

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

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Auditor's Review Report



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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the "Company"). These interim consolidated financial statements consist of interim consolidated statements of financial position of the Company as of June 30, 2014, and the related interim consolidated statements of income and comprehensive income for the three and six months ended June 30, 2014 and 2013, and the interim consolidated statements of changes in equity and cash flows for the six months ended June 30, 2014 and 2013, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

We have audited the consolidated statement of financial position of the Company as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated February 11, 2014. The consolidated statement of financial position as of December 31, 2013, presented herein for comparative purposes, is consistent, in all material respects, with the above mentioned audited consolidated statement of financial position as of December 31, 2013.

Seoul, Korea
August 8, 2014

This report is effective as of August 8, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	Notes	June 30, 2014 KRW	December 31, 2013 KRW	June 30, 2014 USD	December 31, 2013 USD
Assets					
Current Assets					
Cash and cash equivalents	3	16,057,574	16,284,780	15,829,627	16,053,608
Short-term financial instruments	3	41,692,883	36,722,702	41,101,028	36,201,402
Available-for-sale financial assets	3	2,912,533	1,488,527	2,871,188	1,467,396
Trade and other receivables	3	26,647,897	27,875,934	26,269,615	27,480,219
Advances		1,744,336	1,928,188	1,719,574	1,900,816
Prepaid expenses		3,379,484	2,472,950	3,331,510	2,437,845
Inventories	5	18,276,064	19,134,868	18,016,625	18,863,237
Other current assets		2,088,899	2,135,589	2,059,246	2,105,274
Assets held for sale		-	2,716,733	-	2,678,167
Total current assets		112,799,670	110,760,271	111,198,413	109,187,964
Non-current assets					
Available-for-sale financial assets	3, 4	10,644,223	6,238,380	10,493,122	6,149,823
Associates and joint ventures	6	6,904,622	6,422,292	6,806,607	6,331,124
Property, plant and equipment	7	75,593,653	75,496,388	74,520,557	74,424,673
Intangible assets	8	4,220,289	3,980,600	4,160,380	3,924,093
Long-term prepaid expenses		5,398,121	3,465,783	5,321,492	3,416,584
Deferred income tax assets		4,814,124	4,621,780	4,745,785	4,556,171
Other non-current assets		4,348,372	3,089,524	4,286,643	3,045,666
Total assets		224,723,074	214,075,018	221,532,999	211,036,098

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 U.S dollars (Note 2.1))

Notes	June 30, 2014 KRW	December 31, 2013 KRW	June 30, 2014 USD	December 31, 2013 USD
Liabilities and Equity				
Current liabilities				
Trade and other payables	3	16,239,597	17,633,705	16,009,066
Short-term borrowings	3, 9	9,325,033	6,438,517	9,192,659
Advances received		1,279,092	1,706,313	1,260,935
Withholdings		1,014,888	1,176,046	1,000,481
Accrued expenses		8,966,410	11,344,530	8,839,127
Income tax payable		4,304,736	3,386,018	4,243,628
Current portion of long-term borrowings and debentures	3, 9, 10	1,163,288	2,425,831	1,146,774
Provisions	12	7,047,572	6,736,476	6,947,528
Other current liabilities		484,836	467,973	477,953
Total current liabilities		49,825,452	51,315,409	49,118,151
Non-current liabilities				
Debentures	3, 10	1,269,911	1,311,068	1,251,884
Long-term borrowings	3, 9	2,214,013	985,117	2,182,584
Long-term trade and other payables	3	2,568,565	1,053,756	2,532,103
Net defined benefit liabilities	11	2,466,119	1,854,902	2,431,111
Deferred income tax liabilities		4,995,349	6,012,371	4,924,437
Provisions	12	594,209	460,924	585,774
Other non-current liabilities		1,275,992	1,065,461	1,257,878
Total liabilities		65,209,610	64,059,008	64,283,922

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 U.S dollars (Note 2.1))

Notes	June 30, 2014 KRW	December 31, 2013 KRW	June 30, 2014 USD	December 31, 2013 USD
Equity attributable to owners of the parent				
Preferred stock	14	119,467	119,467	117,771
Common stock	14	778,047	778,047	767,002
Share premium		4,403,893	4,403,893	4,341,377
Retained earnings	15	160,188,962	148,600,282	157,914,986
Other components of equity	16	(11,671,599)	(9,459,073)	(11,505,913)
Non-controlling interests		5,694,694	5,573,394	5,613,854
Total equity		159,513,464	150,016,010	157,249,077
Total liabilities and equity		224,723,074	214,075,018	221,532,999

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 2.1))

	Notes	For the three-months ended June 30,				For the six-months ended June 30,			
		2014 KRW	2013 KRW	2014 USD	2013 USD	2014 KRW	2013 KRW	2014 USD	2013 USD
Revenue		52,353,229	57,464,448	51,610,044	56,648,707	106,028,555	110,332,543	104,523,418	108,766,308
Cost of sales	17	31,671,819	34,341,419	31,222,219	33,853,923	63,721,334	65,720,774	62,816,772	64,787,829
Gross profit		20,681,410	23,123,029	20,387,825	22,794,784	42,307,221	44,611,769	41,706,646	43,978,479
Selling, general and administrative expenses	17, 18	13,494,087	13,592,346	13,302,530	13,399,395	26,631,099	26,301,628	26,253,056	25,928,261
Operating profit		7,187,323	9,530,683	7,085,295	9,395,389	15,676,122	18,310,141	15,453,590	18,050,218
Other non-operating income	19	587,936	360,986	579,590	355,862	2,499,532	577,152	2,464,050	568,959
Other non-operating expense	19	336,141	273,207	331,369	269,329	1,286,112	588,522	1,267,855	580,168
Share of profit of associates and joint ventures	6	64,005	212,315	63,096	209,301	94,141	390,251	92,805	384,711
Finance income	20	2,236,805	2,331,043	2,205,052	2,297,952	3,687,096	4,258,664	3,634,756	4,198,210
Finance expense	20	1,954,822	2,333,992	1,927,072	2,300,860	3,236,703	4,074,421	3,190,756	4,016,582
Profit before income tax		7,785,106	9,827,828	7,674,592	9,688,315	17,434,076	18,873,265	17,186,590	18,605,348
Income tax expense	21	1,534,325	2,054,017	1,512,544	2,024,858	3,608,854	3,944,513	3,557,625	3,888,518
Profit for the period		6,250,781	7,773,811	6,162,048	7,663,457	13,825,222	14,928,752	13,628,965	14,716,830
Profit attributable to owners of the parent		6,176,506	7,575,016	6,088,827	7,467,484	13,661,186	14,551,934	13,467,257	14,345,361
Profit attributable to non-controlling interests		74,275	198,795	73,221	195,973	164,036	376,818	161,708	371,469
Earnings per share for profit attributable to the owners of the parent (in Korean Won, in US dollars)	22								
- Basic		40,953	50,254	40.37	49.54	90,593	96,546	89.31	95.18
- Diluted		40,952	50,236	40.37	49.52	90,584	96,506	89.30	95.14

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 2.1))

	Notes	For the three-months ended June 30,				For the six-months ended June 30,			
		2014 KRW	2013 KRW	2014 USD	2013 USD	2014 KRW	2013 KRW	2014 USD	2013 USD
Profit for the period		6,250,781	7,773,811	6,162,048	7,663,457	13,825,222	14,928,752	13,628,965	14,716,830
Other comprehensive income									
Items not to be reclassified									
subsequently to profit or loss :									
Remeasurement of the net defined benefit liabilities, net of tax	16	(15,581)	(8,393)	(15,360)	(8,274)	(20,607)	(16,991)	(20,314)	(16,750)
Items to be reclassified									
subsequently to profit or loss :									
Changes in value of available-for-sale financial assets, net of tax	16	(220,086)	574,138	(216,962)	565,988	(269,944)	838,906	(266,112)	826,997
Share of other comprehensive income(loss) of associates and joint ventures, net of tax	16	(57,892)	(13,984)	(57,070)	(13,785)	(83,917)	1,389	(82,726)	1,369
Foreign currency translation, net of tax	16	(2,028,209)	1,018,573	(1,999,418)	1,004,113	(1,904,929)	1,972,908	(1,877,888)	1,944,902
Other comprehensive income(loss) for the period, net of tax		(2,321,768)	1,570,334	(2,288,810)	1,548,042	(2,279,397)	2,796,212	(2,247,040)	2,756,518
Total consolidated comprehensive income for the period		3,929,013	9,344,145	3,873,238	9,211,499	11,545,825	17,724,964	11,381,925	17,473,348
Consolidated comprehensive income attributable to :									
Owners of the parent		3,914,659	9,103,315	3,859,088	8,974,088	11,423,127	17,269,552	11,260,969	17,024,401
Non-controlling interests		14,354	240,830	14,150	237,411	122,698	455,412	120,956	448,947

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)

2013 KRW	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance as of January 1, 2013	119,467	778,047	4,403,893	119,985,689	(8,193,044)	117,094,052	4,386,154	121,480,206
Profit for the period	-	-	-	14,551,934	-	14,551,934	376,818	14,928,752
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	836,943	836,943	1,963	838,906
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	1,278	1,278	111	1,389
Foreign currency translation, net of tax	-	-	-	-	1,896,125	1,896,125	76,783	1,972,908
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	(16,728)	(16,728)	(263)	(16,991)
Total comprehensive income	-	-	-	14,551,934	2,717,618	17,269,552	455,412	17,724,964
Dividends	-	-	-	(1,131,255)	-	(1,131,255)	(588)	(1,131,843)
Capital transaction under common control	-	-	-	-	2,176	2,176	290,918	293,094
Effect of business combination	-	-	-	-	-	-	894	894
Disposal of treasury stock	-	-	-	-	16,719	16,719	-	16,719
Stock option activities	-	-	-	-	(4,771)	(4,771)	-	(4,771)
Others	-	-	-	-	(3)	(3)	278	275
Total transactions with owners	-	-	-	(1,131,255)	14,121	(1,117,134)	291,502	(825,632)
Balance as of June 30, 2013	119,467	778,047	4,403,893	133,406,368	(5,461,305)	133,246,470	5,133,068	138,379,538

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.1))

2013 USD	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance as of January 1, 2013	117,771	767,002	4,341,377	118,282,423	(8,076,739)	115,431,834	4,323,890	119,755,724
Profit for the period	-	-	-	14,345,361	-	14,345,361	371,469	14,716,830
Changes in value of available-for-sale financial assets, net of tax	-	-	-	-	825,062	825,062	1,935	826,997
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	-	-	1,260	1,260	109	1,369
Foreign currency translation, net of tax	-	-	-	-	1,869,208	1,869,208	75,693	1,944,901
Remeasurement of net defined benefit liabilities, net of tax	-	-	-	-	(16,491)	(16,491)	(259)	(16,750)
Total comprehensive income	-	-	-	14,345,361	2,679,039	17,024,400	448,947	17,473,347
Dividends	-	-	-	(1,115,196)	-	(1,115,196)	(580)	(1,115,776)
Capital transaction under common control	-	-	-	-	2,145	2,145	286,788	288,933
Effect of business combination	-	-	-	-	-	-	881	881
Disposal of treasury stock	-	-	-	-	16,482	16,482	-	16,482
Stock option activities	-	-	-	-	(4,703)	(4,703)	-	(4,703)
Others	-	-	-	-	(3)	(3)	274	271
Total transactions with owners	-	-	-	(1,115,196)	13,921	(1,101,275)	287,363	(813,912)
Balance as of June 30, 2013	117,771	767,002	4,341,377	131,512,588	(5,383,779)	131,354,959	5,060,200	136,415,159

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

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
Balance as of January 1, 2014		119,467	778,047	4,403,893	148,600,282	(9,459,073)	144,442,616	5,573,394	150,016,010
Profit for the 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 income(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)
Total comprehensive income (loss)		-	-	-	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)
Effect of business combination		-	-	-	-	-	-	(124)	(124)
Disposal of treasury stock	16	-	-	-	-	32,763	32,763	-	32,763
Stock option activities	16	-	-	-	-	(9,436)	(9,436)	-	(9,436)
Others		-	-	-	9,097	2,364	11,461	(85)	11,376
Total transactions with owners		-	-	-	(2,072,506)	25,533	(2,046,973)	(1,398)	(2,048,371)
Balance as of June 30, 2014		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 consolidated financial statements.

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.1))

2014 USD	Notes	Preferred stock	Common stock	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance as of January 1, 2014		117,771	767,002	4,341,377	146,490,814	(9,324,795)	142,392,169	5,494,276	147,886,445
Profit for the period		-	-	-	13,467,257	-	13,467,257	161,707	13,628,964
Changes in value of available-for-sale financial assets, net of tax	16	-	-	-	-	(293,775)	(293,775)	27,663	(266,112)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	16	-	-	-	-	(82,314)	(82,314)	(412)	(82,726)
Foreign currency translation, net of tax	16	-	-	-	-	(1,807,860)	(1,807,860)	(70,028)	(1,877,888)
Remeasurement of net defined benefit liabilities, net of tax	16	-	-	-	-	(22,340)	(22,340)	2,026	(20,314)
Total comprehensive income (loss)		-	-	-	13,467,257	(2,206,289)	11,260,968	120,956	11,381,924
Dividends		-	-	-	(2,052,053)	-	(2,052,053)	(451)	(2,052,504)
Capital transaction under common control		-	-	-	-	(156)	(156)	(721)	(877)
Changes in consolidated entities		-	-	-	-	-	-	(122)	(122)
Disposal of treasury stock	16	-	-	-	-	32,298	32,298	-	32,298
Stock option activities	16	-	-	-	-	(9,302)	(9,302)	-	(9,302)
Others		-	-	-	8,968	2,331	11,299	(84)	11,215
Total transactions with owners		-	-	-	(2,043,085)	25,171	(2,017,914)	(1,378)	(2,019,292)
Balance as of June 30, 2014		117,771	767,002	4,341,377	157,914,986	(11,505,913)	151,635,223	5,613,854	157,249,077

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of Korean Won, in thousands of U.S dollars (Note 2.1))

	For the six-months ended June 30,				
	Notes	2014	2013	2014	2013
Cash flows from operating activities		KRW	KRW	USD	USD
Profit for the period		13,825,222	14,928,752	13,628,965	14,716,830
Adjustments	23	11,442,741	12,276,969	11,280,305	12,102,690
Changes in assets and liabilities arising from operating activities	23	(1,877,559)	(2,349,434)	(1,850,906)	(2,316,082)
Cash flows from operating activities		23,390,404	24,856,287	23,058,364	24,503,438
Interest received		711,648	464,986	701,546	458,385
Interest paid		(218,750)	(230,983)	(215,646)	(227,704)
Dividend received		1,428,764	262,730	1,408,482	259,000
Income tax paid		(4,184,614)	(3,935,076)	(4,125,211)	(3,879,215)
Net cash generated from operating activities		21,127,452	21,417,944	20,827,535	21,113,904
Cash flows from investing activities					
Net increase in short-term financial instruments		(5,204,979)	(10,023,279)	(5,131,091)	(9,880,993)
Net (increase) decrease in short-term available-for-sale financial assets		(457,203)	17,411	(450,713)	17,164
Proceeds from disposal of long-term available-for-sale financial assets		147,449	9,794	145,356	9,655
Acquisition of long-term available-for-sale financial assets		(5,714,917)	(299,355)	(5,633,790)	(295,105)
Proceeds from disposal of associates and joint ventures		2,014,430	240	1,985,834	237
Acquisition of associates and joint ventures		(570,867)	(21,034)	(562,763)	(20,735)
Disposal of property and equipment		205,937	152,871	203,014	150,701
Purchases of property and equipment		(10,616,583)	(8,873,039)	(10,465,874)	(8,747,081)
Disposal of intangible assets		7,599	851	7,491	839
Purchases of intangible assets		(510,658)	(454,324)	(503,409)	(447,875)
Cash outflows from business combination		-	(167,155)	-	(164,782)
Others		(1,075,189)	(1,202,037)	(1,059,927)	(1,184,975)
Net cash used in investing activities		(21,774,981)	(20,859,056)	(21,465,872)	(20,562,950)

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 2.1))

	Notes	For the six-months ended June 30,			
		2014	2013	2014	2013
		KRW	KRW	USD	USD
Cash flows from financing activities					
Net increase(decrease)					
in short-term borrowings		3,071,633	(54,493)	3,028,029	(53,719)
Disposal of treasury stock		27,582	13,262	27,190	13,074
Proceeds from long-term borrowings and debentures		1,739,653	26,672	1,714,958	26,293
Repayment of long-term borrowings and debentures		(1,655,995)	(1,332,557)	(1,632,487)	(1,313,641)
Payment of dividends		(2,084,004)	(1,134,535)	(2,054,420)	(1,118,430)
Net increase(decrease) in non-controlling interests		(489)	285,514	(482)	281,461
Net cash generated(used) in financing activities		1,098,380	(2,196,137)	1,082,788	(2,164,962)
Effect of exchange rate changes on cash and cash equivalents		(678,057)	770,312	(668,432)	759,378
Net decrease in cash and cash equivalents		(227,206)	(866,937)	(223,981)	(854,630)
Cash and cash equivalents					
Beginning of the period		16,284,780	18,791,460	16,053,608	18,524,704
End of the period		16,057,574	17,924,523	15,829,627	17,670,074

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

These 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 150 subsidiaries including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting to its 35 affiliates, including Samsung Electro-Mechanics.

1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of June 30, 2014 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership ¹
Domestic	High Pioneer Private Investment Trust #1	Technology business venture capital investments	100.0
	Samsung Display (SDC)	Manufacture and sale of display panels	84.8
	SU Materials	Manufacture of display panel components	50.0
	STECO	Manufacture of semiconductor components	51.0
	SEMES	Manufacture of semiconductor/FPD	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Medison	Medical equipment	68.5
	Ray	Dental CT	68.1
	Samsung Venture Capital Union #6	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #14	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #20	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #21	Technology business venture capital investments	99.0
	Samsung Venture Capital Union #22	Technology business venture capital investments	99.0
Samsung Venture Capital Union #23	Technology business venture capital investments	99.0	

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹
America	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	NexusDX (Nexus)	Medical equipment	100.0
	Samsung Receivables (SRC)	Credit management	100.0
	NeuroLogica	Medical equipment	100.0
	Samsung Semiconductor (SSI)	Sale of semiconductor/display panel	100.0
	Samsung Electronics Canada (SECA)	Sale of electronic devices	100.0
	Samsung Information Systems America (SISA)	R&D	100.0
	Grandis	R&D	100.0
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0
	Samsung International (SII)	Manufacture of CTV/monitors	100.0
	Samsung Telecommunications America (STA)	Sale of communication equipment	100.0
	Samsung Austin Semiconductor (SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico (SEM)	Sale of electronic devices	99.9
	SEMES America (SEMESA)	Semiconductor equipment	100.0
	Samsung Electronics Digital Appliance Mexico (SEDAM)	Manufacture of electronic devices	99.9
	Samsung Electronics Latinoamerica Miami (SEMI)	Sale of electronic devices	100.0
	Nvelo	Software	100.0
	Samsung Electronics Latinoamerica (SELA)	Sale of electronic devices	100.0
	Samsung Electronics Venezuela (SEVEN)	Marketing and services	100.0
	Samsung Electronica Colombia (SAMCOL)	Sale of electronic devices	100.0
	Samsung Electronics Panama (SEPA)	Consulting	100.0
	Samsung Electronica da Amazonia (SEDA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Argentina (SEASA)	Marketing and services	100.0
	Samsung Electronics Chile (SECH)	Sale of electronic devices	100.0
	Samsung Electronics Peru (SEPR)	Sale of electronic devices	100.0
	RT SV CO-INVEST (RT-SV)	Technology business venture capital investments	99.9
Europe	Samsung Electronics (UK) (SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding (SEHG)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH (SSEG)	Sale of semiconductor/display panel	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 display panel	100.0
	Samsung Electronics Romania (SEROM)	Sale of electronic devices	100.0
	Samsung Electronics Overseas (SEO)	Sale of electronic devices	100.0
	Samsung Electronics Polska (SEPOL)	Sale of electronic devices	100.0
	Samsung Electronics Portuguesa (SEP)	Sale of electronic devices	100.0
	Samsung Electronics Nordic (SENA)	Sale of electronic devices	100.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Display Dongguan (SDDG)	Manufacture of LCD	100.0
	Samsung Display Tianjin (SDTJ)	Manufacture of LCD	95.0
	Samsung Electronics Hong Kong (SEHK)	Sale of electronic devices	100.0
	Suzhou Samsung Electronics (SSEC)	Manufacture of home appliances	88.3
	Samsung Suzhou Electronics Export (SSEC-E)	Manufacture of home appliances	100.0
	Samsung (China) Investment (SCIC)	Sale of electronic devices	100.0
	Samsung Mobile R&D Center China-Guangzhou (SRC-Guangzhou)	R&D	100.0
	Samsung Tianjin Mobile Development Center (STMC)	R&D	100.0
	Samsung Network R&D Center China-Shenzhen (SRC-Shenzhen)	R&D	100.0
	Samsung Electronics Suzhou Semiconductor (SESS)	Toll processing of semiconductor	100.0
	Samsung Electronics (Shandong) Digital Printing (SSDP)	Manufacture of printers	100.0
	Samsung Electronics Huizhou (SEHZ)	Manufacture of electronic devices	99.9
	Tianjin Samsung Electronics (TSEC)	Manufacture of CTV/monitors	91.2
	Samsung Electronics Taiwan (SET)	Sale of electronic devices	100.0
	Beijing Samsung Telecom R&D Center (BST)	R&D	100.0
	Tianjin Samsung Telecom Technology (TSTC)	Manufacture of communication equipment	90.0
China	Shanghai Samsung Semiconductor (SSS)	Sale of semiconductor/LCD	100.0
	Samsung Electronics Suzhou Computer (SESC)	Manufacture of electronic devices	100.0
	Samsung Display Suzhou (SDSZ)	Toll processing of LCD	100.0
	Samsung Suzhou LCD (SSL)	Manufacture of LCD	60.0
	Shenzhen Samsung Electronics Telecommunication (SSET)	Manufacture of communication equipment	95.0
	Samsung Electronics Shanghai Telecommunication (SSTC)	Sale of communication and network equipment	100.0
	Samsung Semiconductor (China) R&D (SSCR)	R&D	100.0
	Samsung Electronics China R&D Center (SCRC)	R&D	100.0
	Samsung (China) Semiconductor (SCS)	Manufacture of semiconductor	100.0
	Samsung Electronics Hainan Fiberoptics (SEHF)	Manufacture of optical fiber/cable	100.0
	Samsung Electronics (Beijing) Service (SBSC)	Services	100.0
	Samsung Medison Shanghai Medical Instrument (SMS1)	Medical equipment	100.0
	Tianjin Samsung LED (TSLED)	Manufacture of LED	100.0
	Tianjin Samsung Opto-Electronics (TSOE)	Manufacture of cameras/camcorders	90.0
	Samsung R&D Institute China-Xian (SRC-Xian)	R&D	100.0
	SEMES (Xian)	Semiconductor equipment	100.0

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Japan (SJC)	Sale of electronic devices	100.0
	Samsung R&D Institute Japan (SRJ)	R&D	100.0
	Samsung Electronics Japan (SEJ)	Sale of electronic devices	100.0
	Samsung Electronics Display (M) (SDMA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics (M) (SEMA)	Manufacture of home appliances	100.0
	Samsung Vina Electronics (SAVINA)	Manufacture and sale of electronic devices	100.0
	Samsung Asia Private (SAPL)	Sale of electronic devices	100.0
	Samsung India Electronics (SIEL)	Manufacture and sale of electronic devices	100.0
	Samsung R&D Institute India-Bangalore (SRI-B)	R&D	100.0
	Samsung Electronics Australia (SEAU)	Sale of electronic devices	100.0
	Samsung Electronics Indonesia (SEIN)	Manufacture and sale of electronic devices	100.0
Rest of Asia	Samsung Telecommunications Indonesia (STIN)	Sale and services of communication systems	99.0
	Thai Samsung Electronics (TSE)	Manufacture and sale of electronic devices	91.8
	Samsung Electronics Philippines (SEPCO)	Sale of electronic devices	100.0
	Samsung Malaysia Electronics (SME)	Sale of electronic devices	100.0
	Samsung R&D Institute Bangladesh (SRBD)	R&D	100.0
	Samsung Electronics Vietnam (SEV)	Manufacture of electronic devices	100.0
	Samsung Telecommunications Malaysia (STM)	Services of communication systems	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

¹ Ownership represents the Company'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) 2014

<i>(In millions of Korean won)</i>	As of June 30, 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)	37,799,414	7,088,057	6,200,321	164,141	12,147,848	1,443,550
Samsung Electronics America (SEA)	10,572,881	5,919,927	3,367,940	(111,593)	6,003,784	(144,621)
Samsung (China) Investment (SCIC)	8,912,168	7,637,742	3,862,170	(273,813)	10,016,356	(253,697)
Samsung Semiconductor (SSI)	6,382,565	3,121,247	4,393,542	21,589	8,770,353	37,933
Samsung Austin Semiconductor (SAS)	5,999,182	3,159,983	479,227	12,560	1,087,883	28,262
Samsung Electronics Vietnam (SEV)	5,760,367	1,370,493	5,465,863	694,450	11,621,756	1,486,618
Samsung (China) Semiconductor (SCS)	5,559,676	3,072,117	79,134	29,509	79,134	4,520
Samsung Electronics Europe Holding (SEEH)	5,523,973	3,843,579	-	10,387	-	66,358
Samsung Telecommunications America (STA)	5,390,286	4,582,341	6,888,860	142,946	11,914,520	188,789
Samsung Electronics Huizhou (SEHZ)	4,642,285	1,560,481	4,655,845	326,051	9,542,055	472,569
Samsung Electronica da Amazonia (SEDA)	3,676,455	1,429,491	2,177,389	205,561	4,062,459	409,727
Shanghai Samsung Semiconductor (SSS)	3,165,519	2,817,974	3,552,526	30,767	6,604,527	64,387
Tianjin Samsung Telecom Technology (TSTC)	3,067,050	1,429,136	2,808,565	24,510	6,394,043	228,074
Samsung Asia Private(SAPL)	3,004,021	739,489	405,847	(4,610)	783,880	1,056,913
Samsung India Electronics (SIEL)	2,444,100	1,384,981	1,693,297	117,151	3,535,288	347,092
Samsung Electronics Vietnam THAINGUYEN(SEVT)	2,017,076	1,723,705	1,837,063	211,498	1,933,477	197,322
Samsung Electronics Slovakia (SESK)	1,755,132	317,320	1,026,369	33,111	1,991,479	65,118
Samsung Suzhou LCD (SSL)	1,685,270	749,737	200,068	(11,841)	263,735	(86,624)
Thai Samsung Electronics (TSE)	1,666,480	484,133	1,274,441	64,539	2,476,187	112,495
Samsung Electronics Europe Logistics (SELS)	1,568,667	1,093,606	3,166,200	104,268	6,835,260	406,502
Samsung Electronics Taiwan (SET)	1,417,334	1,181,305	1,179,877	(10,043)	2,139,113	2,015
Samsung Electronics Hungarian (SEH)	1,248,499	270,345	661,347	29,324	1,389,762	77,111
Samsung Electronics Benelux (SEBN)	1,219,620	280,220	635,573	22,771	1,342,994	(11,855)
Samsung International (SII)	1,210,950	679,858	1,744,917	123,262	2,992,247	205,664
Samsung Gulf Electronics (SGE)	1,208,660	1,270,629	2,107,821	(48,651)	4,487,509	(38,050)

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) 2013

<i>(In millions of Korean won)</i>	As of December 31, 2013		For the three months ended June 30, 2013		For the six months ended June 30, 2013	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	35,754,894	6,682,229	8,047,636	871,629	15,046,939	1,477,159
Samsung Electronics America (SEA)	12,248,560	7,262,519	3,368,756	(10,736)	6,084,350	39,400
Samsung (China) Investment (SCIC)	8,406,438	6,780,610	6,237,727	100,762	12,096,967	393,664
Samsung Semiconductor (SSI)	7,346,339	3,991,768	3,728,673	11,823	7,469,260	20,095
Samsung Austin Semiconductor (SAS)	6,393,348	3,467,968	553,336	21,654	1,212,695	21,301
Samsung Electronics Europe Holding (SEEH)	5,780,302	4,025,760	-	(23,514)	-	(21,377)
Samsung Electronics Vietnam (SEV)	5,625,759	1,493,868	6,654,762	639,815	12,424,199	1,279,163
Samsung Telecommunications America (STA)	4,735,432	4,085,299	6,178,187	71,751	9,977,239	35,771
Samsung Electronics Huizhou (SEHZ)	4,599,200	1,802,686	6,160,894	156,779	10,661,758	479,786
Samsung (China) Semiconductor (SCS)	3,752,682	1,284,560	-	(9,346)	-	(13,574)
Samsung Electronica da Amazonia (SEDA)	3,429,136	1,658,072	2,246,498	229,843	3,789,391	333,791
Tianjin Samsung Telecom Technology (TSTC)	2,939,027	1,415,277	4,041,352	207,895	7,290,592	467,029
Samsung Asia Private (SAPL)	2,425,585	1,099,521	433,099	2,619	817,298	764,097
Samsung India Electronics (SIEL)	1,924,832	1,195,824	1,768,572	14,959	3,342,736	108,901
Samsung Electronics Europe Logistics (SELS)	1,903,892	1,806,486	3,445,277	92,011	6,980,375	271,564
Samsung Electronics Slovakia (SESK)	1,764,078	317,224	1,088,373	56,441	2,143,850	94,251
Samsung Electronics Mexico (SEM)	1,554,638	1,311,133	949,936	(2,351)	1,598,147	(6,295)
Thai Samsung Electronics (TSE)	1,476,296	373,181	1,424,640	63,299	2,701,086	124,858
Samsung Suzhou LCD (SSL)	1,463,589	379,118	-	(6,031)	-	(8,984)
Samsung Electronics Rus Company (SERC)	1,410,054	1,107,915	1,140,203	(37,328)	2,757,029	(24,857)
Samsung Electronics (UK) (SEUK)	1,393,507	705,504	1,546,278	12,176	3,065,579	24,855
Samsung Electronics Taiwan (SET)	1,390,404	1,141,842	1,073,606	(17,263)	2,191,027	3,632
Shanghai Samsung Semiconductor (SSS)	1,310,109	1,005,056	4,177,180	20,976	7,698,460	38,290
Samsung Electronics Benelux (SEBN)	1,290,124	322,622	696,246	11,394	1,396,819	12,822
Samsung Electronics Hungarian (SEH)	1,249,691	253,536	727,071	26,323	1,544,610	64,193

(C) Changes in scope of consolidation

(1) Subsidiary newly included in the consolidation for the six months ended June 30, 2014:

Area	Subsidiary	Description
America	RT SV CO-INVEST (RT-SV)	Acquisition of shares

(2) Subsidiaries excluded from the consolidation for the six months ended June 30, 2014:

Area	Subsidiary	Description
Domestic	World Cyber Games	Liquidation
	Samsung Electronics Football Club	Disposal
China	Medison Medical Equipment (Shanghai) (MMS)	Liquidation
Rest of Asia	Medison Medical Systems (India) (MI)	Liquidation

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

2.1 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 ₩1,014.40 to US \$1, the exchange rate in effect on June 30, 2014. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.2 Basis of Presentation

The interim consolidated financial statements for the six months ended June 30, 2014, 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 Company applied the following amended and enacted standards for the annual period beginning on January 1, 2014:

K-IFRS 1032, 'Financial Instruments: Presentation'

The standard provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. The adoption of this standard did not have a material impact on the consolidated financial statements.

K-IFRIC Interpretations 2121, 'Levies'

The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). The adoption of this interpretation did not have a material impact on the consolidated financial statements.

2.3 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, 2013, except changes in accounting policies applied in the financial year beginning on January 1, 2014, and as described below.

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2.4 Critical Accounting Estimates and Assumptions

In preparing the interim consolidated financial statements, the management of the Company 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 interim consolidated financial statements are consistent with those made in the preparation of the annual consolidated financial statements for the year ended December 31, 2013, except for the estimation methodologies applied in deriving corporate income tax.

3. Financial Instruments by Category

Categorizations of financial assets and liabilities as of June 30, 2014 and December 31, 2013 are as follows:

(1) As of June 30, 2014

<i>(In millions of Korean won)</i>	Assets at fair value through profit and loss		Loans and receivables		Available-for-sale financial assets		Total
Assets							
Cash and cash equivalents	₩	-	₩	16,057,574	₩	-	₩ 16,057,574
Short-term financial instruments		-		41,692,883		-	41,692,883
Short-term available-for-sale financial assets		-		-		2,912,533	2,912,533
Trade receivables		-		24,432,856		-	24,432,856
Long-term available-for-sale financial assets		-		-		10,644,223	10,644,223
Other		49,196		6,652,891		-	6,702,087
Total	₩	49,196	₩	88,836,204	₩	13,556,756	₩ 102,442,156

<i>(In millions of Korean won)</i>	Liabilities at fair value through profit and loss		Financial liabilities measured at amortized cost		Other financial liabilities		Total
Liabilities							
Trade and other payables	₩	-	₩	15,038,007	₩	-	₩ 15,038,007
Short-term borrowings		-		3,567,685		5,757,348	9,325,033
Debentures		-		1,269,911		-	1,269,911
Long-term borrowings		-		2,214,013		-	2,214,013
Long-term other payables		-		2,538,918		-	2,538,918
Other		266,700		8,674,938		-	8,941,638
Total	₩	266,700	₩	33,303,472	₩	5,757,348	₩ 39,327,520

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) As of December 31, 2013

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

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

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

(A) Details of long-term available-for-sale financial assets as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014	December 31, 2013
Equity securities - Listed	₩ 4,160,929	₩ 4,399,314
Equity securities - Non-listed ¹	3,438,604	782,297
Debt securities ²	3,044,690	1,056,769
Total	₩ 10,644,223	₩ 6,238,380

¹ During the six months ended June 30, 2014, the Company acquired 2,300 shares of convertible preferred stock of Corning Incorporated for ₩2,434,320 million.

² The maximum exposure to credit risk of available-for-sale debt securities is the carrying value at the reporting date.

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(B) Details of listed equity securities as of June 30, 2014 and December 31, 2013 are as follows:

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

	June 30, 2014			December 31, 2013	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Value (Market Value)	Book Value (Market Value)
Samsung Heavy Industries	40,675,641	17.6	₩ 258,299	₩ 1,100,276	₩ 1,547,708
Samsung Fine Chemicals	2,164,970	8.4	45,678	89,089	96,449
Hotel Shilla	2,004,717	5.1	13,957	183,231	133,314
Cheil Worldwide	2,998,725	2.6	2,920	68,371	82,465
Cheil Industries ¹	4,522,720	8.6	312,380	317,495	-
iMarket Korea	647,320	1.8	324	23,983	16,668
SFA	1,822,000	10.2	38,262	69,783	74,884
Wonik IPS	7,220,216	9.0	63,249	83,755	61,949
ASML	12,595,575	2.9	726,024	1,185,698	1,248,019
CSR ²	-	-	-	-	110,135
Rambus	4,788,125	4.2	92,682	69,456	47,851
Seagate Technology	12,539,490	3.8	218,544	722,754	743,161
Sharp	35,804,000	2.1	122,535	116,363	120,143
SunEdison Semiconductor	2,425,578	5.8	37,553	41,656	-
Wacom	8,398,400	5.0	62,013	48,468	62,268
Other	-	-	50,954	40,551	54,300
Total			₩ 2,045,374	₩ 4,160,929	₩ 4,399,314

¹ The Company acquired shares of Cheil Industries, which was merged with Samsung SDI on July 1, 2014.

² During the six months ended June 30, 2014, the Company sold all of its investment in CSR for EUR 79 million.

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

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

5. Inventories

Inventories as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014			December 31, 2013		
	Gross Amount	Valuation Allowance	Book Value	Gross Amount	Valuation Allowance	Book Value
Finished goods	₩ 6,684,086	₩ (192,188)	₩ 6,491,898	₩ 7,597,391	₩ (168,041)	₩ 7,429,350
Work in process	4,708,513	(274,597)	4,433,916	4,352,080	(281,814)	4,070,266
Raw materials and supplies	6,561,213	(201,721)	6,359,492	6,960,985	(151,873)	6,809,112
Materials in transit	990,758	-	990,758	826,140	-	826,140
Total	₩ 18,944,570	₩ (668,506)	₩ 18,276,064	₩ 19,736,596	₩ (601,728)	₩ 19,134,868

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. Investments in Associates and Joint Ventures

(A) Changes in investments in associates and joint ventures for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014	2013
Balance as of January 1	₩ 6,422,292	₩ 8,785,489
Acquisition ¹	572,367	21,034
Disposal	(28,268)	(240)
Share of profit	94,141	390,251
Other ²	(155,910)	(188,105)
Balance as of June 30	₩ 6,904,622	₩ 9,008,429

¹ During the six months ended June 30, 2014, the Company acquired 2,178,399 shares of Samsung SDI for ₩344,531 million.

² Other consists of dividends, business combinations, and effects of changes in foreign exchange rates.

(B) Major investments in associates and joint ventures as of June 30, 2014 are as follows:

(1) Investments in associates

Investee	Nature of relationship with the Company	Percentage of Ownership ¹ (%)	Principal Business Location
Samsung Card	Business alliance	37.5	Korea
Samsung Electro-Mechanics	Manufacture and supply of electronic components including passive component, circuit board, and module	23.7	Korea
Samsung SDI	Manufacture and supply of electronic devices including PDP and secondary (rechargeable) batteries	25.2	Korea
Samsung SDS	Provide IT services including computer programming, system integration and management	22.6	Korea
Samsung Techwin	Manufacture and supply of precision machines	25.5	Korea

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

(2) Investments in joint ventures

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

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) Details of investments in associates and joint ventures as of June 30, 2014 and December 31, 2013 are as follows:

(1) Investments in associates

(In millions of Korean won)

Investee	June 30, 2014				
	Acquisition cost		Net asset value ¹		Book value
Samsung Card	₩	1,538,540	₩	2,337,857	₩ 2,295,567
Samsung Electro-Mechanics		359,237		917,237	923,815
Samsung SDI		768,253		1,897,105	1,621,037
Samsung SDS		147,963		886,337	908,785
Samsung Techwin		174,531		425,790	391,860
Other		644,830		420,521	551,204
Total	₩	3,633,354	₩	6,884,847	₩ 6,692,268

(In millions of Korean won)

Investee	December 31, 2013				
	Acquisition cost		Net asset value ¹		Book value
Samsung Card	₩	1,538,540	₩	2,322,897	₩ 2,340,009
Samsung Electro-Mechanics		359,237		951,693	954,496
Samsung SDI		423,722		1,451,770	1,175,204
Samsung SDS		147,963		858,671	879,956
Samsung Techwin		174,531		433,624	402,745
Other		582,646		375,959	548,553
Total	₩	3,226,639	₩	6,394,614	₩ 6,300,963

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

(2) Investments in joint ventures

(In millions of Korean won)

Investee	June 30, 2014				
	Acquisition cost		Net asset value ¹		Book value
Samsung Corning Advanced Glass	₩	215,000	₩	203,433	₩ 203,339
Other		462,375		48,837	9,015
Total	₩	677,375	₩	252,270	₩ 212,354

(In millions of Korean won)

Investee	December 31, 2013				
	Acquisition cost		Net asset value ¹		Book value
Samsung Corning Advanced Glass	₩	115,000	₩	111,961	₩ 111,961
Other		422,995		(16,357)	9,368
Total	₩	537,995	₩	95,604	₩ 121,329

¹ Company's portion of net asset value of joint ventures is based on the Company'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, 2014

<i>(In millions of Korean won)</i>	Balance as of January 1	Gain/loss on valuation	Other comprehensive income/loss	Other¹	Balance as of June 30
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
Total	₩ 6,422,292	₩ 94,141	₩ (83,917)	₩ 472,106	₩ 6,904,622

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

(2) For the six months ended June 30, 2013

<i>(In millions of Korean won)</i>	Balance as of January 1	Gain/loss on valuation	Other comprehensive income/loss	Other¹	Balance as of June 30
Samsung Card	₩ 2,238,073	₩ 56,083	₩ 7,351	₩ (30,252)	₩ 2,271,255
Samsung Electro-Mechanics	890,460	58,625	10,852	(17,883)	942,054
Samsung SDI	1,174,183	40,454	(36,725)	(14,429)	1,163,483
Samsung SDS	701,808	33,809	4,562	(3,750)	736,429
Samsung Techwin	360,739	25,058	10,491	(6,652)	389,636
Samsung Corning Precision Materials ²	2,794,617	242,875	428	(135,923)	2,901,997
Samsung Corning Advanced Glass	114,274	(601)	-	-	113,673
Other	511,335	(66,052)	4,430	40,189	489,902
Total	₩ 8,785,489	₩ 390,251	₩ 1,389	₩ (168,700)	₩ 9,008,429

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

² During the year ended December 31, 2013, the Company entered into a framework agreement for comprehensive business cooperation with Corning Incorporated. The Company classified its share in Samsung Corning Precision Materials Co., Ltd (ownership percentage: 42.54%) as assets held for sale as of December 31, 2013, and disposed of such shares for ₩2,013,457 million during the six months ended June 30, 2014. Pursuant to the agreement, the Company received additional dividends after the resolution of the Samsung Corning Precision Materials Co., Ltd shareholders' meeting.

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, 2014 and December 31, 2013 and for the six months ended June 30, 2014 and 2013 is as follows:

(In millions of Korean won)

Investee	As of and for the six months ended June 30, 2014				
	Samsung Card ¹	Samsung Electro-Mechanics	Samsung SDI	Samsung SDS	Samsung Techwin
1. Condensed financial information					
Current assets	₩ 16,742,195	₩ 2,548,602	₩ 2,087,035	₩ 3,263,510	₩ 1,802,927
Non-current assets		4,388,856	8,787,933	2,262,258	1,832,290
Current liabilities	10,507,909	1,916,772	1,337,723	1,247,561	1,412,883
Non-current liabilities		918,019	1,584,636	263,940	555,169
Non-controlling interests	-	83,902	143,773	88,947	1,272
Revenue	1,705,860	3,589,453	2,184,327	3,926,295	1,403,491
Income (loss) from continuing operations ²	299,929	15,569	58,237	191,923	(21,838)
Other comprehensive income (loss) ²	(187,524)	(113,016)	154,307	(49,898)	11,040
Total comprehensive income (loss) ²	112,405	(97,447)	212,544	142,025	(10,798)
2. Dividends from associates					
Dividends	₩ 30,375	₩ 13,270	₩ 13,924	₩ 4,368	₩ 6,763

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

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

(In millions of Korean won)

Investee	As of December 31, 2013, and for the six months ended June 30, 2013				
	Samsung Card ¹	Samsung Electro-Mechanics	Samsung SDI	Samsung SDS	Samsung Techwin
1. Condensed financial information					
Current assets	₩ 16,560,926	₩ 2,650,765	₩ 2,063,192	₩ 2,928,998	₩ 1,561,706
Non-current assets		4,534,578	8,492,479	2,371,102	1,872,518
Current liabilities	10,358,265	1,787,432	1,526,957	1,219,484	1,169,253
Non-current liabilities		1,139,884	1,486,297	197,237	560,191
Non-controlling interests	-	83,966	164,323	80,644	1,628
Revenue ²	1,490,825	4,428,331	2,515,046	3,241,905	1,434,078
Income (loss) from continuing operations ³	149,708	259,701	206,806	149,576	95,435
Other comprehensive income (loss) ³	24,134	46,452	(193,070)	21,050	41,722
Total comprehensive income (loss) ³	173,842	306,153	13,736	170,626	137,157
2. Dividends from associates					
Dividends	₩ 30,375	₩ 17,693	₩ 13,924	₩ 3,914	₩ 6,763

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

² Amounts for the six months ended June 30, 2013.

³ Income (loss) attributable to owners of the parent for the six months ended June 30, 2013.

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, 2014 and December 31, 2013 and for the six months ended June 30, 2014 and 2013 is as follows:

<i>(In millions of Korean won)</i>	As of and for the six months ended June 30, 2014		As of December 31, 2013, and for the six months ended June 30, 2013	
	Samsung Corning Advanced Glass		Samsung Corning Advanced Glass	
1. Condensed financial information				
Current assets	₩	207,662	₩	171,353
- Cash and cash equivalents		28,576		64,113
Non-current assets		235,279		95,310
Current liabilities		34,069		42,674
- Current financial liabilities ¹		18,907		40,575
Non-current liabilities		2,005		67
Non-controlling interests		-		-
Revenue ²		117,561		32,746
Depreciation and amortization ²		262		108
Interest income ²		260		2,462
Income tax expense ²		(2,661)		(149)
Loss from continuing Operations ³		(16,916)		(1,203)
Other comprehensive income (loss) ³		(140)		-
Total comprehensive loss ³		(17,056)		(1,203)
2. Dividends from joint ventures				
Dividends	₩	-	₩	-

¹ Accounts payable, other payables, and provisions are excluded.

² Amounts for the six months ended June 30, 2014 and 2013.

³ Income (loss) attributable to owners of the parent for the six months ended June 30, 2014 and 2013.

- (3) Profit(loss) amounts attributable to owners of the parent from associates and joint ventures which are not individually material, are as follow:

<i>(In millions of Korean won)</i>	For the six months ended June 30, 2014			For the six months ended June 30, 2013		
Investee	Associates		Joint ventures	Associates		Joint ventures
Loss from continuing Operations	₩	(20,130)	₩	(71,734)	₩	(65,985)
Other comprehensive income (loss)		(62,973)		8,044	₩	63,835
Total comprehensive loss	₩	(83,103)	₩	(63,690)	₩	(89,707)
				(2,150)	₩	1,725
				(87,982)		

- (F) Fair values of marketable investments in associates as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won and number of shares)</i>	June 30, 2014		December 31, 2013	
	Number of shares held	Market value	Number of shares held	Market value
Samsung SDI	11,461,152	₩ 1,856,707	9,282,753	₩ 1,503,806
Samsung Electro-Mechanics	17,693,084	1,031,507	17,693,084	1,291,595
Samsung Card	43,393,170	1,872,415	43,393,170	1,622,905
Samsung Techwin	13,526,936	716,928	13,526,936	735,865

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, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Balance as of January 1	₩	75,496,388	₩	68,484,743
Acquisition and capital expenditures		10,183,619		9,043,901
Business combinations		-		1,052
Depreciation		(8,205,273)		(7,585,960)
Sales/disposals/impairment		(648,007)		(268,057)
Other ¹		(1,233,074)		722,595
Balance as of June 30	₩	75,593,653	₩	70,398,274

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

(B) Details of depreciation of property, plant and equipment by line item for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Cost of sales	₩	7,431,344	₩	6,900,916
Selling and administrative expenses		773,929		685,044
Total	₩	8,205,273	₩	7,585,960

8. Intangible Assets

(A) Changes in intangible assets for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Balance as of January 1	₩	3,980,600	₩	3,729,705
Internally generated (development costs)		341,542		190,268
External acquisitions		169,116		264,056
Business combinations		-		166,553
Amortization		(532,952)		(471,901)
Sales/disposals/impairment		(10,202)		(77,327)
Other ¹		272,185		260,675
Balance as of June 30	₩	4,220,289	₩	4,062,029

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

(B) Details of amortization of intangible assets by line item for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Cost of sales	₩	241,961	₩	197,705
Selling and administrative expenses		290,991		274,196
Total	₩	532,952	₩	471,901

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, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	Financial Institutions	Annual Interest Rates (%) as of June 30, 2014	June 30, 2014	December 31, 2013
Short-term borrowings				
Collateralized borrowings ¹	Woori Bank and others	0.5 ~ 11.3	₩ 5,757,348	₩ 3,256,935
Non-collateralized borrowings	Citibank and others	0.4 ~ 12.3	3,567,685	3,181,582
Total			₩ 9,325,033	₩ 6,438,517
Current portion of long-term borrowings				
Bank borrowings	SMBC and others	0.8 ~ 7.4	₩ 643,168	₩ 1,900,937
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	15,224	19,811
Total			₩ 658,392	₩ 1,920,748
Long-term borrowings				
Bank borrowings	SMBC and others	0.5 ~ 1.1	₩ 2,139,211	₩ 902,715
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	74,802	82,402
Total			₩ 2,214,013	₩ 985,117

¹ Collateralized borrowings are secured by trade receivables.

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10. Debentures

Details of the carrying amount of debentures as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		December 31, 2013	
Korean won denominated debentures (A)	₩	199,130	₩	198,566
Foreign currency denominated debentures (B)		1,070,781		1,112,502
Total	₩	1,269,911	₩	1,311,068

(A) Details of Korean won denominated debentures as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of June 30, 2014	June 30, 2014	December 31, 2013
Unsecured debentures	2011.11.17	2014.11.17	4.1	500,000	500,000
Unsecured debentures	2011.11.17	2016.11.17	4.2	200,000	200,000
Less: Current portion				(500,000)	(500,000)
Less: Discounts				(870)	(1,434)
Total				₩ 199,130	₩ 198,566

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

(B) Details of foreign currency denominated debentures as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of June 30, 2014	June 30, 2014	December 31, 2013
US dollar denominated straight bonds ¹	1997.10.02	2027.10.01	7.7	₩ 71,008 (US\$70 million)	₩ 73,871 (US\$70 million)
US dollar denominated unsecured bonds ²	2012.04.10	2017.04.10	1.8	1,014,400 (US\$1,000 million)	1,055,300 (US\$1,000 million)
Less: Current portion				(5,072)	(5,277)
Less: Discounts				(9,555)	(11,392)
Total				₩ 1,070,781	₩ 1,112,502

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

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

Samsung Electronics Co., Ltd. and Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. Net Defined Benefit Liabilities

(A) Details of net defined benefit liabilities recognized on the consolidated statements of financial position as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		December 31, 2013	
Present value of funded defined benefit obligations	₩	6,261,095	₩	5,672,147
Present value of unfunded defined benefit obligations		73,977		55,931
Subtotal		6,335,072		5,728,078
Fair value of plan assets		(3,868,953)		(3,873,176)
Total	₩	2,466,119	₩	1,854,902

(B) The amounts recognized in the consolidated statements of income for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Current service cost	₩	479,189	₩	419,574
Interest cost		49,824		45,171
Past service cost		131,504		-
Gain arising from settlements		424		1,325
Total	₩	660,941	₩	466,070

(C) The pension expenses related to defined benefit plans recognized on the consolidated statements of income for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	2014		2013	
Cost of sales	₩	275,403	₩	186,307
Selling and administrative expenses		385,538		279,763
Total	₩	660,941	₩	466,070

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12. Provisions

Changes in the provisions during the six months ended June 30, 2014 are as follows:

<i>(In millions of Korean won)</i>	Warranty (A)	Royalty expenses (B)	Long-term incentives (C)	Bonus (D)	Other	Total
Balance as of January 1, 2014	₩ 1,945,992	₩ 4,272,670	₩ 921,848	₩ -	₩ 56,890	₩ 7,197,400
Charged (credited) to the statement of income	1,205,570	449,627	80,820	1,776,211	(8)	3,512,220
Payment	(1,174,963)	(1,375,201)	(408,459)	-	-	(2,958,623)
Other ¹	(69,858)	(36,689)	-	-	(2,669)	(109,216)
Balance as of June 30, 2014	₩ 1,906,741	₩ 3,310,407	₩ 594,209	₩ 1,776,211	₩ 54,213	₩ 7,641,781

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

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

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13. Commitments and Contingencies

(A) Guarantees

Details of guarantees of debt provided by the Company as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		December 31, 2013	
Guarantees of debt for housing rental ¹	₩	78,620	₩	151,985

¹ Represent the maximum amount of debt guarantee provided to employees who took debt from financial institutions in order to finance housing rental.

In addition to the guarantees described above, the Company provides guarantees for borrowings by Intellectual Keystone Technology (IKT), the Company's associate, to Citibank in the amount of ₩30,432 million (USD 30 million).

As of June 30, 2014, the Company's investments in Pusan Newport are pledged as collateral against the investee's debt.

(B) Litigation

- (1) Based on the agreement entered on August 24, 1999 with respect to Samsung Motor Inc.'s ("SMI") bankruptcy proceedings, SMI's creditors (the "Creditors") filed a civil action against Mr. Kun Hee Lee, chairman of the Company, and 28 Samsung Group affiliates including the Company under joint and several liability for failing to comply with such agreement. Under the suit, the Creditors have sought ₩2,450 billion for loss of principal on loans extended to SMI, a separate amount for breach of the agreement, and an amount for default interest. During the course of Samsung Life Insurance's ("SLI") Initial Public Offering ("IPO"), its shares owned by the Creditors were disposed of, and the part of proceeds exceeding the par value of ₩70,000 was deposited into an escrow account (₩877.6 billion). Most of the claims with regards to the lawsuit have been withdrawn. On January 11, 2011, the Seoul High Court ordered Samsung Group affiliates to pay to the Creditors ₩600 billion and penalties due to delay. In accordance with the Seoul High Court order, ₩620.4 billion (which includes penalties and interest owed) was paid to the Creditors from the funds held in escrow during January 2011. Samsung Group affiliates and the Creditors appealed the Seoul High Court's ruling to the Korean Supreme Court, and the appeal is currently in progress.
- (2) The litigation with Apple Inc. is ongoing as of the reporting date. Regarding the ongoing lawsuit in the U.S.A, on August 24, 2012, the jury determined that the Company partially infringed Apple's design and utility patent and should pay damages to Apple. On March 1, 2013, however, the Judge ordered a new trial for a certain portion of the damages, ruling that it was originally miscalculated. On March 6, 2014, the Judge denied Apple's bid for a permanent injunction against the Company and made a final judgment restating the total damages amount determined by a jury verdict on November 21, 2013. The Company appealed the decision on the damages amount on March 7, 2014, and the appeal is currently in progress. On May 5, 2014, the jury of the second lawsuit in U.S.A reached a verdict that the Company partially infringed Apple's utility patent and should pay damages to Apple and the trial was conducted on July 11, 2014. The final conclusion and the effect of the patent lawsuits with Apple are uncertain as of the reporting date. On August, 2014, the Company and Apple Inc. have signed an agreement withdrawing all lawsuits against each other outside the U.S.A. and initiated the procedure.

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

14. Share Capital

The Company's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Company has issued 147,299,337 shares of common stock and 22,833,427 shares of preferred stock as of June 30, 2014, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩850,664 million (common stock ₩736,497 million and preferred stock ₩114,167 million), which does not agree with paid-in capital of ₩897,514 million.

15. Retained Earnings

(A) Retained earnings as of June 30, 2014 and December 31, 2013 consist of:

<i>(In millions of Korean won)</i>	June 30, 2014		December 31, 2013	
Appropriated	₩	119,947,786	₩	104,175,235
Unappropriated		40,241,176		44,425,047
Total	₩	160,188,962	₩	148,600,282

(B) On July 31, 2014, the Company declared cash dividends to shareholders of common stock and preferred stock as interim dividends for the six-months ended June 30, 2014.

Details of the interim dividends for the six-months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>		June 30, 2014		June 30, 2013	
Number of shares eligible for dividends	Common stock	130,962,651		130,878,713	
	Preferred stock	19,853,734		19,853,734	
Dividend rate		10%		10%	
Dividend amount	Common stock	₩	65,481	₩	65,439
	Preferred stock		9,927		9,927
	Total	₩	75,408	₩	75,366

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16. Other Components of Equity

Other components of equity as of June 30, 2014 and December 31, 2013 consist of:

<i>(In millions of Korean won)</i>	June 30, 2014		December 31, 2013	
Treasury stock	₩	(7,303,991)	₩	(7,323,432)
Stock options		807		10,243
Unrealized gains on available-for-sale financial assets		1,891,008		2,189,013
Share of other comprehensive income of associates and joint ventures		658,394		741,893
Foreign currency translation		(5,444,547)		(3,610,654)
Remeasurement of net defined benefit liabilities		(1,325,250)		(1,302,588)
Other		(148,020)		(163,548)
Total	₩	(11,671,599)	₩	(9,459,073)

The Company repurchases registered common stock and non-voting preferred stock and recognizes the repurchase amount in other components of equity. Such stock will be distributed upon exercise of stock options. Treasury stock as of June 30, 2014 and December 31, 2013 consists of the following:

<i>(In millions of Korean won and number of shares)</i>	June 30, 2014		December 31, 2013	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Number of shares	2,979,693	16,336,686 shares	2,979,693 shares	16,384,216 shares
Acquisition cost	₩ 621,843	₩ 6,682,148	₩ 621,843	₩ 6,701,589

17. Expenses by Nature

Expenses by nature for the six months ended June 30, 2014 and 2013 consist of the following:

<i>(In millions of Korean won)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Raw materials and goods	₩ 21,264,459	₩ 43,020,935	₩ 23,701,743	₩ 44,756,991
Wages and salaries	4,431,838	8,917,023	3,976,933	7,835,180
Pension	284,702	687,306	243,893	487,599
Depreciation	4,201,189	8,205,273	3,810,492	7,585,960
Amortization	280,615	532,952	240,303	471,901
Welfare	939,738	1,760,950	841,264	1,584,642
Commission and service charges	1,925,710	4,476,126	2,039,929	4,790,599
Other	11,837,655	22,751,868	13,079,208	24,509,530
Total¹	₩ 45,165,906	₩ 90,352,433	₩ 47,933,765	₩ 92,022,402

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

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18. Selling and Administrative Expenses

Selling and administrative expenses for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
1) Selling and administrative expenses				
Wages and salaries	₩ 1,295,380	₩ 2,634,003	₩ 1,178,812	₩ 2,498,560
Pension	69,758	157,068	57,890	116,010
Commission and service charges	1,925,710	4,476,126	2,039,929	4,790,599
Depreciation	164,410	328,485	135,784	265,186
Amortization	99,513	198,194	102,809	204,003
Advertising	1,138,440	1,816,302	1,179,430	2,065,312
Sales promotion	2,143,080	3,731,063	2,302,620	3,770,049
Transportation	975,650	1,815,311	1,044,736	1,920,392
Warranty	811,475	1,673,164	771,730	1,482,249
Other	1,167,999	2,407,867	1,237,427	2,323,003
2) Research and development expenses				
Total R&D expenditure	3,857,520	7,735,058	3,642,346	7,056,533
Capitalized R&D expenses	(154,848)	(341,542)	(101,167)	(190,268)
Total	₩ 13,494,087	₩ 26,631,099	₩ 13,592,346	₩ 26,301,628

19. Other Non-Operating Income and Expense

Details of other non-operating income and expense for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Non-operating income				
Dividend income	₩ 43,523	₩ 1,350,609	₩ 30,687	₩ 55,320
Rental income	20,999	45,856	26,886	51,370
Gain on disposal of investments	51,118	125,213	8,374	17,735
Gain on disposal of property, plant and equipment	84,380	127,747	19,092	46,271
Other	387,916	850,107	275,947	406,456
Total	₩ 587,936	₩ 2,499,532	₩ 360,986	₩ 577,152

<i>(In millions of Korean won)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Non-operating expense				
Loss on disposal of property, plant and equipment	₩ 38,333	₩ 91,642	₩ 41,156	₩ 118,579
Donations	169,806	220,057	102,562	132,716
Loss on disposal of assets classified as held for sale	-	723,869	-	-
Other	128,002	250,544	129,489	337,227
Total	₩ 336,141	₩ 1,286,112	₩ 273,207	₩ 588,522

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20. Finance Income and Expense

(A) Details of finance income and expense for the six months ended June 30, 2014 and 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Finance income				
Interest income:	₩ 445,443	₩ 863,106	₩ 299,511	₩ 582,509
Interest income from loans and receivables	425,135	833,851	298,107	579,725
Interest income from available-for-sale financial assets	20,308	29,255	1,404	2,784
Foreign exchange differences	1,669,192	2,545,713	1,909,751	3,424,896
Gain on derivatives	122,170	278,277	121,781	251,259
Total	₩ 2,236,805	₩ 3,687,096	₩ 2,331,043	₩ 4,258,664

<i>(In millions of Korean won)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Finance expense				
Interest expense:	₩ 145,630	₩ 288,185	₩ 131,008	₩ 254,873
Interest expense from financial liabilities measured at amortized cost	93,399	192,803	75,227	154,587
Other financial liabilities	52,231	95,382	55,781	100,286
Foreign exchange differences	1,655,820	2,637,040	2,055,597	3,467,615
Loss on derivatives	153,372	311,478	147,387	351,933
Total	₩ 1,954,822	₩ 3,236,703	₩ 2,333,992	₩ 4,074,421

(B) The Company 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, 2014 to be effective for the year ended December 31, 2014 is 20.7% (June 30, 2013: 20.9%).

22. Earnings per Share

(A) Basic earnings per share

Basic earnings per share for the six months ended June 30, 2014 and 2013 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of shares)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Net income as reported on the statements of income	₩ 6,176,506	₩ 13,661,186	₩ 7,575,016	₩ 14,551,934
Net income available for common stock	5,363,204	11,862,372	6,577,057	12,634,794
Weighted-average number of common shares outstanding (in thousands)	130,960	130,942	130,876	130,869
Basic earnings per share (in Korean won)	₩ 40,953	₩ 90,593	₩ 50,254	₩ 96,546

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(2) Preferred stock

<i>(In millions of Korean won and thousands of shares)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Net income as reported on the statements of income	₩ 6,176,506	₩ 13,661,186	₩ 7,575,016	₩ 14,551,934
Net income available for preferred stock	813,302	1,798,814	997,959	1,917,140
Weighted-average number of preferred shares outstanding (in thousands)	19,854	19,854	19,854	19,854
Basic earnings per preferred share (in Korean won)	₩ 40,965	₩ 90,603	₩ 50,266	₩ 96,563

(B) Diluted earnings per share

The Company 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 six months ended June 30, 2014 and 2013 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of shares)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Net income available for common stock and common stock equivalents	₩ 5,363,227	₩ 11,862,545	₩ 6,577,421	₩ 12,635,570
Weighted-average number of shares of common stock and common stock equivalents (in thousands)	130,964	130,956	130,931	130,930
Diluted earnings per share (in Korean won)	₩ 40,952	₩ 90,584	₩ 50,236	₩ 96,506

(2) Preferred stock

<i>(In millions of Korean won and thousands of shares)</i>	June 30, 2014		June 30, 2013	
	3 Months	6 Months	3 Months	6 Months
Net income available for preferred stock and preferred stock equivalents	₩ 813,279	₩ 1,798,641	₩ 997,595	₩ 1,916,364
Weighted-average number of shares of preferred stock and preferred stock equivalents (in thousands)	19,854	19,854	19,854	19,854
Diluted earnings per preferred share (in Korean won)	₩ 40,964	₩ 90,595	₩ 50,247	₩ 96,524

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23. Cash Flows Generated from Operating Activities

Adjustments and changes in assets and liabilities arising from operating activities for the six months ended June 30, 2014 and 2013 are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	2014	2013
Adjustments for:		
Income tax expense	₩ 3,608,854	₩ 3,944,513
Finance income	(1,935,705)	(1,600,132)
Finance costs	973,222	1,324,829
Pension	687,306	487,599
Depreciation	8,205,273	7,585,960
Amortization	532,952	471,901
Bad debt expense	219,298	155,867
Gain on valuation of equity method	(94,141)	(390,251)
Gain on disposal of property, plant and equipment	(127,747)	(46,271)
Loss on disposal of property, plant and equipment	91,642	118,579
Obsolescence and scrapping of inventories	463,477	413,210
Loss on disposal of assets classified as held for sale	723,869	-
Dividend income	(1,350,609)	(55,320)
Other income/expenses	(554,950)	(133,515)
Adjustments, total	₩ 11,442,741	₩ 12,276,969

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	2014	2013
Changes in assets and liabilities :		
Increase in trade receivables	₩ (1,122,574)	₩ (2,763,207)
Decrease in other receivables	768,408	464,040
Decrease (increase) in advances	23,588	(53,060)
Increase in prepaid expenses	(2,592,797)	(222,716)
Increase in inventories	(217,868)	(3,487,652)
Increase in trade payables	1,453,612	666,712
Increase in other payables	1,408,555	174,817
Decrease in advances received	(113,744)	(64,005)
Decrease (increase) in withholdings	(138,216)	265,946
Decrease (increase) in accrued expenses	(1,993,704)	285,546
Increase in provisions	628,135	3,040,582
Payment of severance benefits	(155,832)	(136,071)
Other	174,878	(520,366)
Changes in net working capital, total	₩ (1,877,559)	₩ (2,349,434)

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24. Financial Risk Management

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

The finance team mainly carries out the Company's financial risk management. With the cooperation of the Company's divisions and 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.

Additionally, financial risk management officers are dispatched to the regional headquarters of each area including the United States of America, England, Singapore, China, Japan, Brazil and Russia to operate the local financial center for global financial risk management.

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

(A) Market risk

(1) Foreign exchange risk

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

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

(2) Price risk

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

As of June 30, 2014 and 2013, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩41,609 million and ₩43,993 million, respectively.

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(3) Interest rate risk

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

(B) Credit risk

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

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

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

(C) Liquidity risk

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

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

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

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(D) Capital risk management

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

The Company's capital risk management policy has not changed since the financial year ended December 31, 2013. The Company has maintained an A+ and A1 credit rating from S&P and Moody's, respectively.

The total liabilities to equity ratios as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		December 31, 2013	
Total liabilities	₩	65,209,610	₩	64,059,008
Total equity		159,513,464		150,016,010
Total liabilities to equity ratio		40.9%		42.7%

(E) Fair value estimation

(1) Carrying amounts and fair values of financial instruments by category as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents ¹	₩ 16,057,574	₩ -	₩ 16,284,780	₩ -
Short-term financial instruments ¹	41,692,883	-	36,722,702	-
Short-term available-for-sale financial assets ¹	2,912,533	-	1,488,527	-
Trade and other receivables ¹	24,432,856	-	24,988,532	-
Long-term available-for-sale financial assets ²	10,644,223	10,231,338	6,238,380	5,850,155
Other	6,702,087	6,668,886	5,472,956	5,436,470
Total Financial assets	₩ 102,442,156		₩ 91,195,877	
Financial liabilities				
Trade and other payables ¹	₩ 15,038,007	₩ -	₩ 16,314,720	₩ -
Short-term borrowings ¹	9,325,033	-	6,438,517	-
Debentures	1,269,911	1,288,791	1,311,068	1,327,569
Long-term borrowings	2,214,013	2,123,744	985,117	971,844
Long-term other payables	2,538,918	2,623,387	1,023,714	1,090,580
Other ¹	8,941,638	-	13,288,343	-
Total financial liabilities	₩ 39,327,520		₩ 39,361,479	

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

² Amount measured at cost (June 30, 2014: ₩412,885 million, December 31, 2013: ₩388,225 million) is excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

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

		As of June 30, 2014			
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance	
Derivatives	₩ -	₩ 46,608	₩ 2,588	₩ 49,196	
Available-for-sale financial assets ¹	5,418,767	4,586,312	3,138,792	13,143,871	
Total assets	5,418,767	4,632,920	3,141,380	13,193,067	
Derivatives	-	266,700	-	266,700	
Total liabilities	₩ -	₩ 266,700	₩ -	₩ 266,700	

		December 31, 2013			
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance	
Derivatives	₩ -	₩ 40,552	₩ -	₩ 40,552	
Available-for-sale financial assets ¹	5,656,806	1,188,498	493,378	7,338,682	
Total assets	5,656,806	1,229,050	493,378	7,379,234	
Derivatives	-	244,172	-	244,172	
Total liabilities	₩ -	₩ 244,172	₩ -	₩ 244,172	

¹ Amount measured at cost (June 30, 2014: ₩412,885 million, December 31, 2013: ₩388,225 million) is excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair valuation based on inputs that are observable in markets (other than quoted prices included within Level 1)
- Level 3: Fair valuation based on inputs that are unobservable

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

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

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

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

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

(In millions of Korean won)

Classification	Fair Value	Valuation Technique	Level 3 Inputs	Input Range (Weighted Average)
Long-term available-for-sale financial assets				
Samsung Petrochemical	80,347	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 6.37% ~ 8.37% (7.37%)
Samsung General Chemicals	80,653	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.01% ~ 9.01% (8.01%)
Taewon Electric	17,072	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 6.06% ~ 8.06% (7.06%)
Pantech	53,053	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 8.81% ~ 10.81% (9.81%)
Samsung Venture Investment	7,021	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.69% ~ 9.69% (8.69%)
Coming Incorporated convertible preferred stock	2,673,583	Trinomial model	Risk adjusted discount rate Price volatility	5.57% ~ 7.57% (6.57%) 31.60% ~ 37.60% (34.60%)
Derivatives				
Embedded derivatives (convertible bonds)	2,588	Binomial model	Discount rate Stock price volatility	6.09% ~ 11.7% (8.58%) 11.90% ~ 16.61% (13.88%)

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(4) Changes in Level 3 financial instruments:

<i>(In millions of Korean won)</i>	2014	2013
Balance as of January 1	₩ 493,378	₩ 389,195
Purchases	2,473,965	106,964
Disposals	(9,934)	(585)
Amount recognized in profit or loss	(10,652)	-
Amount recognized in other comprehensive income	240,041	(4,387)
Other	(45,418)	457
Balance as of June 30	₩ 3,141,380	₩ 491,644

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

A 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 sensitivity analysis for the effect on comprehensive income or loss (before tax) from changes in the inputs with respect to financial instruments which are categorized within Level 3 is as follows:

<i>(In millions of Korean won)</i>	Favorable Changes		Unfavorable Changes	
	Profit or Loss	Equity	Profit or Loss	Equity
Long-term available for sale financial assets ¹	₩ -	₩ 226,812	₩ -	₩ (214,063)
Embedded derivatives (convertible bonds) ²	579	579	(494)	(494)
Total	₩ 579	₩ 227,391	₩ (494)	₩ (214,557)

¹ Changes in fair value are calculated by increasing or decreasing the correlation between volatility (31.60 to 37.60%) and discount rate for convertible preferred stock. Similarly, for other equity securities, changes in fair value are calculated with the correlation between growth ratio (-1% to 1%) and discount rate, which are significant unobservable inputs.

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

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25. Segment Information

(A) Reportable 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 reportable segments based on these reports.

The Management Committee reviews operating profits of each reportable segment in order to assess performance and to make decisions about allocating resources to the segment.

The reportable segments are product based and include CE, IM, Semiconductor, DP and others. Depreciation, amortization of intangible assets, and operating profit were prepared after the allocation of internal transaction adjustments. Total assets and liabilities of each reportable segment are excluded from the disclosure as these have not been provided regularly to the Management Committee.

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

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the group	Consolidated
	CE	IM	Total ¹	Semi conductor	DP	Total ¹		
Total segment revenue	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 ²	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

¹ Includes other amounts not included in specific reportable segments.

² Segment net revenue includes intersegment revenues.

(2) 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 ¹	Semi conductor	DP	Total ¹		
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 ²	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

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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(3) For the six months ended June 30, 2013

<i>(In millions of Korean Won)</i>	DS						Intercompany elimination within the group	Consolidated
	CE	IM	Total ¹	Semi conductor	DP	Total ¹		
Total segment revenue	58,245,577	147,497,108	63,687,449	31,530,793	31,425,221	268,508,809	(158,176,266)	110,332,543
Intercompany revenue	(34,227,723)	(79,138,817)	(30,825,778)	(14,275,268)	(16,135,023)	(158,176,266)	158,176,266	-
Net revenue ²	24,017,854	68,358,291	32,861,671	17,255,525	15,290,198	110,332,543	-	110,332,543
Depreciation	330,029	299,350	6,729,456	4,570,210	2,065,698	7,585,960	-	7,585,960
Amortization	45,565	92,815	195,582	139,226	48,768	471,901	-	471,901
Operating profit	663,483	12,791,394	4,765,970	2,830,611	1,888,765	18,310,141	-	18,310,141

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(4) For the three months ended June 30, 2013

<i>(In millions of Korean Won)</i>	DS						Intercompany elimination within the group	Consolidated
	CE	IM	Total ¹	Semi conductor	DP	Total ¹		
Total segment revenue	31,538,088	78,597,799	33,102,197	15,745,130	16,640,179	142,859,446	(85,394,998)	57,464,448
Intercompany revenue	(18,762,822)	(43,059,421)	(16,050,885)	(7,066,047)	(8,457,850)	(85,394,998)	85,394,998	-
Net revenue ²	12,775,266	35,538,378	17,051,312	8,679,083	8,182,329	57,464,448	-	57,464,448
Depreciation	170,750	154,917	3,368,379	2,273,890	1,044,312	3,810,492	-	3,810,492
Amortization	23,508	46,330	100,653	71,241	25,488	240,303	-	240,303
Operating profit	429,284	6,284,436	2,920,771	1,758,712	1,121,828	9,530,683	-	9,530,683

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

(B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as of and for the three and six months ended June 30, 2014 and 2013 is as follows:

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

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the group	Consolidated
	Korea	America	Europe	Asia and Africa	China	Total ¹		
Total segment revenue	88,038,280	44,753,982	33,777,691	38,712,140	47,615,601	252,937,694	(146,869,139)	106,028,555
Intercompany revenue	(76,778,349)	(11,424,636)	(12,214,020)	(16,750,069)	(29,702,065)	(146,869,139)	146,869,139	-
Revenue from external customers	11,259,931	33,329,346	21,563,671	21,962,071	17,913,536	106,028,555	-	106,028,555
Non-current assets ¹	60,563,164	6,808,875	977,840	3,271,162	8,704,515	79,813,942	(511,614)	79,813,942

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

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

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the group	Consolidated
Total segment revenue	43,662,559	24,162,198	15,621,399	20,072,673	22,674,864	(73,840,464)	52,353,229
Intercompany revenue	(38,192,712)	(6,270,472)	(5,854,894)	(8,942,932)	(14,579,454)	73,840,464	-
Revenue from external customers	5,469,847	17,891,726	9,766,505	11,129,741	8,095,410	-	52,353,229
Non-current assets ¹	60,563,164	6,808,875	977,840	3,271,162	8,704,515	(511,614)	79,813,942

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

(3) As of and for the six months ended June 30, 2013

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the group	Consolidated
Total segment revenue	95,032,154	42,081,504	38,298,463	37,235,357	55,861,331	(158,176,266)	110,332,543
Intercompany revenue	(82,438,799)	(10,921,946)	(12,821,114)	(15,478,697)	(36,515,710)	158,176,266	-
Revenue from external customers	12,593,355	31,159,558	25,477,349	21,756,660	19,345,621	-	110,332,543
Non-current assets ¹	60,238,377	7,906,887	1,064,548	2,425,733	3,499,294	(674,536)	74,460,303

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

(4) As of and for the three months ended June 30, 2013

<i>(In millions of Korean Won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the group	Consolidated
Total segment revenue	50,105,857	23,761,015	18,584,636	20,069,112	30,338,826	(85,394,998)	57,464,448
Intercompany revenue	(44,602,360)	(5,983,857)	(6,184,625)	(8,377,161)	(20,246,995)	85,394,998	-
Revenue from external customers	5,503,497	17,777,158	12,400,011	11,691,951	10,091,831	-	57,464,448
Non-current assets ¹	60,238,377	7,906,887	1,064,548	2,425,733	3,499,294	(674,536)	74,460,303

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

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26. Related Party Transactions

(A) Sale and purchase transactions

Sales and purchase transactions with related parties for the six months ended June 30, 2014 and 2013 are as follows:

(1) June 30, 2014

<i>(In millions of Korean won)</i>	Name of Company ¹	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 SDI	32,839	-	371,318	4,619
	Samsung Techwin	9,169	-	33,240	50,854
	Other	340,997	-	3,270,598	203,792
	Total (associates)	₩ 417,726	₩ 110	₩ 5,855,524	₩ 376,887
Joint ventures	Samsung Corning Precision Materials ²	164	-	67,826	-
	Siltronic Samsung Wafer	-	-	75,043	-
	Other	1,421	647	80,458	-
	Total (joint ventures)	₩ 1,585	₩ 647	₩ 223,327	₩ -
Other related parties	Samsung Everland	3,551	-	51,123	167,866
	Other	65,228	-	188,912	61,957
	Total (other related parties)	₩ 68,779	₩ -	₩ 240,035	₩ 229,823

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

² During the six months ended June 30, 2014, the Company sold all of its investment in Samsung Corning Precision Materials.

(2) June 30, 2013

<i>(In millions of Korean won)</i>	Name of Company ¹	Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates	Samsung SDS	₩ 18,925	₩ 706	₩ 814,162	₩ 144,370
	Samsung Electro-Mechanics	30,957	-	1,425,436	74
	Samsung SDI	32,429	-	290,467	140
	Samsung SNS	6,622	-	83,381	1,195
	Samsung Techwin	7,370	-	42,891	22,979
	Other	216,838	-	2,737,892	81,284
	Total (associates)	₩ 313,141	₩ 706	₩ 5,394,229	₩ 250,042
Joint ventures	Samsung Corning Precision Materials	3,706	-	932,330	-
	Siltronic Samsung Wafer	-	-	106,370	-
	Other	610	-	29,469	-
	Total (joint ventures)	₩ 4,316	₩ -	₩ 1,068,169	₩ -
Other related parties	Samsung Everland	5,076	-	250,975	149,039
	Other	735	-	4,253	-
	Total (other related parties)	₩ 5,811	₩ -	₩ 255,228	₩ 149,039

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

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(B) Balances of receivables and payables

Balances of receivables and payables arising from sales and purchases of goods and services as of June 30, 2014 and December 31, 2013 are as follows:

(1) As of June 30, 2014

<i>(In millions of Korean won)</i>	Name of Company¹	Receivables		Payables	
Associates	Samsung SDS	₩	4,563	₩	357,019
	Samsung Electro-Mechanics		3,137		279,535
	Samsung SDI		2,620		89,269
	Samsung Techwin		2,662		36,078
	Other		123,523		572,339
	Total (associates)	₩	136,505	₩	1,334,240
Joint ventures	Siltronic Samsung Wafer		12,023		9,334
	Other		513		31,284
	Total (joint ventures)	₩	12,536	₩	40,618
Other related parties	Samsung Everland		188,356		122,610
	Other		23,909		33,801
	Total (other related parties)	₩	212,265	₩	156,411

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

(2) As of December 31, 2013

<i>(In millions of Korean won)</i>	Name of Company¹	Receivables		Payables	
Associates	Samsung SDS	₩	11,319	₩	479,417
	Samsung Electro-Mechanics		5,972		168,494
	Samsung SDI		4,863		39,207
	Samsung Techwin		1,879		44,286
	Other		65,714		477,446
	Total (associates)	₩	89,747	₩	1,208,850
Joint ventures	Samsung Corning Precision Materials		3,514		266,400
	Siltronic Samsung Wafer		-		1,454
	Other		3		25
Total (joint ventures)	₩	3,517	₩	267,879	
Other related parties	Samsung Everland		188,982		282,777
	Other		24,494		25,402
	Total (other related parties)	₩	213,476	₩	308,179

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

(C) Key management compensation

The compensation paid or payable to key management (registered directors) for the the six months ended June30, 2014 and 2013 consists of:

<i>(In millions of Korean won)</i>	2014		2013	
Salaries and Bonus	₩	14,980	₩	3,811
Severance benefits		487		347
Other long-term benefits		3,569		3,701

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27. Subsequent Events

On July 1, 2014, Samsung SDI merged with Cheil Industries, and Samsung Everland, one of the related parties of the Company, subsequently changed its name to Cheil Industries, Inc.