148	1,057,534
Accrued expenses		9,594,298	12,876,777	8,734,500	11,722,818
Income tax payable		1,750,571	2,161,109	1,593,693	1,967,440
Current portion of long-term liabilities	3, 9, 10	53,198	1,778,667	48,431	1,619,271
Provisions	12	7,594,916	5,991,510	6,914,294	5,454,578
Other current liabilities		239,689	326,259	218,209	297,021
Liabilities held-for-sale	28	-	28,316	-	25,778
<b>Total current liabilities</b>		<b>46,150,700</b>	<b>52,013,913</b>	<b>42,014,882</b>	<b>47,352,659</b>
<b>Non-current liabilities</b>					
Debentures	3, 10	1,383,809	1,355,882	1,259,798	1,234,374
Long-term borrowings	3, 9	105,649	101,671	96,181	92,560
Long-term other payables	3	2,206,716	2,562,271	2,008,960	2,332,652
Net defined benefit liabilities	11	750,633	201,342	683,365	183,299
Deferred income tax liabilities		4,981,059	4,097,811	4,534,679	3,730,584
Provisions	12	629,198	499,290	572,812	454,546
Other non-current liabilities		1,546,476	1,502,590	1,407,889	1,367,933
<b>Total liabilities</b>		<b>57,754,240</b>	<b>62,334,770</b>	<b>52,578,566</b>	<b>56,748,607</b>

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

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	Notes	June 30, 2015 KRW	December 31, 2014 KRW	June 30, 2015 USD	December 31, 2014 USD
<b>Equity attributable to owners of the parent</b>					
Preferred stock	14	119,467	119,467	108,761	108,761
Common stock	14	778,047	778,047	708,322	708,322
Share premium		4,403,893	4,403,893	4,009,236	4,009,236
Retained earnings	15	176,732,364	169,529,604	160,894,400	154,337,119
Other components of equity	16	(14,229,434)	(12,729,387)	(12,954,256)	(11,588,637)
Accumulated other comprehensive income attributable to assets held-for-sale	28	4,222	80,101	3,844	72,923
		167,808,559	162,181,725	152,770,307	147,647,724
<b>Non-controlling interests</b>		6,128,087	5,906,463	5,578,916	5,377,153
<b>Total equity</b>		173,936,646	168,088,188	158,349,223	153,024,877
<b>Total liabilities and equity</b>		231,690,886	230,422,958	210,927,789	209,773,484

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

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

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**

(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))

	Notes	For the three-months ended June 30,				For the six-months ended June 30,			
		2015 KRW	2014 KRW	2015 USD	2014 USD	2015 KRW	2014 KRW	2015 USD	2014 USD
<b>Revenue</b>		48,537,539	52,353,229	44,187,822	47,661,567	95,655,457	106,028,555	87,083,243	96,526,750
<b>Cost of sales</b>	17	28,955,599	31,671,819	26,360,728	28,833,532	57,910,986	63,721,334	52,721,263	58,010,913
<b>Gross profit</b>		19,581,940	20,681,410	17,827,094	18,828,035	37,744,471	42,307,221	34,361,980	38,515,837
Selling, general and administrative expenses	17, 18	12,684,003	13,494,087	11,547,319	12,284,807	24,867,167	26,631,099	22,638,683	24,244,539
<b>Operating profit</b>		6,897,937	7,187,323	6,279,775	6,543,228	12,877,304	15,676,122	11,723,297	14,271,298
Other non-operating income	19	649,443	587,936	591,243	535,248	1,015,575	2,499,532	924,564	2,275,535
Other non-operating expense	19	148,839	336,141	135,501	306,018	465,058	1,286,112	423,382	1,170,856
Share of profit of associates and joint ventures	6	34,970	64,005	31,836	58,269	90,178	94,141	82,097	85,705
Finance income	20	2,175,714	2,236,805	1,980,736	2,036,353	4,575,366	3,687,096	4,165,342	3,356,675
Finance expense	20	1,981,201	1,954,822	1,803,655	1,779,640	4,246,698	3,236,703	3,866,128	2,946,644
<b>Profit before income tax</b>		7,628,024	7,785,106	6,944,434	7,087,440	13,846,667	17,434,076	12,605,790	15,871,713
Income tax expense	21	1,875,727	1,534,325	1,707,633	1,396,826	3,468,555	3,608,854	3,157,719	3,285,445
<b>Profit for the period</b>		5,752,297	6,250,781	5,236,801	5,690,614	10,378,112	13,825,222	9,448,071	12,586,268
Profit attributable to owners of the parent		5,626,734	6,176,506	5,122,490	5,622,995	10,146,057	13,661,186	9,236,812	12,436,932
Profit attributable to non-controlling interests		125,563	74,275	114,311	67,619	232,055	164,036	211,259	149,336
Earnings per share for profit attributable to the owners of the parent (in Korean Won, in US dollars)	22								
- Basic		37,783	40,953	34.4	37.28	68,090	90,593	61.99	82.47
- Diluted		37,782	40,952	34.4	37.28	68,089	90,584	61.99	82.47

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

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

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))

	Notes	For the three-months ended June 30,				For the six-months ended June 30,			
		2015 KRW	2014 KRW	2015 USD	2014 USD	2015 KRW	2014 KRW	2015 USD	2014 USD
<b>Profit for the period</b>		5,752,297	6,250,781	5,236,801	5,690,614	10,378,112	13,825,222	9,448,071	12,586,268
<b>Other comprehensive income</b>									
<b>Items not to be reclassified</b>									
<b>subsequently to profit or loss :</b>									
Remeasurement of the net defined benefit liabilities, net of tax	16	(25,828)	(15,581)	(23,513)	(14,185)	(49,931)	(20,607)	(45,456)	(18,760)
<b>Items to be reclassified</b>									
<b>subsequently to profit or loss :</b>									
Changes in value of available-for-sale financial assets, net of tax	16	(743,746)	(220,086)	(677,095)	(200,363)	(478,895)	(269,944)	(435,979)	(245,753)
Share of other comprehensive income(loss) of associates and joint ventures, net of tax	16	47,818	(57,892)	43,533	(52,704)	3,766	(83,917)	3,429	(76,397)
Foreign currency translation, net of tax	16	1,285,709	(2,028,209)	1,170,490	(1,846,450)	269,033	(1,904,929)	244,923	(1,734,218)
<b>Other comprehensive income(loss) for the period, net of tax</b>		563,953	(2,321,768)	513,415	(2,113,702)	(256,027)	(2,279,397)	(233,083)	(2,075,128)
<b>Total consolidated comprehensive income for the period</b>		6,316,250	3,929,013	5,750,216	3,576,912	10,122,085	11,545,825	9,214,988	10,511,140
<b>Consolidated comprehensive income attributable to :</b>									
Owners of the parent		6,212,578	3,914,659	5,655,835	3,563,844	9,897,687	11,423,127	9,010,700	10,399,438
Non-controlling interests		103,672	14,354	94,381	13,068	224,398	122,698	204,288	111,702

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

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))*

**For the six-months ended June 30,**

	Notes	2015	2014	2015	2014
<b>Cash flows from operating activities</b>		KRW	KRW	USD	USD
Profit for the period		10,378,112	13,825,222	9,448,072	12,586,267
Adjustments	23	13,142,100	11,442,741	11,964,364	10,417,294
Changes in assets and liabilities arising from operating activities	23	(5,721,367)	(1,877,559)	(5,208,644)	(1,709,301)
<b>Cash flows from operating activities</b>		17,798,845	23,390,404	16,203,792	21,294,260
Interest received		1,172,418	711,648	1,067,351	647,873
Interest paid		(374,799)	(218,750)	(341,211)	(199,147)
Dividend received		193,603	1,428,764	176,253	1,300,725
Income tax paid		(2,958,472)	(4,184,614)	(2,693,347)	(3,809,608)
<b>Net cash generated from operating activities</b>		15,831,595	21,127,452	14,412,838	19,234,103
<b>Cash flows from investing activities</b>					
Net decrease (increase) in short-term financial instruments		1,652,928	(5,204,979)	1,504,800	(4,738,532)
Proceeds from disposal of short-term available-for-sale financial assets		1,771,838	1,266,078	1,613,054	1,152,618
Acquisition of short-term available-for-sale financial assets		(681,854)	(1,723,281)	(620,749)	(1,568,848)
Proceeds from disposal of long-term available-for-sale financial assets		63,942	147,449	58,212	134,235
Acquisition of long-term available-for-sale financial assets		(77,508)	(5,714,917)	(70,562)	(5,202,772)
Proceeds from disposal of associates and joint ventures		277,788	2,014,430	252,894	1,833,906
Acquisition of associates and joint ventures		(68,348)	(570,867)	(62,223)	(519,708)
Disposal of property, plant and equipment		150,050	205,937	136,603	187,482
Purchases of property, plant and equipment		(14,056,273)	(10,616,583)	(12,796,613)	(9,665,172)
Disposal of intangible assets		735	7,599	669	6,918
Purchases of intangible assets		(813,679)	(510,658)	(740,761)	(464,895)
Cash outflows from business combinations		(411,445)	-	(374,573)	-
Others		2,031,203	(1,075,189)	1,849,176	(978,835)
<b>Net cash used in investing activities</b>		(10,160,623)	(21,774,981)	(9,250,073)	(19,823,603)

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

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of Korean Won, in thousands of U.S dollars (Note 2.3))

Notes	For the six-months ended June 30,			
	2015	2014	2015	2014
	KRW	KRW	USD	USD
<b>Cash flows from financing activities</b>				
Net increase in short-term borrowings	1,771,882	3,071,633	1,613,094	2,796,367
Acquisition of treasury stock	(1,323,059)	-	(1,204,492)	-
Disposal of treasury stock	-	27,582	-	25,110
Proceeds from long-term borrowings and debentures	190	1,739,653	173	1,583,753
Repayment of long-term borrowings and debentures	(1,794,144)	(1,655,995)	(1,633,361)	(1,507,592)
Payment of dividends	(2,924,861)	(2,084,004)	(2,662,748)	(1,897,245)
Net increase in non-controlling interests	(26,677)	(489)	(24,286)	(445)
<b>Net cash generated(used) in financing activities</b>	<b>(4,296,669)</b>	<b>1,098,380</b>	<b>(3,911,620)</b>	<b>999,948</b>
Effect of exchange rate changes on cash and cash equivalents	(349,813)	(678,057)	(318,464)	(617,293)
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>1,024,490</b>	<b>(227,206)</b>	<b>932,681</b>	<b>(206,845)</b>
<b>Cash and cash equivalents</b>				
<b>Beginning of the period</b>	<b>16,840,766</b>	<b>16,284,780</b>	<b>15,331,572</b>	<b>14,825,411</b>
<b>End of the period</b>	<b>17,865,256</b>	<b>16,057,574</b>	<b>16,264,253</b>	<b>14,618,566</b>

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

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In millions of Korean won)*

2014 KRW	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total
<b>Balance as at January 1, 2014</b>		119,467	778,047	4,403,893	148,600,282	(9,459,073)	144,442,616	5,573,394	150,016,010
Profit for the period		-	-	-	13,661,186	-	13,661,186	164,036	13,825,222
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(298,005)	(298,005)	28,061	(269,944)
Share of other comprehensive loss of associates and joint ventures, net of tax	16	-	-	-	-	(83,499)	(83,499)	(418)	(83,917)
Foreign currency translation, net of tax	16	-	-	-	-	(1,833,893)	(1,833,893)	(71,036)	(1,904,929)
Remeasurement of net defined benefit liabilities, net of tax	16	-	-	-	-	(22,662)	(22,662)	2,055	(20,607)
<b>Total comprehensive income</b>		-	-	-	13,661,186	(2,238,059)	11,423,127	122,698	11,545,825
Dividends		-	-	-	(2,081,603)	-	(2,081,603)	(458)	(2,082,061)
Capital transaction under common control		-	-	-	-	(158)	(158)	(731)	(889)
Changes in consolidated entities		-	-	-	-	-	-	(124)	(124)
Disposal of treasury stock	16	-	-	-	-	32,763	32,763	-	32,763
Stock option	16	-	-	-	-	(9,436)	(9,436)	-	(9,436)
Others		-	-	-	9,097	2,364	11,461	(85)	11,376
<b>Total transactions with owners</b>		-	-	-	(2,072,506)	25,533	(2,046,973)	(1,398)	(2,048,371)
<b>Balance as at June 30, 2014</b>		119,467	778,047	4,403,893	160,188,962	(11,671,599)	153,818,770	5,694,694	159,513,464

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



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

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(In thousands of US dollars (Note 2.3))*

<b>2014 USD</b>	<b>Notes</b>	<b>Preferred stock</b>	<b>Common stock</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Other components of equity</b>	<b>Equity attributable to owners of the parent</b>	<b>Non-controlling interests</b>	<b>Total</b>
<b>Balance as at January 1, 2014</b>		108,761	708,322	4,009,236	135,283,390	(8,611,393)	131,498,316	5,073,931	136,572,247
Profit for the period		-	-	-	12,436,932	-	12,436,932	149,336	12,586,268
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(271,299)	(271,299)	25,546	(245,753)
Share of other comprehensive loss of associates and joint ventures, net of tax	16	-	-	-	-	(76,016)	(76,016)	(381)	(76,397)
Foreign currency translation, net of tax	16	-	-	-	-	(1,669,548)	(1,669,548)	(64,670)	(1,734,218)
Remeasurement of net defined benefit liabilities, net of tax	16	-	-	-	-	(20,631)	(20,631)	1,871	(18,760)
<b>Total comprehensive income</b>		-	-	-	12,436,932	(2,037,494)	10,399,438	111,702	10,511,140
Dividends		-	-	-	(1,895,059)	-	(1,895,059)	(417)	(1,895,476)
Capital transaction under common control		-	-	-	-	(144)	(144)	(665)	(809)
Changes in consolidated entities		-	-	-	-	-	-	(113)	(113)
Disposal of treasury stock	16	-	-	-	-	29,827	29,827	-	29,827
Stock option	16	-	-	-	-	(144)	(144)	(665)	(809)
Others		-	-	-	8,282	2,152	10,434	(77)	10,357
<b>Total transactions with owners</b>		-	-	-	(1,886,777)	31,691	(1,855,086)	(1,937)	(1,857,023)
<b>Balance as at June 30, 2014</b>		108,761	708,322	4,009,236	145,833,545	(10,617,196)	140,042,668	5,183,696	145,226,364

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

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Korean won)

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

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

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In thousands of US dollars (Note 2.3))

2015 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Accumulated other comprehensive income attributable to assets held-for-sale	Equity attributable to owners of the parent	Non-controlling interests	Total
<b>Balance as at January 1, 2015</b>		108,761	708,322	4,009,236	154,337,119	(11,588,637)	72,923	147,647,724	5,377,153	153,024,877
Profit for the period		-	-	-	9,236,813	-	-	9,236,813	211,259	9,448,072
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(382,264)	(22,532)	(404,796)	(31,183)	(435,979)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	16	-	-	-	-	52,676	(49,268)	3,408	21	3,429
Foreign currency translation, net of tax	16	-	-	-	-	221,852	(1,123)	220,729	24,194	244,923
Remeasurement of net defined benefit liabilities, net of tax	16	-	-	-	-	(45,453)	-	(45,453)	(3)	(45,456)
Reclassification to assets held-for-sale		-	-	-	-	(3,844)	3,844	-	-	-
<b>Total comprehensive income (loss)</b>		-	-	-	9,236,813	(157,033)	(69,079)	9,010,701	204,288	9,214,989
Dividends		-	-	-	(2,662,478)	-	-	(2,662,478)	(419)	(2,662,897)
Capital transaction under common control		-	-	-	-	(4,838)	-	(4,838)	(847)	(5,685)
Changes in consolidated entities		-	-	-	-	-	-	-	(238)	(238)
Acquisition of treasury stock	16	-	-	-	-	(1,204,492)	-	(1,204,492)	-	(1,204,492)
Others		-	-	-	(17,054)	744	-	(16,310)	(1,021)	(17,331)
<b>Total transactions with owners</b>		-	-	-	(2,679,532)	(1,208,586)	-	(3,888,118)	(2,525)	(3,890,643)
<b>Balance as at June 30, 2015</b>		108,761	708,322	4,009,236	160,894,400	(12,954,256)	3,844	152,770,307	5,578,916	158,349,223

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

# 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, communications 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 159 subsidiaries including Samsung Display and Samsung Electronics America. The Group also applies the equity method of accounting for its 34 affiliates, including Samsung Electro-Mechanics.

#### 1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of June 30, 2015 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Display (SDC)	Manufacture and sale of display panels	84.8
	SU Materials	Manufacture of LCD components	50.0
	STECO	Manufacture of semiconductor components	70.0
	SEMES	Manufacture of semiconductor/FPD	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
	Samsung Electronics Logitech	General logistics agency	100.0
Domestic	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
	Samsung Venture Capital Union #29	Technology business, Venture capital investments	99.0

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
America	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	NexusDX (Nexus)	Medical equipment	100.0
	Samsung Receivables (SRC)	Credit management	100.0
	NeuroLogica	Medical equipment	100.0
	Samsung Semiconductor (SSI)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Canada (SECA)	Sale of electronic devices	100.0
	Samsung Research America (SRA)	R&D	100.0
	Grandis	R&D	100.0
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0
	Samsung International (SII)	Manufacture of TV/monitors	100.0
	Samsung Austin Semiconductor (SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico (SEM)	Sale of electronic devices	99.9
	SEMES America (SEMESA)	Semiconductor equipment	100.0
	Samsung Electronics Digital Appliance Mexico (SEDAM)	Manufacture of electronic devices	99.9
	Samsung Electronics Latinoamerica Miami (SEMI)	Sale of electronic devices	100.0
	Nvelo	Software	100.0
	Samsung Electronics Latinoamerica (SELA)	Sale of electronic devices	100.0
	Samsung Electronics Venezuela (SEVEN)	Marketing and services	100.0
	Samsung Electronica Colombia (SAMCOL)	Sale of electronic devices	100.0
	Samsung Electronics Panama (SEPA)	Consulting	100.0
	Samsung Electronica da Amazonia (SEDA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Argentina (SEASA)	Marketing and services	100.0
	Samsung Electronics Chile (SECH)	Sale of electronic devices	100.0
	Samsung Electronics Peru (SEPR)	Sale of electronic devices	100.0
	RT SV CO-INVEST (RT-SV)	Technology business, Venture capital investments	99.9
	Quietside	Sale of heating and cooling products	100.0
	SmartThings	Sale of smart home electronics	100.0
	PrinterOn	Sale of printing solutions	100.0
	PrinterOn America	Sale of printing solutions	100.0
	Simpres	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	
Europe/CIS	Samsung Electronics (UK) (SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding (SEHG)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH (SSEG)	Sale of semiconductor/LCD	100.0
	Samsung Electronics GmbH (SEG)	Sale of electronic devices	100.0
	Samsung Electronics Iberia (SESA)	Sale of electronic devices	100.0
	Samsung Electronics France (SEF)	Sale of electronic devices	100.0
	Samsung Electronics Hungarian (SEH)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Czech and Slovak (SECZ)	Sale of electronic devices	100.0
	Samsung Electronics Italia (SEI)	Sale of electronic devices	100.0
	Samsung Electronics Europe Logistics (SELS)	Logistics	100.0
	Samsung Electronics Benelux (SEBN)	Sale of electronic devices	100.0
	Samsung Display Slovakia (SDSK)	Toll processing of LCD	100.0
	Samsung Electronics Romania (SEROM)	Sale of electronic devices	100.0
	Samsung Electronics Overseas (SEO)	Sale of electronic devices	100.0
	Samsung Electronics Polska (SEPOL)	Sale of electronic devices	100.0
	Samsung Electronics Portuguesa (SEP)	Sale of electronic devices	100.0

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Electronics Nordic (SENA)	Sale of electronic devices	100.0
	Samsung Semiconductor Europe (SSEL)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia (SESK)	Manufacture of TV/monitors	100.0
	Samsung Electronics Europe Holding (SEEH)	Holding Company	100.0
	Samsung Electronics Poland Manufacturing (SEPM)	Manufacture of home appliances	100.0
	Samsung Electronics Greece (SEGR)	Sale of electronic devices	100.0
	Samsung Nanoradio Design Center (SNDC)	R&D	100.0
	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
Europe/CIS (Cont.)	Samsung Electronics Ukraine Company (SEUC)	Sale of electronic devices	100.0
	Samsung R&D Institute Rus (SRR)	R&D	100.0
	Samsung Electronics Kazakhstan (SEK)	Marketing	100.0
	Samsung Electronics Central Eurasia (SECE)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga (SERK)	Manufacture of TV	100.0
	Samsung Russia Service Centre (SRSC)	Services	100.0
	Samsung Electronics (London) Limited (SEL)	Holding Company	100.0
	Samsung Denmark Research Center (SDRC)	R&D	100.0
	Samsung France Research Center (SFRC)	R&D	100.0
	Samsung Cambridge Solution Centre (SCSC)	R&D	100.0
	Samsung Electronics Switzerland GmbH (SESG)	Sale of electronic devices	100.0
	PrinterOn Europe	Sale of printing solutions	100.0
	Samsung Electronics Caucasus (SECC)	Marketing	100.0
Middle East and Africa	Samsung Electronics West Africa (SEWA)	Marketing	100.0
	Samsung Electronics East Africa (SEEA)	Marketing	100.0
	Samsung Gulf Electronics (SGE)	Sale of electronic devices	100.0
	Samsung Electronics Egypt (SEEG)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Israel (SEIL)	Marketing	100.0
	Samsung Electronics Tunisia (SETN)	Marketing	100.0
	Samsung Electronics Pakistan (SEPAK)	Marketing	100.0
	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0
	Samsung Electronics Morocco (SEMRC)	Sale of electronic devices	100.0
	Samsung Electronics South Africa Production (SSAP)	Manufacture of TV/monitors	100.0

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 Vietnam (SDV)	Manufacture of LCD	100.0
	Samsung Electronics HCMC CE Complex (SEHC)	Manufacture of CE	100.0
China	Samsung Display Dongguan (SDD)	Manufacture of LCD	100.0
	Samsung Display Tianjin (SDT)	Manufacture of LCD	95.0
	Samsung Electronics Hong Kong (SEHK)	Sale of electronic devices	100.0
	Suzhou Samsung Electronics (SSEC)	Manufacture of home appliances	88.3
	Samsung Suzhou Electronics Export (SSEC-E)	Manufacture of home appliances	100.0
	Samsung (China) Investment (SCIC)	Sale of electronic devices	100.0
	Samsung Mobile R&D Center China-Guangzhou (SRC-Guangzhou)	R&D	100.0
	Samsung Tianjin Mobile Development Center (STMC)	R&D	100.0
	Samsung 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 TV/monitors	91.2
	Samsung Electronics Taiwan (SET)	Sale of electronic devices	100.0
	Beijing Samsung Telecom R&D Center (BST)	R&D	100.0
	Tianjin Samsung Telecom Technology (TSTC)	Manufacture of communication equipment	90.0
	Shanghai Samsung Semiconductor (SSS)	Sale of semiconductor/LCD	100.0

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Electronics Suzhou Computer (SESC)	Manufacture of electronic devices	100.0
	Samsung Suzhou Module (SSM)	Toll processing of LCD	100.0
	Samsung Suzhou LCD (SSL)	Manufacture of LCD	60.0
	Shenzhen Samsung Electronics Telecommunication (SSET)	Manufacture of communication equipment	95.0
	Samsung 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
	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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(1) 2015

<i>(In millions of Korean won)</i>	As of June 30, 2015		For the three months ended June 30, 2015		For the six months ended June 30, 2015	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	38,331,598	6,412,478	6,282,176	531,735	12,936,860	939,983
Samsung Electronics America (SEA)	15,435,711	8,525,244	9,044,366	123,775	16,635,124	158,358
Samsung (China) Investment (SCIC)	11,528,449	9,765,632	2,751,675	(184,051)	5,890,041	(52,376)
Samsung Electronics Vietnam (SEV)	7,846,422	1,462,401	4,786,128	525,867	8,991,729	938,818
Samsung (China) Semiconductor (SCS)	7,741,937	4,810,379	367,796	(36,719)	903,318	8,224
Samsung Electronics Europe Holding (SEEH)	6,999,396	5,103,025	-	8,714	-	10,852
Samsung Semiconductor (SSI)	6,728,098	2,929,464	4,308,575	5,000	8,959,759	20,705
Samsung Austin Semiconductor (SAS)	6,512,237	3,275,129	691,703	15,906	1,284,972	37,524
Samsung Electronics Vietnam THAINGUYEN (SEVT)	6,121,627	4,330,528	4,846,651	552,632	9,189,993	834,530
Samsung Electronics Huizhou (SEHZ)	5,839,373	1,574,974	4,583,299	276,055	8,994,184	463,249
Samsung Electronica da Amazonia (SEDA)	3,524,031	1,064,881	1,412,260	43,317	3,153,325	251,692
Samsung India Electronics (SIEL)	3,361,533	2,043,084	1,781,921	82,859	3,729,674	123,921
Samsung Asia Private (SAPL)	3,220,220	607,831	359,567	(5,120)	751,351	8,373
Shanghai Samsung Semiconductor (SSS)	2,963,708	2,449,065	3,537,494	31,582	6,126,219	62,251
Tianjin Samsung Telecom Technology (TSTC)	2,277,439	530,854	1,487,231	91,665	3,548,192	189,205
Samsung Suzhou LCD (SSL)	1,861,147	695,962	250,427	48,705	500,411	74,300
Thai Samsung Electronics (TSE)	1,819,156	355,217	1,013,512	52,418	2,050,150	123,930
Samsung Electronics Slovakia (SESK)	1,710,925	256,465	665,322	28,029	1,594,824	70,964
Samsung Electronics GmbH (SEG)	1,700,689	1,688,034	1,355,323	96,143	2,814,128	(53,217)
Samsung Electronics Europe Logistics (SELS)	1,679,118	1,214,257	2,829,278	146,453	5,933,571	362,261
Samsung Electronics Benelux (SEBN)	1,252,583	304,392	539,493	(1,253)	1,104,684	27,568
Samsung Electronics (UK) (SEUK)	1,242,093	847,690	1,158,934	47,826	2,107,275	112,338
Samsung Electronics Taiwan (SET)	1,202,859	905,490	1,115,761	(10,819)	2,373,948	(555)
Samsung Electronics Hungarian (SEH)	1,200,958	254,262	641,403	27,300	1,328,725	41,668
Samsung Japan (SJC)	1,113,098	887,612	1,004,340	79,958	1,946,568	78,457

**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 June 30, 2014		For the six months ended June 30, 2014	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
	Samsung Display (SDC)	37,939,965	6,728,991	6,200,321	164,141	12,147,848
Samsung Electronics America (SEA)	10,697,787	5,409,749	3,367,940	(111,593)	6,003,784	(144,621)
Samsung (China) Investment (SCIC)	9,603,679	7,830,941	3,862,170	(273,813)	10,016,356	(253,697)
Samsung Semiconductor (SSI)	7,577,935	3,883,673	4,393,542	21,589	8,770,353	37,933
Samsung Electronics Europe Holding (SEEH)	7,022,746	5,062,988	-	10,387	-	66,358
Samsung (China) Semiconductor (SCS)	6,765,278	3,911,166	79,134	29,509	79,134	4,520
Samsung Electronics Vietnam (SEV)	6,553,628	1,251,667	5,465,863	694,450	11,621,756	1,486,618
Samsung Austin Semiconductor (SAS)	6,503,003	3,375,099	479,227	12,560	1,087,883	28,262
Samsung Telecommunications America (STA)	5,321,014	4,573,413	6,888,860	142,946	11,914,520	188,789
Samsung Electronics Huizhou (SEHZ)	4,966,486	1,258,635	4,655,845	326,051	9,542,055	472,569
Samsung Electronics Vietnam THAINGUYEN (SEVT)	3,957,700	3,042,402	1,837,063	211,498	1,933,477	197,322
Samsung Electronica da Amazonia (SEDA)	3,797,166	1,330,302	2,177,389	205,561	4,062,459	409,727
Samsung Asia Private (SAPL)	3,110,433	671,729	405,847	(4,610)	783,880	1,056,913
Samsung India Electronics (SIEL)	2,949,605	1,776,936	1,693,297	117,151	3,535,288	347,092
Shanghai Samsung Semiconductor (SSS)	2,560,852	2,120,738	3,552,526	30,767	6,604,527	64,387
Tianjin Samsung Telecom Technology (TSTC)	2,316,054	789,395	2,808,565	24,510	6,394,043	228,074
Samsung Electronics Slovakia (SESK)	1,869,697	405,089	1,026,369	33,111	1,991,479	65,118
Samsung Suzhou LCD (SSL)	1,831,794	768,230	200,068	(11,841)	263,735	(86,624)
Thai Samsung Electronics (TSE)	1,654,988	307,109	1,274,441	64,539	2,476,187	112,495
Samsung Electronics Europe Logistics (SELS)	1,621,583	1,524,468	3,166,200	104,268	6,835,260	406,502
Samsung Electronics Taiwan (SET)	1,583,027	1,299,330	1,179,877	(10,043)	2,139,113	2,015
Samsung Electronics Hungarian (SEH)	1,287,972	323,972	661,347	29,324	1,389,762	77,111
Samsung Electronics (UK) (SEUK)	1,235,239	964,058	988,791	(118,438)	2,297,700	(219,332)
Samsung Electronics Benelux (SEBN)	1,207,723	245,237	635,573	22,771	1,342,994	(11,855)
Samsung Electronics GmbH (SEG)	1,142,897	1,082,420	1,265,568	(66,578)	3,127,684	(219,769)

(C) Changes in scope of consolidation

(1) Subsidiaries newly included in the consolidation for the six months ended June 30, 2015:

Area	Subsidiary	Description
Domestic	Samsung Venture Capital Union #28	Incorporation
	Samsung Venture Capital Union #29	Incorporation
America	Simpres	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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Subsidiaries excluded from the consolidation for the six months ended June 30, 2015:

Area	Subsidiary	Description
Domestic	Ray	Disposal
	High Pioneer Private Investment Trust #1	Liquidation
America	Samsung Telecommunications America (STA)	Merger <sup>1</sup>
	Paymate Global	Liquidation
Europe/CIS	Nanoradio Hellas	Disposal
China	Samsung Electronics Hainan Fiberoptics (SEHF)	Disposal
	Samsung Medison Shanghai Medical Instrument (SMS1)	Liquidation

<sup>1</sup> Samsung Electronics America (SEA), a subsidiary of the Group, merged with 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 six months ended June 30, 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 effective 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 was recorded for the portion of emission permits to be purchased in the second half of 2015 that relate to emissions produced during the six months ended June 30, 2015 that were in excess of government granted emission permits held by the Group, which was calculated using market rates in effect during the period.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 2.3 Convenience Translation into United States Dollar Amounts

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The US dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All Korean won amounts are expressed in US dollars at the rate of ₩1,098.44 to US \$1, the average exchange rate for the six month period ended in June 30, 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 liabilities.

### 3. Financial Instruments by Category

Categorizations of financial assets and liabilities as of June 30, 2015 and December 31, 2014, are as follows:

(1) As of June 30, 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	₩	-	₩	17,865,256	₩	-	₩ 17,865,256
Short-term financial instruments		-		38,858,419		-	38,858,419
Short-term available-for-sale financial assets		-		-		5,110,168	5,110,168
Trade receivables		-		25,578,142		-	25,578,142
Long-term available-for-sale financial assets		-		-		9,163,116	9,163,116
Other		46,219		3,529,119		-	3,575,338
<b>Total</b>	₩	46,219	₩	85,830,936	₩	14,273,284	₩ 100,150,439

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

<i>(In millions of Korean won)</i>	<b>Liabilities at fair value through profit and loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other financial liabilities</b>		<b>Total</b>
<b>Liabilities</b>							
Trade payables	₩	-	₩	6,766,875	₩	-	₩ 6,766,875
Short-term borrowings		-		2,105,999		7,665,025	9,771,024
Other payables		-		6,944,128		-	6,944,128
Current portion of long-term liabilities		-		53,198		-	53,198
Debentures		-		1,383,809		-	1,383,809
Long-term borrowings		-		105,649		-	105,649
Long-term other payables		-		2,175,413		-	2,175,413
Other		32,733		8,850,628		-	8,883,361
<b>Total</b>	₩	32,733	₩	28,385,699	₩	7,665,025	₩ 36,083,457

(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 June 30, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	June 30, 2015	December 31, 2014
Equity securities - Listed	₩ 5,290,617	₩ 5,776,836
Equity securities - Non-listed	3,541,223	3,746,393
Debt securities <sup>1</sup>	331,276	3,144,280
<b>Total</b>	₩ 9,163,116	₩ 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 June 30, 2015 and December 31, 2014, are as follows:

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

	June 30, 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	₩ 1,494,357	₩ 1,561,670
Samsung Heavy Industries	40,675,641	17.6	258,299	693,520	811,479
Samsung Fine Chemicals	2,164,970	8.4	45,678	75,016	70,795
Hotel Shilla	2,004,717	5.1	13,957	223,526	183,231
Cheil Worldwide	14,498,725	12.6	223,941	250,828	249,378
iMarket Korea	647,320	1.8	324	19,420	18,384
SFA	1,822,000	10.2	38,262	89,642	90,462
Wonik IPS	7,220,216	9.0	63,250	102,528	100,722
ASML	12,595,575	2.8	726,024	1,471,784	1,506,664
Rambus	4,788,125	4.2	92,682	77,990	58,368
Seagate Technology	12,539,490	4.0	218,543	669,542	916,597
Sharp	35,804,000	2.1	122,535	48,928	88,292
SunEdison Semiconductor <sup>1</sup>	-	-	-	-	49,510
Wacom	8,398,400	5.0	62,013	34,281	36,084
Other			53,540	39,255	35,200
<b>Total</b>			₩ 4,100,001	₩ 5,290,617	₩ 5,776,836

<sup>1</sup> Shares of SunEdison Semiconductor were reclassified as short-term assets held-for-sale as at June 30, 2015.

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 June 30, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	June 30, 2015			December 31, 2014		
	Gross Amount	Valuation Allowance	Book Value	Gross Amount	Valuation Allowance	Book Value
Finished goods	₩ 6,614,041	₩ (192,096)	₩ 6,421,945	₩ 6,011,078	₩ (237,630)	₩ 5,773,448
Work in process	5,695,347	(256,289)	5,439,058	5,018,416	(553,345)	4,465,071
Raw materials and supplies	6,754,634	(273,507)	6,481,127	6,244,161	(287,155)	5,957,006
Materials in transit	969,029	-	969,029	1,121,979	-	1,121,979
<b>Total</b>	₩ 20,033,051	₩ (721,892)	₩ 19,311,159	₩ 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 six months ended June 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	June 30, 2015	June 30, 2014
Balance as of January 1	₩ 5,232,461	₩ 6,422,292
Acquisition <sup>1</sup>	68,348	572,367
Disposal	(19,279)	(28,268)
Share of profit	90,178	94,141
Other <sup>2</sup>	(68,665)	(155,910)
Balance as of June 30	₩ 5,303,043	₩ 6,904,622

<sup>1</sup> The Group acquired 2,178,399 shares of Samsung SDI for 344,531 million Korean won during the six months ended June 30, 2014.

<sup>2</sup> Other consists of dividends, business combinations, and effects of changes in foreign currency exchange rates.

(B) Major investments in associates and joint ventures as of June 30, 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 components, circuit boards, and modules	23.7	Korea
Samsung SDS	Provide IT services including computer programming, system integration and management	22.6	Korea

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

**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 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 June 30, 2015 and December 31, 2014, are as follows:

(1) Investments in associates

*(In millions of Korean won)*

Investee	June 30, 2015				
	Acquisition cost		Net asset value <sup>1</sup>		Book value
Samsung Card	₩	1,538,540	₩	2,436,771	₩ 2,387,900
Samsung Electro-Mechanics		359,237		1,027,020	1,037,060
Samsung SDS		147,963		966,624	989,999
Other		791,161		505,972	634,258
<b>Total</b>	₩	2,836,901	₩	4,936,387	₩ 5,049,217

*(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>	₩	2,791,308	₩	4,845,247	₩ 4,969,686

<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	June 30, 2015				
	Acquisition cost		Net asset value <sup>1</sup>		Book value
Samsung Corning Advanced Glass	₩	215,000	₩	191,405	₩ 191,333
Other		527,204		97,990	62,493
<b>Total</b>	₩	742,204	₩	289,395	₩ 253,826

*(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>	₩	742,204	₩	296,963	₩ 262,775

<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 six months ended June 30, 2015

<i>(In millions of Korean won)</i>	<b>Balance as of January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive income/loss</b>	<b>Other<sup>1</sup></b>	<b>Balance as of June 30</b>
Samsung Card	₩ 2,354,026	₩ 65,813	₩ 11,280	₩ (43,219)	₩ 2,387,900
Samsung Electro-Mechanics	1,040,404	8,915	1,825	(14,084)	1,037,060
Samsung SDS	951,776	47,496	(541)	(8,732)	989,999
Samsung Corning Advanced Glass	195,930	(4,621)	24	-	191,333
Other	690,325	(27,425)	(8,822)	42,673	696,751
<b>Total</b>	₩ 5,232,461	₩ 90,178	₩ 3,766	₩ (23,362)	₩ 5,303,043

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

(2) For the six months ended June 30, 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 June 30</b>
Samsung Card	₩ 2,340,009	₩ 56,160	₩ (70,228)	₩ (30,374)	₩ 2,295,567
Samsung Electro-Mechanics	954,496	7,303	(24,714)	(13,270)	923,815
Samsung SDI	1,175,204	11,636	32,795	401,402	1,621,037
Samsung SDS	879,956	44,487	(11,290)	(4,368)	908,785
Samsung Techwin	402,745	(3,680)	(441)	(6,764)	391,860
Samsung Corning Advanced Glass	111,961	(8,446)	(70)	99,894	203,339
Other	557,921	(13,319)	(9,969)	25,586	560,219
<b>Total</b>	₩ 6,422,292	₩ 94,141	₩ (83,917)	₩ 472,106	₩ 6,904,622

<sup>1</sup> Other consists of acquisitions, disposals, dividends, and effects of changes in foreign 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 June 30, 2015 and December 31, 2014, and for the six months ended June 30, 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	₩ 17,458,443	₩ 3,225,892	₩ 3,473,863
Non-current assets		4,465,047	2,412,348
Current liabilities		1,746,723	1,222,245
Non-current liabilities	10,977,670	1,454,524	272,528
Non-controlling interests	-	98,840	112,447
<b>Condensed statement of comprehensive income</b>			
Revenue	1,561,878	3,421,308	3,874,986
Profit from continuing operations <sup>2</sup>	175,708	36,942	207,801
Other comprehensive income (loss) <sup>2</sup>	30,119	4,538	(2,382)
Total comprehensive income <sup>2</sup>	205,827	41,480	205,419
<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 classifications of assets and liabilities 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	1,705,860	3,589,453	3,926,295
Profit from continuing operations <sup>2</sup>	299,929	15,569	191,923
Other comprehensive loss <sup>2</sup>	(187,524)	(113,016)	(49,898)
Total comprehensive income (loss) <sup>2</sup>	112,405	(97,447)	142,025
<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 classifications of assets and liabilities 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 June 30, 2015 and December 31, 2014, and for the six months ended June 30, 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			
<b>1. Condensed financial information</b>				
<b>Condensed statements of financial position</b>				
Current assets	₩	218,902	₩	228,312
- Cash and cash equivalent		7,044		14,696
Non-current assets		190,307		200,105
Current liabilities		23,584		34,719
- Current financial liabilities <sup>1</sup>		12,061		18,718
Non-current liabilities		2,815		1,669
<b>Condensed statements of comprehensive income<sup>2</sup></b>				
Revenue		131,501		117,561
Depreciation and amortization		864		262
Interest income		571		260
Income tax expense		(952)		(2,661)
Net loss from continuing operations		(9,266)		(16,916)
Other comprehensive income (loss)		47		(140)
Total comprehensive loss		(9,219)		(17,056)
<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 six months ended June 30, 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 six months ended June 30, 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>
Income (loss) from continuing operations <sup>1</sup>	₩ (25,810)	₩ 690	₩ (20,130)	₩ (71,734)
Other comprehensive income (loss) <sup>1</sup>	(4,680)	(3,648)	(62,973)	8,044
Total comprehensive loss <sup>1</sup>	₩ (30,490)	₩ (2,958)	₩ (83,103)	₩ (63,690)

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

- (F) Fair value of marketable investments in associates as of June 30, 2015 and December 31, 2014, is as follows:

<i>(In millions of Korean won and number of shares)</i>	<b>June 30, 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	₩ 1,605,547	₩	1,917,978
Samsung Electro-Mechanics	17,693,084	904,117		967,812
Samsung SDS	17,472,110	4,534,013		5,128,064

## 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 six months ended June 30, 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		13,162,499		10,183,619
Business combinations		34,776		-
Depreciation		(9,510,191)		(8,205,273)
Disposals/scrap/impairment		(185,407)		(648,007)
Other <sup>1</sup>		291,631		(1,233,074)
Balance as of June 30	₩	84,666,258	₩	75,593,653

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

(B) Allocation of depreciation of property, plant and equipment for the six months ended June 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Cost of sales	₩	8,632,250	₩	7,431,344
Selling and administrative expenses		877,941		773,929
<b>Total</b>	₩	9,510,191	₩	8,205,273

#### 8. Intangible Assets

(A) Changes in intangible assets for the six months ended June 30, 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)		584,265		341,542
External acquisitions		229,414		169,116
Business combinations		374,224		-
Amortization		(614,658)		(532,952)
Disposals/scrap/impairment		(23,066)		(10,202)
Other <sup>1</sup>		194,761		272,185
Balance as of June 30	₩	5,530,413	₩	4,220,289

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

(B) Allocation of amortization of intangible assets for the six months ended June 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Cost of sales	₩	370,687	₩	241,961
Selling and administrative expenses		243,971		290,991
<b>Total</b>	₩	614,658	₩	532,952

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Borrowings

Details of the carrying amounts of borrowings as of June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>Financial Institutions</b>	<b>Annual Interest Rates (%) as of June 30, 2015</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Short-term borrowings</b>				
Collateralized borrowings <sup>1</sup>	Woori Bank and others	0.3 ~ 12.8	₩ 7,665,025	₩ 4,661,384
Non-collateralized borrowings	Citibank and others	0.2 ~ 14.6	2,105,999	3,367,915
<b>Total</b>			₩ 9,771,024	₩ 8,029,299
<b>Current portion of long-term borrowings</b>				
Bank borrowings	SMBC and others	1.1 ~ 18.8	₩ 32,422	₩ 1,758,556
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	15,339	14,807
<b>Total</b>			₩ 47,761	₩ 1,773,363
<b>Long-term borrowings</b>				
Bank borrowings	SMBC and others	1.1 ~ 19.0	₩ 29,351	₩ 23,989
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	76,298	77,682
<b>Total</b>			₩ 105,649	₩ 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 June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Korean won denominated debentures (A)	₩ 199,679	₩ 199,515
Foreign currency denominated debentures (B)	1,184,130	1,156,367
<b>Total</b>	₩ 1,383,809	₩ 1,355,882

(A) Details of Korean won denominated debentures as of June 30, 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 June 30, 2015</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Unsecured debentures	2011.11.17	2016.11.17	4.2	₩ 200,000	₩ 200,000
Less: Current portion				-	-
Less: Discounts				(321)	(485)
<b>Total</b>				₩ 199,679	₩ 199,515

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

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(B) Details of foreign currency denominated debentures as of June 30, 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 June 30, 2015</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
US dollar denominated straight bonds <sup>1</sup>	1997.10.02	2027.10.01	7.7	₩ 73,067 (US\$65 million)	₩ 71,448 (US\$65 million)
US dollar denominated unsecured bonds <sup>2</sup>	2012.4.10	2017.4.10	1.8	1,124,100 (US\$1,000 million)	1,099,200 (US\$1,000 million)
Less: Current Portion				(5,621)	(5,496)
Less: Discounts				(7,416)	(8,785)
<b>Total</b>				₩ 1,184,130	₩ 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 June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Present value of funded defined benefit obligations	₩ 7,922,061	₩ 7,404,205
Present value of unfunded defined benefit obligations	139,398	138,042
<b>Subtotal</b>	8,061,459	7,542,247
Fair value of plan assets	(7,310,826)	(7,340,905)
<b>Total</b>	₩ 750,633	₩ 201,342

(B) The amounts recognized in the consolidated statements of income for the six months ended June 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Current service cost	₩ 573,286	₩ 479,189
Interest cost	2,295	49,824
Past service cost	-	131,504
Other	1,458	424
<b>Total</b>	₩ 577,039	₩ 660,941

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) The pension expenses related to defined benefit plans recognized on the consolidated statements of income for the six months ended June 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
Cost of sales	₩	250,880	₩	275,403
Selling and administrative expenses		326,159		385,538
<b>Total</b>	₩	<b>577,039</b>	₩	<b>660,941</b>

## 12. Provisions

Changes in the provisions during the six months ended June 30, 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	858,040	545,080	106,979	1,651,887	14,821	3,176,807
Payment	(878,402)	(337,195)	(210,509)	-	(6,083)	(1,432,189)
Other <sup>1</sup>	(40,097)	28,896	-	-	(103)	(11,304)
Balance as of June 30, 2015	₩ 1,768,609	₩ 4,154,573	₩ 626,934	₩ 1,651,887	₩ 22,111	₩ 8,224,114

<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 June 30, 2015 are as follows:

(1) Allocated amount of emission permits and estimated amount of emission for the next three years as of June 30, 2015 are as follows:

<i>(In metric tons)</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Allocated emission permits	5,774,375	5,662,429	5,548,627
Estimated volume 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 certified emission reductions as of June 30, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>	
Balance as of January 1	₩	-
Acquisition		5,100
<b>Balance as of June 30</b>	₩	<b>5,100</b>

(3) Changes in the provisions for emissions as of June 30, 2015 are as follows:

<i>(In millions of Korean won)</i>	<b>2015</b>	
Balance as of January 1	₩	-
Emission costs		3,973
<b>Balance as of June 30</b>	₩	<b>3,973</b>

### 13. Commitments and Contingencies

#### (A) Guarantees

Details of guarantees of debt provided by the Group as of June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
Guarantees of debt for housing rental <sup>1</sup>	₩	68,275	₩	76,558

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

As of June 30, 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. On May 18, 2015, the appeals court upheld the prior design infringement verdict, but reversed and remanded a previous decision related to a trademark finding. On June 17, 2015, the Group petitioned for an en banc rehearing regarding the design infringement, and on August 13, 2015, the federal court dismissed the Group's request.

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.



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

(C) Other commitments

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 June 30, 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 differs from paid-in capital of ₩897,514 million.

#### 15. Retained Earnings

(A) Retained earnings as of June 30, 2015 and December 31, 2014 consist of:

<i>(In millions of Korean won)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
Appropriated	₩	131,539,595	₩	119,947,785
Unappropriated		45,192,769		49,581,819
<b>Total</b>	₩	176,732,364	₩	169,529,604

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(B) On July 30, 2015, the Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-months ended June 30, 2015.

Details of the interim dividends for the six-months ended June 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>		<b>June 30, 2015</b>		<b>June 30, 2014</b>	
Number of shares eligible for dividends	Common stock	129,312,651		130,962,651	
	Preferred stock	19,603,734		19,853,734	
Dividend rate (based on par value)		20%		10%	
Dividend amount	Common stock	₩	129,313	₩	65,481
	Preferred stock	19,603		9,927	
	Total	₩	148,916	₩	75,408

#### 16. Other Components of Equity

(A) Other components of equity as of June 30, 2015 and December 31, 2014 consist of:

<i>(In millions of Korean won)</i>		<b>June 30, 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		1,426,080		1,850,195	
Share of other comprehensive income of associates and joint ventures		617,141		559,280	
Foreign currency translation		(4,323,197)		(4,566,887)	
Remeasurement of net defined benefit liabilities		(2,046,719)		(1,996,792)	
Other		(151,173)		(146,676)	
<b>Total</b>		₩	(14,229,434)	₩	(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 June 30, 2015 and December 31, 2014 consists of the following:

<i>(In millions of Korean won and number of shares)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Common Stock</b>	<b>Preferred Stock</b>
Number of shares	17,986,686	3,229,693	17,094,741	3,110,943
Acquisition cost	₩ 8,873,555	₩ 878,817	₩ 7,673,549	₩ 755,764

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 17. Expenses by Nature

Expenses by nature for the three and six months ended June 30, 2015 and 2014 consist of the following:

<i>(In millions of Korean won)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
Changes in finished goods and work in process	₩ (484,514)	₩ (1,622,483)	₩ 219,783	₩ 573,802
Raw materials and goods	17,594,482	36,774,899	21,044,676	42,447,133
Wages and salaries	4,491,973	9,206,717	4,431,838	8,917,023
Pension	297,271	610,294	284,702	687,306
Depreciation	4,946,806	9,510,191	4,201,189	8,205,273
Amortization	308,714	614,658	280,615	532,952
Welfare	1,030,095	1,890,175	939,738	1,760,950
Commission and service charges	2,134,668	4,079,577	1,925,710	4,476,126
Other	11,320,107	21,714,125	11,837,655	22,751,868
<b>Total<sup>1</sup></b>	<b>₩ 41,639,602</b>	<b>₩ 82,778,153</b>	<b>₩ 45,165,906</b>	<b>₩ 90,352,433</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.

#### 18. Selling and Administrative Expenses

Selling and administrative expenses for the three and six months ended June 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
<b>1) Selling and administrative expenses</b>				
Wages and salaries	₩ 1,328,872	₩ 2,698,273	₩ 1,295,380	₩ 2,634,003
Pension	64,762	133,463	69,758	157,068
Commission and service charges	2,134,668	4,079,577	1,925,710	4,476,126
Depreciation	174,036	346,370	164,410	328,485
Amortization	63,765	141,282	99,513	198,194
Advertising	1,046,034	1,699,833	1,138,440	1,816,302
Sales promotion	1,852,153	3,380,253	2,143,080	3,731,063
Transportation	819,826	1,618,811	975,650	1,815,311
Warranty	714,546	1,420,427	811,475	1,673,164
Other	1,149,794	2,522,090	1,167,999	2,407,867
<b>2) Research and development expenses</b>				
Total expenses	3,615,335	7,411,053	3,857,520	7,735,058
Capitalized expenses	(279,788)	(584,265)	(154,848)	(341,542)
<b>Total</b>	<b>₩ 12,684,003</b>	<b>₩ 24,867,167</b>	<b>₩ 13,494,087</b>	<b>₩ 26,631,099</b>

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Details of other non-operating income and expense for the three and six months ended June 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
<b>Non-operating income</b>				
Dividend income	₩ 49,434	₩ 110,500	₩ 43,523	₩ 1,350,609
Rental income	24,725	47,136	20,999	45,856
Gain on disposal of investments	159,823	193,609	51,118	125,213
Gain on disposal of property, plant and equipment	30,698	64,403	84,380	127,747
Gain on disposal of assets classified as held-for-sale	207,796	207,796	-	-
Other	176,967	392,131	387,916	850,107
<b>Total</b>	<b>₩ 649,443</b>	<b>₩ 1,015,575</b>	<b>₩ 587,936</b>	<b>₩ 2,499,532</b>

<i>(In millions of Korean won)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
<b>Non-operating expense</b>				
Loss on disposal of property, plant and equipment	₩ 13,432	₩ 46,506	₩ 38,333	₩ 91,642
Donations	41,186	161,498	169,806	220,057
Loss on disposal of assets classified as held for sale	-	-	-	723,869
Other	94,221	257,054	128,002	250,544
<b>Total</b>	<b>₩ 148,839</b>	<b>₩ 465,058</b>	<b>₩ 336,141</b>	<b>₩ 1,286,112</b>

## 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 and six months ended June 30, 2015 and 2014 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
<b>Finance income</b>				
Interest income:	₩ 426,880	₩ 869,154	₩ 445,443	₩ 863,106
Interest income from loans and receivables	403,127	818,111	425,135	833,851
Interest income from available-for-sale financial assets	23,753	51,043	20,308	29,255
Foreign exchange differences	1,614,742	3,259,235	1,669,192	2,545,713
Gain on derivatives	134,092	446,977	122,170	278,277
<b>Total</b>	₩ 2,175,714	₩ 4,575,366	₩ 2,236,805	₩ 3,687,096

<i>(In millions of Korean won)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
<b>Finance expense</b>				
Interest expense:	₩ 189,219	₩ 356,137	₩ 145,630	₩ 288,185
Interest expense from financial liabilities measured at amortized cost	118,426	217,117	93,399	192,803
Other financial liabilities	70,793	139,020	52,231	95,382
Foreign exchange differences	1,561,082	3,374,645	1,655,820	2,637,040
Loss on derivatives	230,900	515,916	153,372	311,478
<b>Total</b>	₩ 1,981,201	₩ 4,246,698	₩ 1,954,822	₩ 3,236,703

(B) 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 June 30, 2015 to be effective for the year ended December 31, 2015 is 25.0%

**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 and six months ended June 30, 2015 and 2014 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
Net income as reported on the statements of income	₩ 5,626,734	₩ 10,146,057	₩ 6,176,506	₩ 13,661,186
Net income available for common stock	4,885,804	8,809,979	5,363,204	11,862,372
Weighted-average number of common shares outstanding	129,313	129,387	130,960	130,942
Basic earnings per share (in Korean won)	₩ 37,783	₩ 68,090	₩ 40,953	₩ 90,593

(2) Preferred stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
Net income as reported on the statements of income	₩ 5,626,734	₩ 10,146,057	₩ 6,176,506	₩ 13,661,186
Net income available for preferred stock	740,930	1,336,078	813,302	1,798,814
Weighted-average number of preferred shares outstanding	19,604	19,614	19,854	19,854
Basic earnings per preferred share (in Korean won)	₩ 37,795	₩ 68,118	₩ 40,965	₩ 90,603

(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 and six months ended June 30, 2015 and 2014 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
Net income available for common stock and common stock equivalents	₩ 4,885,829	₩ 8,810,023	₩ 5,363,227	₩ 11,862,545
Weighted-average number of shares of common stock and common stock equivalents	129,315	129,390	130,964	130,956
Diluted earnings per share (in Korean won)	₩ 37,782	₩ 68,089	₩ 40,952	₩ 90,584

## 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>	June 30, 2015		June 30, 2014	
	3 Months	6 Months	3 Months	6 Months
Net income available for preferred stock and preferred stock equivalents	₩ 740,905	₩ 1,336,034	₩ 813,279	₩ 1,798,641
Weighted-average number of shares of preferred stock and preferred stock equivalents	19,604	19,614	19,854	19,854
Diluted earnings per preferred share (in Korean won)	₩ 37,794	₩ 68,116	₩ 40,964	₩ 90,595

### 23. Cash Flows Generated from Operating Activities

Adjustments and changes in assets and liabilities arising from operating activities for the six months ended June 30, 2015 and 2014 are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	2015	2014
Adjustments for:		
Income tax expense	₩ 3,468,555	₩ 3,608,854
Finance income	(1,969,355)	(1,935,705)
Finance expense	1,385,416	973,222
Pension	610,294	687,306
Depreciation	9,510,191	8,205,273
Amortization	614,658	532,952
Bad debt expense	161,644	219,298
Dividend income	(110,500)	(1,350,609)
Gain on valuation of equity method	(90,178)	(94,141)
Gain on disposal of property, plant and equipment	(64,403)	(127,747)
Loss on disposal of property, plant and equipment	46,506	91,642
Obsolescence and scrapping of inventories	124,054	463,477
Gain on disposal of investments	(193,609)	(125,213)
Gain on disposal of assets classified as held-for-sale	(207,796)	-
Loss on disposal of assets classified as held-for-sale	-	723,869
Other income/expense	(143,377)	(429,737)
<b>Adjustments, total</b>	<b>₩ 13,142,100</b>	<b>₩ 11,442,741</b>

## 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 :		
Increase in trade receivables	₩ (275,855)	₩ (1,122,574)
Decrease in other receivables	797,578	768,408
Decrease(Increase) in advances	(71,322)	23,588
Decrease(Increase) in prepaid expenses	261,167	(2,592,797)
Increase in inventories	(2,149,805)	(217,868)
Increase(Decrease) in trade payables	(1,042,385)	1,453,612
Increase (Decrease) in other payables	(1,216,393)	1,408,555
Decrease in advances received	(43,035)	(113,744)
Decrease in withholdings	(208,114)	(138,216)
Decrease in accrued expenses	(3,444,139)	(1,993,704)
Increase in provisions	1,954,402	628,135
Payment of severance benefits	(223,050)	(155,832)
Other	(60,416)	174,878
<b>Changes in net working capital, total</b>	<b>₩ (5,721,367)</b>	<b>₩ (1,877,559)</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 Group's financial risk management is mainly performed by the finance team. 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, European 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 June 30, 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 ₩52,906 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 risk of changes in interest rates, the Group maintains minimum external borrowings by facilitating cash pooling systems on a regional and global basis. The Group manages exposed risk of changes in interest rates 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. Adequate insurance coverage is maintained for accounts receivables related to trading partners situated in higher risk countries.

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

The Group estimates that its maximum exposure to credit risk is the carrying value of its financial assets, net of impairment losses.

#### (C) Liquidity risk

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

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

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

#### (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 June 30, 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 June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
Total liabilities	₩	57,754,240	₩	62,334,770
Total equity		173,936,646		168,088,188
Total liabilities to equity ratio		33.2%		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 June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents <sup>1</sup>	₩ 17,865,256	₩ -	₩ 16,840,766	₩ -
Short-term financial instruments <sup>1</sup>	38,858,419	-	41,689,776	-
Short-term available-for-sale financial assets	5,110,168	5,110,168	3,286,798	3,286,798
Trade receivables <sup>1</sup>	25,578,142	-	24,694,610	-
Long-term available-for-sale financial assets <sup>2</sup>	9,163,116	8,761,375	12,667,509	12,272,756
Other	3,575,338	3,549,587	4,762,971	4,725,263
<b>Total financial assets</b>	₩ 100,150,439		₩ 103,942,430	
<b>Financial liabilities</b>				
Trade payables <sup>1</sup>	₩ 6,766,875	₩ -	₩ 7,914,704	₩ -
Short-term borrowings <sup>1</sup>	9,771,024	-	8,029,299	-
Other payables <sup>1</sup>	6,944,128	-	9,258,344	-
Current portion of long-term liabilities <sup>1</sup>	53,198	-	1,778,667	-
Debentures	1,383,809	1,407,287	1,355,882	1,377,113
Long-term borrowings	105,649	84,438	101,671	82,271
Long-term other payables	2,175,413	2,225,269	2,520,277	2,606,179
Other <sup>1</sup>	8,883,361	-	11,474,129	-
<b>Total financial liabilities</b>	₩ 36,083,457		₩ 42,432,973	

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

<sup>2</sup> Amounts measured at cost (June 30, 2015: ₩401,741 million, December 31, 2014: ₩394,753 million) are excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

		<b>June 30, 2015</b>			
<i>(In millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>	
1) Assets					
Short-term available-for-sale financial assets	₩ 203,034	₩ 4,907,134	₩ -	₩ 5,110,168	
Long-term available-for-sale financial assets <sup>1</sup>	5,290,617	230,400	3,240,358	8,761,375	
Other	-	43,387	2,833	46,220	
2) Liabilities					
Other	-	32,733	-	32,733	

  

		<b>December 31, 2014</b>			
<i>(In millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>	
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> Amounts measured at cost (June 30, 2015: ₩401,741 million, December 31, 2014: ₩394,753 million) are 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Specific valuation techniques used to value financial instruments include:

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

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

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

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

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

*(In millions of Korean won)*

Classification	Fair Value	Valuation Technique	Level 3 Inputs	Input Range (Weighted Average)
<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%)
Corning Incorporated convertible preferred stock	2,800,266	Trinomial model	Risk adjusted discount rate Price volatility	5.72%~7.72% (6.72%) 30.0%~36.0% (33.0%)
<b>Derivatives</b>				
Embedded derivatives (convertible bonds)	2,833	Binomial model	Discount rate Stock price volatility	3.87%~7.89%(5.74%) 13.86%~19.25%(16.45%)

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

*(In millions of Korean won)*

	June 30, 2015	June 30, 2014
Balance as of January 1	₩ 3,548,095	₩ 493,378
Purchases	55,740	2,473,965
Disposals	(103,975)	(9,934)
Amount recognized in profit or loss	372	(10,652)
Amount recognized in other comprehensive income	(254,738)	240,041
Other	(2,303)	(45,418)
Balance as of June 30	₩ 3,243,191	₩ 3,141,380

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(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 major financial instruments which are categorized within Level 3 and subject to sensitivity analysis, are as follows:

(In millions of Korean won)	Classification	Favorable Changes		Unfavorable Changes	
		Profit or Loss	Equity	Profit or Loss	Equity
	Long-term available-for-sale financial assets <sup>1</sup>	₩ -	₩ 256,668	₩ -	₩ (182,506)
	Embedded derivatives (convertible bonds) <sup>2</sup>	346	346	(340)	(340)
	Total	₩ 346	₩ 257,014	₩ (340)	₩ (182,846)

<sup>1</sup> Changes in fair value are calculated by increasing or decreasing the correlation between volatility (30.0~36.0%) and discount rate for convertible preferred stock. Similarly, for other equity securities, changes in fair value are calculated with the correlation between growth ratio (-1% to 1%) and discount rate, which are significant unobservable inputs.

<sup>2</sup> For equity derivatives, changes in their fair value are calculated by increasing or decreasing the correlation between discount rate 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.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

<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 June 30, 2015

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

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

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

(3) For the six months ended June 30, 2014

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total <sup>1</sup>	Semi- conductor	DP	Total <sup>1</sup>		
Total segment revenue	₩59,481,654	₩129,346,379	₩63,256,060	₩35,393,643	₩25,725,314	₩252,897,694	₩(146,869,139)	₩106,028,555
Intercompany revenue	(35,161,983)	(68,452,020)	(31,468,769)	(16,215,670)	(13,299,474)	(146,869,139)	146,869,139	-
Net revenue <sup>2</sup>	24,319,671	60,894,359	31,787,291	19,177,973	12,425,840	106,028,555	-	106,028,555
Depreciation	298,104	358,612	7,252,938	5,006,990	2,142,053	8,205,273	-	8,205,273
Amortization	48,139	91,615	236,480	171,850	57,019	532,952	-	532,952
Operating profit	958,334	10,851,041	3,964,702	3,810,600	132,751	15,676,122	-	15,676,122

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

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(4) For the three months ended June 30, 2014

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Group	Consolidated
	CE	IM	Total <sup>1</sup>	Semi-conductor	DP	Total <sup>1</sup>		
Total segment revenue	₩31,641,543	₩61,487,119	₩32,578,287	₩18,257,595	₩13,290,044	₩126,193,693	₩ (73,840,464)	₩52,353,229
Intercompany revenue	(18,638,114)	(33,034,774)	(16,347,455)	(8,473,734)	(6,960,956)	(73,840,464)	73,840,464	-
Net revenue <sup>2</sup>	13,003,429	28,452,345	16,230,832	9,783,861	6,329,088	52,353,229	-	52,353,229
Depreciation	147,513	185,933	3,718,861	2,596,840	1,070,347	4,201,189	-	4,201,189
Amortization	24,173	47,258	127,253	94,485	28,972	280,615	-	280,615
Operating profit	766,666	4,422,371	2,093,944	1,861,425	216,325	7,187,323	-	7,187,323

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

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

#### (B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as of and for the three and six months ended June 30, 2015 and 2014, is as follows:

(1) As of and for the six months ended June 30, 2015

<i>(In millions of Korean won)</i>						Intercompany elimination within the Group	Consolidated
	Korea	America	Europe	Asia and Africa	China		
Net segment revenue	10,418,762	31,307,442	17,878,921	21,293,046	14,757,286	-	95,655,457
Non-current assets <sup>1</sup>	64,257,624	8,132,021	799,452	6,739,400	10,635,941	(367,767)	90,196,671

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

(2) As of and for the three months ended June 30, 2015

<i>(In millions of Korean won)</i>						Intercompany elimination within the Group	Consolidated
	Korea	America	Europe	Asia and Africa	China		
Net segment revenue	5,201,990	16,330,143	8,756,938	10,639,647	7,608,821	-	48,537,539
Non-current assets <sup>1</sup>	64,257,624	8,132,021	799,452	6,739,400	10,635,941	(367,767)	90,196,671

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



## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(3) As of and for the six months ended June 30, 2014

<i>(In millions of Korean won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Intercompany elimination within the Group</b>	<b>Consolidated</b>
Net segment revenue	11,259,931	33,329,346	21,563,671	21,962,071	17,913,536	-	106,028,555
Non-current assets <sup>1</sup>	60,563,164	6,808,875	977,840	3,271,162	8,704,515	(511,614)	79,813,942

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

(4) As of and for the three months ended June 30, 2014

<i>(In millions of Korean won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Intercompany elimination within the Group</b>	<b>Consolidated</b>
Net segment revenue	5,469,847	17,891,726	9,766,505	11,129,741	8,095,410	-	52,353,229
Non-current assets <sup>1</sup>	60,563,164	6,808,875	977,840	3,271,162	8,704,515	(511,614)	79,813,942

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

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 26. Related Party Transactions

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

Sales and purchases with related parties for the six months ended June 30, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	June 30, 2015			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates	Samsung SDS	₩ 15,668	₩ -	₩ 806,293	₩ 110,294
	Samsung Electro-Mechanics	6,463	-	1,352,367	-
	Samsung Card	4,045	-	17,270	-
	Other	160,942	3,525	2,559,255	171,962
	<b>Total (Associates)</b>	<b>187,118</b>	<b>3,525</b>	<b>4,735,185</b>	<b>282,256</b>
Joint ventures	Siltronic Samsung Wafer	-	-	80,645	-
	Other	2,469	-	88,908	-
	<b>Total (Joint ventures)</b>	<b>2,469</b>	<b>-</b>	<b>169,553</b>	<b>-</b>
Other related parties	Cheil Industries Inc. <sup>2</sup>	2,063	-	29,224	283,561
	Samsung SDI	23,153	-	774,261	9,790
	Other	56,428	-	483,543	136,189
	<b>Total (Other related parties)</b>	<b>81,644</b>	<b>-</b>	<b>1,287,028</b>	<b>429,540</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>	Name of Company <sup>1</sup>	June 30, 2014			
		Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates	Samsung SDS	₩ 17,441	₩ -	₩ 959,330	₩ 117,622
	Samsung Electro-Mechanics	17,280	110	1,221,038	-
	Samsung Card	5,085	-	20,040	-
	Other	273,325	-	2,444,732	254,647
	<b>Total (Associates)</b>	<b>313,131</b>	<b>110</b>	<b>4,645,140</b>	<b>372,269</b>
Joint ventures	Samsung Corning Precision Materials <sup>2</sup>	164	-	67,826	-
	Siltronic Samsung Wafer	-	-	75,043	-
	Other	1,421	647	80,458	-
	<b>Total (Joint ventures)</b>	<b>1,585</b>	<b>647</b>	<b>223,327</b>	<b>-</b>
Other related parties	Cheil Industries Inc. <sup>3</sup>	3,551	-	51,123	167,866
	Samsung SDI	32,839	-	371,318	4,619
	Other	136,984	-	1,027,978	61,956
	<b>Total (Other related parties)</b>	<b>173,374</b>	<b>-</b>	<b>1,450,419</b>	<b>234,441</b>

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

<sup>2</sup> During the six months ended June 30, 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.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Balances of receivables and payables arising from sales and purchases of goods and services as of June 30, 2015 and December 31, 2014, are as follows:

<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	June 30, 2015	
		Receivables	Payables
	Samsung SDS	₩ 8,823	₩ 340,114
	Samsung Electro-Mechanics	2,212	282,707
Associates	Samsung Card	12,510	618,910
	Other	70,997	428,945
	<b>Total (Associates)</b>	<b>94,542</b>	<b>1,670,676</b>
	Siltronic Samsung Wafer	17,225	8,555
Joint ventures	Other	629	26,594
	<b>Total (Joint ventures)</b>	<b>17,854</b>	<b>35,149</b>
	Cheil Industries Inc. <sup>2</sup>	185,841	164,903
Other related parties	Samsung SDI	1,149	142,416
	Other	16,912	65,583
	<b>Total (Other related parties)</b>	<b>203,902</b>	<b>372,902</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>	Name of Company <sup>1</sup>	December 31, 2014	
		Receivables	Payables
	Samsung SDS	₩ 3,353	₩ 359,001
	Samsung Electro-Mechanics	1,431	237,816
Associates	Samsung Card	5,431	1,124,240
	Other	63,256	412,940
	<b>Total (Associates)</b>	<b>73,471</b>	<b>2,133,997</b>
	Siltronic Samsung Wafer	19,143	11,445
Joint ventures	Other	474	39,262
	<b>Total (Joint ventures)</b>	<b>19,617</b>	<b>50,707</b>
	Cheil Industries Inc. <sup>2</sup>	187,108	288,984
Other related parties	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) The Group invested 68,348 million Korean won in associates and joint ventures including 66,700 million Korean won in Samsung Biologics during the six months ended June 30, 2015 (227,836 million Korean won during the six months ended June 30, 2014)

#### (D) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable for employee services for the six months ended June 30, 2015 and 2014 consists of:

<i>(In millions of Korean won)</i>	June 30, 2015	June 30, 2014
Salaries and other short-term employee benefits	₩ 4,189	₩ 14,980
Termination benefits	280	487
Other long-term benefits	4,158	3,569

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 27. Business Combination

Significant business combinations for the six months ended June 30, 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 since acquisition amount to ₩97 million and ₩7,153 million, respectively.

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 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, management of the Group decided to sell all its shares in Samsung Techwin Co., Ltd. to Hanwha Corporation. The contract was entered into on November 26, 2014, and the transaction was completed in June 2015.

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

During the year ended December 31, 2014, 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, 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.

##### (4) SunEdison Semiconductor Ltd. shares held-for-sale

During the six months ended June 30, 2015, management of the Group decided to sell all its shares in SunEdison Semiconductor Ltd., and the transaction was completed in July 2015.

(B) Details of assets and liabilities reclassified as held-for-sale, as of June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean Won)</i>	<b>June 30, 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	27,507	511,441
Other non-current assets	-	3,696
<b>Total</b>	<b>27,507</b>	<b>₩ 645,491</b>
Liabilities held-for-sale		
Current liabilities	-	₩ 25,939
Non-current liabilities	-	2,377
<b>Total</b>	<b>-</b>	<b>₩ 28,316</b>

## Samsung Electronics Co., Ltd. and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) Details of cumulative income or expense recognized in other comprehensive income relating to the disposal group classified as held-for-sale as of June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of Korean Won)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
Gain on valuation of available-for-sale securities	₩	4,222	₩	24,750
Changes in equity under the equity-method		-		54,118
Foreign exchange translation adjustment		-		1,233
Total	₩	4,222	₩	80,101

#### **29. Events after the Reporting Period**

The Group sold all its shares in SunEdison Semiconductor Ltd. that were classified as asset held-for-sale in July 2015.