

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

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## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders 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 the interim consolidated statements of financial position of the Company as at June 30, 2018, and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months and six months ended June 30, 2018 and 2017, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***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 International Financial Reporting Standards as adopted by the Republic of Korea (“Korean 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 review.

We conducted our review 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 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 Korean Standards on Auditing 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 review, 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 Korean IFRS 1034, *Interim Financial Reporting*.

**Other Matters**

We have audited the consolidated statement of financial position of the Company as at December 31, 2017, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated February 27, 2018. The consolidated statement of financial position as at December 31, 2017, presented herein for comparative purposes, is consistent, in all material respects, with the above audited consolidated statement of financial position as at December 31, 2017.

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

August 14, 2018  
Seoul, Korea

This report is effective as of August 14, 2018, 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 consolidated 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 US dollars (Note 2.4))*

|   | Notes | June 30,<br>2018<br>KRW | December 31,<br>2017<br>KRW | June 30,<br>2018<br>USD | December 31,<br>2017<br>USD |
|---|-------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| <b>Assets</b>   |       |                         |                             |                         |                             |
| <b>Current assets</b>   |       |                         |                             |                         |                             |
| Cash and cash equivalents   | 3     | 31,362,222              | 30,545,130                  | 29,162,230              | 28,402,455                  |
| Short-term financial instruments                                  | 3     | 48,717,141              | 49,447,696                  | 45,299,739              | 45,979,047                  |
| Short-term available-for-sale financial assets                    | 3,5   | -                       | 3,191,375                   | -                       | 2,967,507                   |
| Short-term financial assets at amortized cost                     | 2,3   | 3,896,630               | -                           | 3,623,290               | -                           |
| Trade receivables   | 3     | 35,013,060              | 27,695,995                  | 32,556,970              | 25,753,181                  |
| Non-trade receivables   | 3     | 3,133,430               | 4,108,961                   | 2,913,627               | 3,820,726                   |
| Advance payments  |       | 1,505,459               | 1,753,673                   | 1,399,854               | 1,630,657                   |
| Prepaid expenses  |       | 4,195,934               | 3,835,219                   | 3,901,598               | 3,566,187                   |
| Inventories   | 6     | 27,358,767              | 24,983,355                  | 25,439,609              | 23,230,827                  |
| Other current assets  | 3     | 1,794,196               | 1,421,060                   | 1,668,337               | 1,321,376                   |
| <b>Total current assets</b>                                       |       | <b>156,976,839</b>      | <b>146,982,464</b>          | <b>145,965,254</b>      | <b>136,671,963</b>          |
| <b>Non-current assets</b>   |       |                         |                             |                         |                             |
| Long-term available-for-sale financial assets                     | 3,5   | -                       | 7,752,180                   | -                       | 7,208,381                   |
| Held-to-maturity financial assets                                 | 3     | -                       | 106,751                     | -                       | 99,263                      |
| Long-term financial assets at amortized cost                      | 2,3   | 242,269                 | -                           | 225,274                 | -                           |
| Financial assets at fair value through other comprehensive income | 2,3,4 | 7,436,535               | -                           | 6,914,878               | -                           |
| Financial assets at fair value through profit or loss             | 2,3,4 | 650,775                 | -                           | 605,125                 | -                           |
| Investment in associates and joint ventures                       | 7     | 6,894,955               | 6,802,351                   | 6,411,289               | 6,325,181                   |
| Property, plant and equipment                                     | 8     | 116,576,140             | 111,665,648                 | 108,398,576             | 103,832,545                 |
| Intangible assets   | 9     | 14,999,464              | 14,760,483                  | 13,947,284              | 13,725,067                  |
| Long-term prepaid expenses  |       | 3,621,923               | 3,434,375                   | 3,367,853               | 3,193,461                   |
| Net defined benefit assets  | 12    | 458,843                 | 825,892                     | 426,656                 | 767,957                     |
| Deferred income tax assets  |       | 5,006,713               | 5,061,687                   | 4,655,503               | 4,706,621                   |
| Other non-current assets  | 3     | 5,823,924               | 4,360,259                   | 5,415,389               | 4,054,396                   |
| <b>Total assets</b>   |       | <b>318,688,380</b>      | <b>301,752,090</b>          | <b>296,333,081</b>      | <b>280,584,835</b>          |

The above interim consolidated statements of financial position should be read in conjunction with the accompanying notes.

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars (Note 2.4))*

| Notes                                    | June 30,<br>2018<br>KRW | December 31,<br>2017<br>KRW | June 30,<br>2018<br>USD | December 31,<br>2017<br>USD |                   |
|--|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------|
| <b>Liabilities and Equity</b>            |                         |                             |                         |                             |                   |
| <b>Current liabilities</b>               |                         |                             |                         |                             |                   |
| Trade payables                           | 3                       | 8,410,278                   | 9,083,907               | 7,820,315                   | 8,446,691         |
| Short-term borrowings                    | 3,10                    | 13,176,014                  | 15,767,619              | 12,251,745                  | 14,661,555        |
| Other payables                           | 3                       | 9,591,396                   | 13,899,633              | 8,918,580                   | 12,924,604        |
| Advances received                        | 2                       | 889,635                     | 1,249,174               | 827,229                     | 1,161,547         |
| Withholdings                             | 3                       | 858,379                     | 793,582                 | 798,166                     | 737,914           |
| Accrued expenses                         | 2,3                     | 16,887,561                  | 13,996,273              | 15,702,935                  | 13,014,465        |
| Income tax payable                       |                         | 7,063,097                   | 7,408,348               | 6,567,636                   | 6,888,668         |
| Current portion of long-term liabilities | 3,10,11                 | 1,859,552                   | 278,619                 | 1,729,108                   | 259,074           |
| Provisions                               | 13                      | 5,959,646                   | 4,294,820               | 5,541,590                   | 3,993,548         |
| Other current liabilities                | 2,3                     | 906,765                     | 403,139                 | 843,158                     | 374,859           |
| <b>Total current liabilities</b>         |                         | <b>65,602,323</b>           | <b>67,175,114</b>       | <b>61,000,462</b>           | <b>62,462,925</b> |
| <b>Non-current liabilities</b>           |                         |                             |                         |                             |                   |
| Debentures                               | 3,11                    | 978,754                     | 953,361                 | 910,097                     | 886,485           |
| Long-term borrowings                     | 3,10                    | 92,635                      | 1,814,446               | 86,137                      | 1,687,167         |
| Long-term other payables                 | 3                       | 1,957,733                   | 2,043,729               | 1,820,402                   | 1,900,366         |
| Net defined benefit liabilities          | 12                      | 478,650                     | 389,922                 | 445,074                     | 362,570           |
| Deferred income tax liabilities          |                         | 13,186,358                  | 11,710,781              | 12,261,364                  | 10,889,295        |
| Provisions                               | 13                      | 581,119                     | 464,324                 | 540,355                     | 431,753           |
| Other non-current liabilities            | 2,3                     | 2,685,963                   | 2,708,985               | 2,497,548                   | 2,518,955         |
| <b>Total liabilities</b>                 |                         | <b>85,563,535</b>           | <b>87,260,662</b>       | <b>79,561,439</b>           | <b>81,139,516</b> |

The above interim consolidated statements of financial position should be read in conjunction with the accompanying notes.

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In millions of Korean won, in thousands of US dollars (Note 2.4))*

| Notes  | June 30,<br>2018<br>KRW | December 31,<br>2017<br>KRW | June 30,<br>2018<br>USD | December 31,<br>2017<br>USD |
|--|-------------------------|-----------------------------|-------------------------|-----------------------------|
| <b>Equity attributable to owners of the parent</b> |                         |                             |                         |                             |
| Preference shares                                  | 15                      | 119,467                     | 119,467                 | 111,087                     |
| Ordinary shares                                    | 15                      | 778,047                     | 778,047                 | 723,469                     |
| Share premium                                      |                         | 4,403,893                   | 4,403,893               | 4,094,969                   |
| Retained earnings                                  | 16                      | 231,065,173                 | 215,811,200             | 214,856,452                 |
| Other components of equity                         | 17                      | (10,695,163)                | (13,899,191)            | (9,944,921)                 |
|  |                         | <b>225,671,417</b>          | <b>207,213,416</b>      | <b>209,841,056</b>          |
| <b>Non-controlling interests</b>                   |                         | 7,453,428                   | 7,278,012               | 6,930,586                   |
| <b>Total equity</b>                                |                         | <b>233,124,845</b>          | <b>214,491,428</b>      | <b>216,771,642</b>          |
| <b>Total liabilities and equity</b>                |                         | <b>318,688,380</b>          | <b>301,752,090</b>      | <b>296,333,081</b>          |

The above interim consolidated statements of financial position should be read in conjunction with the accompanying notes.

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

(In millions of Korean won, in thousands of US dollars (Note 2.4))

|  | Notes  | For the three months ended June 30, |                   |                   |                   | For the six months ended June 30, |                   |                   |                   |
|--|--------|-------------------------------------|-------------------|-------------------|-------------------|-----------------------------------|-------------------|-------------------|-------------------|
|  |        | 2018                                | 2017              | 2018              | 2017              | 2018                              | 2017              | 2018              | 2017              |
|  |        | KRW                                 | KRW               | USD               | USD               | KRW                               | KRW               | USD               | USD               |
| <b>Revenue</b>                                       |        | 58,482,658                          | 61,000,537        | 54,380,226        | 56,721,481        | 119,046,372                       | 111,548,063       | 110,695,527       | 103,723,208       |
| <b>Cost of sales</b>                                 | 18     | 31,274,597                          | 32,399,829        | 29,080,752        | 30,127,051        | 63,184,069                        | 60,555,426        | 58,751,844        | 56,307,594        |
| <b>Gross profit</b>                                  |        | <b>27,208,061</b>                   | <b>28,600,708</b> | <b>25,299,474</b> | <b>26,594,430</b> | <b>55,862,303</b>                 | <b>50,992,637</b> | <b>51,943,683</b> | <b>47,415,614</b> |
| Selling and administrative expenses                  | 18, 19 | 12,339,026                          | 14,534,161        | 11,473,470        | 13,514,621        | 25,351,098                        | 27,027,729        | 23,572,773        | 25,131,792        |
| <b>Operating profit</b>                              |        | <b>14,869,035</b>                   | <b>14,066,547</b> | <b>13,826,004</b> | <b>13,079,809</b> | <b>30,511,205</b>                 | <b>23,964,908</b> | <b>28,370,910</b> | <b>22,283,822</b> |
| Other non-operating income                           | 20     | 367,588                             | 344,215           | 341,802           | 320,069           | 738,564                           | 660,638           | 686,755           | 614,296           |
| Other non-operating expenses                         | 20     | 222,409                             | 223,405           | 206,807           | 207,734           | 467,672                           | 500,639           | 434,866           | 465,520           |
| Share of profit of associates<br>and joint ventures  | 7      | 106,307                             | 22,353            | 98,850            | 20,785            | 170,671                           | 41,691            | 158,699           | 38,766            |
| Financial income                                     | 21     | 3,119,060                           | 1,727,174         | 2,900,265         | 1,606,016         | 5,402,260                         | 3,824,326         | 5,023,303         | 3,556,058         |
| Financial expense                                    | 21     | 2,832,745                           | 1,524,619         | 2,634,034         | 1,417,669         | 4,772,285                         | 3,414,083         | 4,437,519         | 3,174,593         |
| <b>Profit before income tax</b>                      |        | <b>15,406,836</b>                   | <b>14,412,265</b> | <b>14,326,080</b> | <b>13,401,276</b> | <b>31,582,743</b>                 | <b>24,576,841</b> | <b>29,367,282</b> | <b>22,852,829</b> |
| Income tax expense                                   | 22     | 4,363,424                           | 3,358,414         | 4,057,339         | 3,122,829         | 8,850,787                         | 5,838,636         | 8,229,923         | 5,429,068         |
| <b>Profit for the period</b>                         |        | <b>11,043,412</b>                   | <b>11,053,851</b> | <b>10,268,741</b> | <b>10,278,447</b> | <b>22,731,956</b>                 | <b>18,738,205</b> | <b>21,137,359</b> | <b>17,423,761</b> |
| Profit attributable to owners of the<br>parent       |        | 10,981,547                          | 10,799,942        | 10,211,216        | 10,042,349        | 22,593,380                        | 18,288,474        | 21,008,504        | 17,005,578        |
| Profit attributable to non-controlling<br>interests  |        | 61,865                              | 253,909           | 57,525            | 236,098           | 138,576                           | 449,731           | 128,855           | 418,183           |
| Earnings per share<br>(in Korean won, in US dollars) | 23     |                                     |                   |                   |                   |                                   |                   |                   |                   |
| - Basic  |        | 1,617                               | 1,560             | 1.50              | 1.45              | 3,325                             | 2,632             | 3.09              | 2.45              |
| - Diluted  |        | 1,617                               | 1,560             | 1.50              | 1.45              | 3,325                             | 2,632             | 3.09              | 2.45              |

The above interim consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In millions of Korean won, in thousands of US dollars (Note 2.4))

|   | Notes | For the three months ended June 30, |                   |                   |                   | For the six months ended June 30, |                    |                   |                    |
|---|-------|-------------------------------------|-------------------|-------------------|-------------------|-----------------------------------|--------------------|-------------------|--------------------|
|   |       | 2018                                | 2017              | 2018              | 2017              | 2018                              | 2017               | 2018              | 2017               |
|   |       | KRW                                 | KRW               | USD               | USD               | KRW                               | KRW                | USD               | USD                |
| <b>Profit for the period</b>  |       | <b>11,043,412</b>                   | <b>11,053,851</b> | <b>10,268,741</b> | <b>10,278,447</b> | <b>22,731,956</b>                 | <b>18,738,205</b>  | <b>21,137,359</b> | <b>17,423,761</b>  |
| <b>Other comprehensive income (loss)</b>  |       |                                     |                   |                   |                   |                                   |                    |                   |                    |
| <b>Items not to be reclassified to profit or loss subsequently:</b>                               |       |                                     |                   |                   |                   |                                   |                    |                   |                    |
| Changes in value of financial assets at fair value through other comprehensive income, net of tax | 17    | 76,999                              | -                 | 71,598            | -                 | (97,885)                          | -                  | (91,019)          | -                  |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax           | 17    | (32,047)                            | (1,192)           | (29,799)          | (1,108)           | 1,324                             | (1,308)            | 1,231             | (1,216)            |
| Remeasurement of net defined benefit liabilities (assets), net of tax                             | 17    | (19,169)                            | (17,753)          | (17,824)          | (16,508)          | (55,050)                          | (56,851)           | (51,188)          | (52,863)           |
| <b>Items to be reclassified to profit or loss subsequently:</b>                                   |       |                                     |                   |                   |                   |                                   |                    |                   |                    |
| Changes in value of available-for-sale financial assets, net of tax                               | 17    | -                                   | 340,151           | -                 | 316,290           | -                                 | 505,306            | -                 | 469,860            |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax           | 17    | 16,239                              | 69,582            | 15,100            | 64,701            | 38,525                            | 14,230             | 35,823            | 13,232             |
| Foreign currency translation, net of tax  | 17    | 1,137,662                           | 2,628,939         | 1,057,857         | 2,444,525         | 2,224,931                         | (2,380,295)        | 2,068,857         | (2,213,323)        |
| Gain (loss) on valuation of derivatives   | 17    | 46,556                              | (51,291)          | 43,290            | (47,693)          | 37,247                            | (44,695)           | 34,634            | (41,560)           |
| <b>Other comprehensive income (loss) for the period, net of tax</b>                               |       | <b>1,226,240</b>                    | <b>2,968,436</b>  | <b>1,140,222</b>  | <b>2,760,207</b>  | <b>2,149,092</b>                  | <b>(1,963,613)</b> | <b>1,998,338</b>  | <b>(1,825,870)</b> |
| <b>Total comprehensive income for the period</b>  |       | <b>12,269,652</b>                   | <b>14,022,287</b> | <b>11,408,963</b> | <b>13,038,654</b> | <b>24,881,048</b>                 | <b>16,774,592</b>  | <b>23,135,697</b> | <b>15,597,891</b>  |
| <b>Comprehensive income attributable to:</b>  |       |                                     |                   |                   |                   |                                   |                    |                   |                    |
| Owners of the parent  |       | 12,188,562                          | 13,675,417        | 11,333,561        | 12,716,116        | 24,705,412                        | 16,266,746         | 22,972,381        | 15,125,669         |
| Non-controlling interests   |       | 81,090                              | 346,870           | 75,402            | 322,538           | 175,636                           | 507,846            | 163,316           | 472,222            |

The above interim consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.



Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

| 2017 KRW  | Notes | Preference shares | Ordinary shares | Share premium    | Retained earnings   | Other components of equity | Accumulated other comprehensive income attributable to assets held-for-sale | Equity attributable to owners of the parent | Non-controlling interests | Total              |
|---|-------|-------------------|-----------------|------------------|---------------------|----------------------------|---|---|---------------------------|--------------------|
| <b>Balance as at January 1, 2017</b>  |       | <b>119,467</b>    | <b>778,047</b>  | <b>4,403,893</b> | <b>193,086,317</b>  | <b>(11,934,586)</b>        | <b>(28,810)</b>   | <b>186,424,328</b>                          | <b>6,538,705</b>          | <b>192,963,033</b> |
| Profit for the period   |       | -                 | -               | -                | 18,288,474          | -                          | -   | 18,288,474                                  | 449,731                   | 18,738,205         |
| Changes in value of available-for-sale financial assets, net of tax                     |       | -                 | -               | -                | -                   | 465,023                    | -   | 465,023                                     | 40,283                    | 505,306            |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax |       | -                 | -               | -                | -                   | 14,009                     | -   | 14,009                                      | (1,087)                   | 12,922             |
| Foreign currency translation, net of tax  |       | -                 | -               | -                | -                   | (2,399,257)                | -   | (2,399,257)                                 | 18,962                    | (2,380,295)        |
| Remeasurement of net defined benefit liabilities (assets), net of tax                   |       | -                 | -               | -                | -                   | (56,808)                   | -   | (56,808)                                    | (43)                      | (56,851)           |
| Gain (loss) on valuation of derivatives   |       | -                 | -               | -                | -                   | (44,695)                   | -   | (44,695)                                    | -                         | (44,695)           |
| Classified as held-for-sale   |       | -                 | -               | -                | -                   | (28,358)                   | 28,358  | -   | -                         | -                  |
| <b>Total comprehensive income (loss)</b>  |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>18,288,474</b>   | <b>(2,050,086)</b>         | <b>28,358</b>   | <b>16,266,746</b>                           | <b>507,846</b>            | <b>16,774,592</b>  |
| Dividends   |       | -                 | -               | -                | (4,822,724)         | -                          | -   | (4,822,724)                                 | (2,100)                   | (4,824,824)        |
| Capital transaction under common control  |       | -                 | -               | -                | -                   | (630)                      | -   | (630)                                       | 6,433                     | 5,803              |
| Acquisition of treasury stock   |       | -                 | -               | -                | -                   | (4,214,232)                | -   | (4,214,232)                                 | -                         | (4,214,232)        |
| Retirement of treasury stock  |       | -                 | -               | -                | (7,328,108)         | 7,328,108                  | -   | -   | -                         | -                  |
| Other   |       | -                 | -               | -                | -                   | 973                        | -   | 973   | 403                       | 1,376              |
| <b>Total transactions with owners</b>   |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>(12,150,832)</b> | <b>3,114,219</b>           | <b>-</b>  | <b>(9,036,613)</b>                          | <b>4,736</b>              | <b>(9,031,877)</b> |
| <b>Balance as at June 30, 2017</b>  |       | <b>119,467</b>    | <b>778,047</b>  | <b>4,403,893</b> | <b>199,223,959</b>  | <b>(10,870,453)</b>        | <b>(452)</b>  | <b>193,654,461</b>                          | <b>7,051,287</b>          | <b>200,705,748</b> |

The above interim consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.4))

| 2017 USD  | Notes | Preference shares | Ordinary shares | Share premium    | Retained earnings   | Other components of equity | Accumulated other comprehensive income attributable to assets held-for-sale | Equity attributable to owners of the parent | Non-controlling interests | Total              |
|---|-------|-------------------|-----------------|------------------|---------------------|----------------------------|---|---|---------------------------|--------------------|
| <b>Balance as at January 1, 2017</b>  |       | <b>111,087</b>    | <b>723,469</b>  | <b>4,094,969</b> | <b>179,541,730</b>  | <b>(11,097,401)</b>        | <b>(26,789)</b>   | <b>173,347,065</b>                          | <b>6,080,029</b>          | <b>179,427,094</b> |
| Profit for the period   |       | -                 | -               | -                | 17,005,578          | -                          | -   | 17,005,578                                  | 418,183                   | 17,423,761         |
| Changes in value of available-for-sale financial assets, net of tax                     |       | -                 | -               | -                | -                   | 432,403                    | -   | 432,403                                     | 37,457                    | 469,860            |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax |       | -                 | -               | -                | -                   | 13,026                     | -   | 13,026                                      | (1,010)                   | 12,016             |
| Foreign currency translation, net of tax  |       | -                 | -               | -                | -                   | (2,230,955)                | -   | (2,230,955)                                 | 17,632                    | (2,213,323)        |
| Remeasurement of net defined benefit liabilities (assets), net of tax                   |       | -                 | -               | -                | -                   | (52,823)                   | -   | (52,823)                                    | (40)                      | (52,863)           |
| Gain (loss) on valuation of derivatives   |       | -                 | -               | -                | -                   | (41,560)                   | -   | (41,560)                                    | -                         | (41,560)           |
| Classified as held-for-sale   |       | -                 | -               | -                | -                   | (26,369)                   | 26,369  | -   | -                         | -                  |
| <b>Total comprehensive income (loss)</b>  |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>17,005,578</b>   | <b>(1,906,278)</b>         | <b>26,369</b>   | <b>15,125,669</b>                           | <b>472,222</b>            | <b>15,597,891</b>  |
| Dividends   |       | -                 | -               | -                | (4,484,421)         | -                          | -   | (4,484,421)                                 | (1,953)                   | (4,486,374)        |
| Capital transaction under common control  |       | -                 | -               | -                | -                   | (586)                      | -   | (586)                                       | 5,982                     | 5,396              |
| Acquisition of treasury stock   |       | -                 | -               | -                | -                   | (3,918,613)                | -   | (3,918,613)                                 | -                         | (3,918,613)        |
| Retirement of treasury stock  |       | -                 | -               | -                | (6,814,057)         | 6,814,057                  | -   | -   | -                         | -                  |
| Other   |       | -                 | -               | -                | -                   | 905                        | -   | 905   | 375                       | 1,280              |
| <b>Total transactions with owners</b>   |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>(11,298,478)</b> | <b>2,895,763</b>           | <b>-</b>  | <b>(8,402,715)</b>                          | <b>4,404</b>              | <b>(8,398,311)</b> |
| <b>Balance as at June 30, 2017</b>  |       | <b>111,087</b>    | <b>723,469</b>  | <b>4,094,969</b> | <b>185,248,830</b>  | <b>(10,107,916)</b>        | <b>(420)</b>  | <b>180,070,019</b>                          | <b>6,556,655</b>          | <b>186,626,674</b> |

The above interim consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

| 2018 KRW  | Notes | Preference shares | Ordinary shares | Share premium    | Retained earnings  | Other components of equity | Equity attributable to owners of the parent | Non-controlling interests | Total              |
|---|-------|-------------------|-----------------|------------------|--------------------|----------------------------|---|---------------------------|--------------------|
| <b>Balance as at January 1, 2018</b>  |       | <b>119,467</b>    | <b>778,047</b>  | <b>4,403,893</b> | <b>215,811,200</b> | <b>(13,899,191)</b>        | <b>207,213,416</b>                          | <b>7,278,012</b>          | <b>214,491,428</b> |
| Cumulative effect of changes in accounting policy   |       | -                 | -               | -                | 220,176            | (261,734)                  | (41,558)                                    | -                         | (41,558)           |
| <b>Restated total equity at the beginning of the financial year</b>                               |       | <b>119,467</b>    | <b>778,047</b>  | <b>4,403,893</b> | <b>216,031,376</b> | <b>(14,160,925)</b>        | <b>207,171,858</b>                          | <b>7,278,012</b>          | <b>214,449,870</b> |
| Profit for the period   |       | -                 | -               | -                | 22,593,380         | -                          | 22,593,380                                  | 138,576                   | 22,731,956         |
| Changes in value of financial assets at fair value through other comprehensive income, net of tax | 17    | -                 | -               | -                | 2,687              | (80,136)                   | (77,449)                                    | (20,436)                  | (97,885)           |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax           | 17    | -                 | -               | -                | -                  | 39,716                     | 39,716                                      | 133                       | 39,849             |
| Foreign currency translation, net of tax  | 17    | -                 | -               | -                | -                  | 2,167,500                  | 2,167,500                                   | 57,431                    | 2,224,931          |
| Remeasurement of net defined benefit liabilities (assets), net of tax                             | 17    | -                 | -               | -                | -                  | (54,982)                   | (54,982)                                    | (68)                      | (55,050)           |
| Gain (loss) on valuation of derivatives   | 17    | -                 | -               | -                | -                  | 37,247                     | 37,247                                      | -                         | 37,247             |
| <b>Total comprehensive income (loss)</b>  |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>22,596,067</b>  | <b>2,109,345</b>           | <b>24,705,412</b>                           | <b>175,636</b>            | <b>24,881,048</b>  |
| Dividends   |       | -                 | -               | -                | (5,334,135)        | -                          | (5,334,135)                                 | (2,466)                   | (5,336,601)        |
| Capital transaction under common control  |       | -                 | -               | -                | -                  | 1,719                      | 1,719                                       | 1,254                     | 2,973              |
| Changes in consolidated entities  |       | -                 | -               | -                | -                  | -                          | -   | (39)                      | (39)               |
| Acquisition of treasury stock   | 17    | -                 | -               | -                | -                  | (875,111)                  | (875,111)                                   | -                         | (875,111)          |
| Retirement of treasury stock  | 17    | -                 | -               | -                | (2,228,135)        | 2,228,135                  | -   | -                         | -                  |
| Other   |       | -                 | -               | -                | -                  | 1,674                      | 1,674                                       | 1,031                     | 2,705              |
| <b>Total transactions with owners</b>   |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>(7,562,270)</b> | <b>1,356,417</b>           | <b>(6,205,853)</b>                          | <b>(220)</b>              | <b>(6,206,073)</b> |
| <b>Balance as at June 30, 2018</b>  |       | <b>119,467</b>    | <b>778,047</b>  | <b>4,403,893</b> | <b>231,065,173</b> | <b>(10,695,163)</b>        | <b>225,671,417</b>                          | <b>7,453,428</b>          | <b>233,124,845</b> |

The above interim consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars (Note 2.4))

| 2018 USD  | Notes | Preference shares | Ordinary shares | Share premium    | Retained earnings  | Other components of equity | Equity attributable to owners of the parent | Non-controlling interests | Total              |
|---|-------|-------------------|-----------------|------------------|--------------------|----------------------------|---|---------------------------|--------------------|
| <b>Balance as at January 1, 2018</b>  |       | <b>111,087</b>    | <b>723,469</b>  | <b>4,094,969</b> | <b>200,672,512</b> | <b>(12,924,193)</b>        | <b>192,677,844</b>                          | <b>6,767,475</b>          | <b>199,445,319</b> |
| Cumulative effect of changes in accounting policy   |       | -                 | -               | -                | 204,731            | (243,374)                  | (38,643)                                    | -                         | (38,643)           |
| <b>Restated total equity at the beginning of the financial year</b>                               |       | <b>111,087</b>    | <b>723,469</b>  | <b>4,094,969</b> | <b>200,877,243</b> | <b>(13,167,567)</b>        | <b>192,639,201</b>                          | <b>6,767,475</b>          | <b>199,406,676</b> |
| Profit for the period   |       | -                 | -               | -                | 21,008,504         | -                          | 21,008,504                                  | 128,855                   | 21,137,359         |
| Changes in value of financial assets at fair value through other comprehensive income, net of tax | 17    | -                 | -               | -                | 2,498              | (74,515)                   | (72,017)                                    | (19,002)                  | (91,019)           |
| Share of other comprehensive income (loss) of associates and joint ventures, net of tax           | 17    | -                 | -               | -                | -                  | 36,930                     | 36,930                                      | 124                       | 37,054             |
| Foreign currency translation, net of tax  | 17    | -                 | -               | -                | -                  | 2,015,455                  | 2,015,455                                   | 53,402                    | 2,068,857          |
| Remeasurement of net defined benefit liabilities (assets), net of tax                             | 17    | -                 | -               | -                | -                  | (51,125)                   | (51,125)                                    | (63)                      | (51,188)           |
| Gain (loss) on valuation of derivatives   | 17    | -                 | -               | -                | -                  | 34,634                     | 34,634                                      | -                         | 34,634             |
| <b>Total comprehensive income (loss)</b>  |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>21,011,002</b>  | <b>1,961,379</b>           | <b>22,972,381</b>                           | <b>163,316</b>            | <b>23,135,697</b>  |
| Dividends   |       | -                 | -               | -                | (4,959,957)        | -                          | (4,959,957)                                 | (2,293)                   | (4,962,250)        |
| Capital transaction under common control  |       | -                 | -               | -                | -                  | 1,598                      | 1,598                                       | 1,166                     | 2,764              |
| Changes in consolidated entities  |       | -                 | -               | -                | -                  | -                          | -   | (36)                      | (36)               |
| Acquisition of treasury stock   | 17    | -                 | -               | -                | -                  | (813,724)                  | (813,724)                                   | -                         | (813,724)          |
| Retirement of treasury stock  | 17    | -                 | -               | -                | (2,071,836)        | 2,071,836                  | -   | -                         | -                  |
| Other   |       | -                 | -               | -                | -                  | 1,557                      | 1,557                                       | 958                       | 2,515              |
| <b>Total transactions with owners</b>   |       | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>(7,031,793)</b> | <b>1,261,267</b>           | <b>(5,770,526)</b>                          | <b>(205)</b>              | <b>(5,770,731)</b> |
| <b>Balance as at June 30, 2018</b>  |       | <b>111,087</b>    | <b>723,469</b>  | <b>4,094,969</b> | <b>214,856,452</b> | <b>(9,944,921)</b>         | <b>209,841,056</b>                          | <b>6,930,586</b>          | <b>216,771,642</b> |

The above interim consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of Korean won, in thousands of US dollars (Note 2.4))

|  | Notes | For the six months ended June 30, |                     |                     |                     |
|--|-------|-----------------------------------|---------------------|---------------------|---------------------|
|  |       | 2018<br>KRW                       | 2017<br>KRW         | 2018<br>USD         | 2017<br>USD         |
| <b>Cash flows from operating activities</b>                                      |       |                                   |                     |                     |                     |
| Profit for the period  |       | 22,731,956                        | 18,738,205          | 21,137,359          | 17,423,761          |
| Adjustments  | 24    | 21,907,443                        | 16,849,218          | 20,370,683          | 15,667,282          |
| Changes in assets and liabilities arising from operating activities              | 24    | (8,341,423)                       | (8,852,117)         | (7,756,290)         | (8,231,161)         |
| <b>Cash generated from operations</b>  |       | <b>36,297,976</b>                 | <b>26,735,306</b>   | <b>33,751,752</b>   | <b>24,859,882</b>   |
| Interest received  |       | 779,529                           | 855,926             | 724,847             | 795,885             |
| Interest paid  |       | (208,024)                         | (234,578)           | (193,432)           | (218,123)           |
| Dividends received   |       | 156,669                           | 116,632             | 145,679             | 108,451             |
| Income tax paid  |       | (7,972,024)                       | (4,449,853)         | (7,412,804)         | (4,137,706)         |
| <b>Net cash inflow from operating activities</b>                                 |       | <b>29,054,126</b>                 | <b>23,023,433</b>   | <b>27,016,042</b>   | <b>21,408,389</b>   |
| <b>Cash flows from investing activities</b>                                      |       |                                   |                     |                     |                     |
| Net decrease in short-term financial instruments                                 |       | 1,212,089                         | 14,228,691          | 1,127,064           | 13,230,579          |
| Disposal of short-term available-for-sale financial assets                       |       | -                                 | 141,491             | -                   | 131,566             |
| Acquisition of short-term financial assets at amortized cost                     |       | (617,411)                         | -                   | (574,101)           | -                   |
| Disposal of long-term financial instruments                                      |       | 116,265                           | 18,427              | 108,109             | 17,134              |
| Acquisition of long-term financial instruments                                   |       | (1,571,571)                       | (632,632)           | (1,461,329)         | (588,254)           |
| Disposal of long-term available-for-sale financial assets                        |       | -                                 | 158,960             | -                   | 147,809             |
| Acquisition of long-term available-for-sale financial assets                     |       | -                                 | (149,752)           | -                   | (139,247)           |
| Acquisition of financial assets at amortized cost                                |       | (158,716)                         | -                   | (147,582)           | -                   |
| Disposal of financial assets at fair value through other comprehensive income    |       | 2,230                             | -                   | 2,074               | -                   |
| Acquisition of financial assets at fair value through other comprehensive income |       | (317,963)                         | -                   | (295,659)           | -                   |
| Disposal of financial assets at fair value through profit or loss                |       | 33,536                            | -                   | 31,184              | -                   |
| Acquisition of financial assets at fair value through profit or loss             |       | (78,004)                          | -                   | (72,532)            | -                   |
| Disposal of investment in associates and joint ventures                          |       | 148                               | 356,087             | 138                 | 331,108             |
| Acquisition of investment in associates and joint ventures                       |       | (17,137)                          | (12,850)            | (15,935)            | (11,949)            |
| Disposal of property, plant and equipment  |       | 318,599                           | 74,551              | 296,250             | 69,321              |
| Acquisition of property, plant and equipment                                     |       | (18,102,717)                      | (21,144,265)        | (16,832,851)        | (19,661,041)        |
| Disposal of intangible assets  |       | 10,004                            | 889                 | 9,302               | 827                 |
| Acquisition of intangible assets   |       | (477,055)                         | (410,758)           | (443,591)           | (381,944)           |
| Cash outflow from business combinations  |       | (19,140)                          | (8,624,973)         | (17,797)            | (8,019,950)         |
| Other  |       | 111,768                           | (106,588)           | 103,927             | (99,110)            |
| <b>Net cash outflow from investing activities</b>                                |       | <b>(19,555,075)</b>               | <b>(16,102,722)</b> | <b>(18,183,329)</b> | <b>(14,973,151)</b> |

The above interim consolidated statements of cash flows should be read in conjunction with the accompanying notes.

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In millions of Korean won, in thousands of US dollars (Note 2.4))*

|  | Notes | For the six months ended June 30, |                    |                    |                    |
|--|-------|-----------------------------------|--------------------|--------------------|--------------------|
|  |       | 2018                              | 2017               | 2018               | 2017               |
|  |       | KRW                               | KRW                | USD                | USD                |
| <b>Cash flows from financing activities</b>                  |       |                                   |                    |                    |                    |
| Net decrease (increase) in short-term borrowings             |       | (2,845,304)                       | 289,091            | (2,645,712)        | 268,812            |
| Acquisition of treasury stock                                |       | (875,111)                         | (4,214,232)        | (813,724)          | (3,918,613)        |
| Proceeds from long-term borrowings and debentures            |       | 3,410                             | 692,445            | 3,171              | 643,871            |
| Repayment of long-term borrowings and debentures             |       | (267,750)                         | (1,121,754)        | (248,968)          | (1,043,065)        |
| Dividends paid   |       | (5,338,747)                       | (4,823,973)        | (4,964,245)        | (4,485,582)        |
| Net increase in non-controlling interests                    |       | 3,056                             | 7,017              | 2,841              | 6,525              |
| <b>Net cash outflow from financing activities</b>            |       | <b>(9,320,446)</b>                | <b>(9,171,406)</b> | <b>(8,666,637)</b> | <b>(8,528,052)</b> |
| Effect of exchange rate changes on cash and cash equivalents |       | 638,487                           | (853,661)          | 593,699            | (793,778)          |
| <b>Net increase (decrease) in cash and cash equivalents</b>  |       | <b>817,092</b>                    | <b>(3,104,356)</b> | <b>759,775</b>     | <b>(2,886,592)</b> |
| <b>Cash and cash equivalents</b>                             |       |                                   |                    |                    |                    |
| <b>Beginning of the period</b>                               |       | <b>30,545,130</b>                 | <b>32,111,442</b>  | <b>28,402,455</b>  | <b>29,858,894</b>  |
| <b>End of the period</b>                                     |       | <b>31,362,222</b>                 | <b>29,007,086</b>  | <b>29,162,230</b>  | <b>26,972,302</b>  |

The above interim consolidated statements of cash flows should be read in conjunction with the accompanying notes.

# Samsung Electronics Co., Ltd. and its 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 four business divisions: Consumer Electronics (“CE”), Information technology & Mobile communications (“IM”), Device Solutions (“DS”) and Harman. The CE division includes digital TVs, monitors, air conditioners and refrigerators and the IM division includes mobile phones, communication systems, and computers. The DS division includes products such as Memory, Foundry and System LSI in the semiconductor business (“Semiconductor”), and LCD and OLED panels in the display business (“DP”). The Harman division includes connected car systems, audio and visual products, enterprise automation solutions and connected services. 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 (“Korean IFRS”) 1110, Consolidated Financial Statements. SEC, as the controlling company, consolidates its 263 subsidiaries including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting for its 42 associates, including Samsung Electro-Mechanics.

#### 1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as at June 30, 2018 are as follows:

| Area     | Subsidiaries   | Industry  | Percentage of ownership <sup>1</sup> |
|----------|--|---|--------------------------------------|
|          | Samsung Display (SDC)  | Manufacture and sale of display panels  | 84.8                                 |
|          | SU Materials   | Manufacture of display components   | 50.0                                 |
|          | STECO  | Manufacture of semiconductor components   | 70.0                                 |
|          | SEMES  | Manufacture of semiconductor/FPD  | 91.5                                 |
|          | Samsung Electronics Service                                    | Repair services for electronic devices  | 99.3                                 |
|          | Samsung Electronics Sales                                      | Sale of electronic devices  | 100.0                                |
|          | Samsung Electronics Logitech                                   | General logistics agency  | 100.0                                |
|          | Samsung Medison  | Manufacture and sale of medical equipment   | 68.5                                 |
|          | 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                                 |
| Domestic | Samsung Venture Capital Union #26                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Samsung Venture Capital Union #27                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Samsung Venture Capital Union #28                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Samsung Venture Capital Union #29                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Samsung Venture Capital Union #32                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Samsung Venture Capital Union #33                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Samsung Venture Capital Union #37                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Samsung Venture Capital Union #40                              | Technology business, Venture capital investments                                    | 99.0                                 |
|          | Mirero System  | Development and supply of semiconductor process defect and quality control software | 99.9                                 |
|          | Growth type private equity trust specialized in semiconductors | Investment on semiconductor industry  | 66.7                                 |
|          | Harman International Korea                                     | Software development and supply, etc.   | 100.0                                |
|          | Red Bend Software Korea  | Software development and supply   | 100.0                                |

<sup>1</sup> Ownership represents the Company’s ownership of the voting rights in each entity, including subsidiaries’ ownerships.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area    | Subsidiaries  | Industry  | Percentage of ownership <sup>1</sup> |
|---------|---|---|--------------------------------------|
|         | Samsung Electronics America (SEA)                                     | Sale of electronic devices                                  | 100.0                                |
|         | NeuroLogica   | Medical equipment   | 100.0                                |
|         | Samsung Semiconductor (SSI)   | Sale of semiconductor/display panels                        | 100.0                                |
|         | Samsung Electronics Canada (SECA)                                     | Sale of electronic devices                                  | 100.0                                |
|         | Samsung Research America (SRA)  | R&D   | 100.0                                |
|         | Samsung Mexicana (SAMEX)  | Manufacture of electronic devices                           | 100.0                                |
|         | Samsung International (SII)   | Manufacture of TV/monitors                                  | 100.0                                |
|         | Samsung Austin Semiconductor (SAS)                                    | Manufacture of semiconductor                                | 100.0                                |
|         | Samsung Electronics Mexico (SEM)                                      | Sale of electronic devices                                  | 99.9                                 |
|         | SEMES America (SEMESA)  | Semiconductor equipment                                     | 100.0                                |
|         | Samsung Electronics Digital Appliance Mexico (SEDAM)                  | Manufacture of electronic devices                           | 100.0                                |
|         | Samsung Electronics Latinoamerica Miami (SEMI)                        | Sale of electronic devices                                  | 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                                |
| America | RT SV CO-INVEST (RT-SV)   | Venture capital investments                                 | 99.9                                 |
|         | Samsung HVAC  | Sale of heating and cooling products                        | 100.0                                |
|         | SmartThings   | Sale of smart home electronics                              | 100.0                                |
|         | Prismview   | Manufacture and sale of LED displays                        | 100.0                                |
|         | Beijing Integrated Circuit Industry International Fund (Beijing Fund) | Venture capital investments                                 | 61.4                                 |
|         | Stellus Technologies  | Manufacture and sale of server semiconductor storage system | 100.0                                |
|         | Samsung Oak Holdings (SHI)  | Holding company   | 100.0                                |
|         | AdGear Technologies   | Digital advertising platforms                               | 100.0                                |
|         | Joyent  | Cloud Services  | 100.0                                |
|         | Samsung Next  | Holding Company   | 100.0                                |
|         | Samsung Next Fund   | Technology business, Venture capital investments            | 100.0                                |
|         | Dacor Holdings  | Holding Company   | 100.0                                |
|         | Dacor   | Manufacture and sale of Home appliances                     | 100.0                                |
|         | Dacor Canada  | Sale of Home appliances                                     | 100.0                                |
|         | EverythingDacor.com   | Sale of Home appliances                                     | 100.0                                |
|         | Distinctive Appliances of California                                  | Sale of Home appliances                                     | 100.0                                |
|         | Viv Labs  | Research of AI technology                                   | 100.0                                |
|         | SigMast Communications  | RCS (Rich Communication Service)                            | 100.0                                |
|         | AMX Holding Corporation   | Holding Company   | 100.0                                |
|         | AMX LLC   | Holding Company   | 100.0                                |

<sup>1</sup> Ownership represents the Company's ownership of the voting rights in each entity, including subsidiaries' ownerships.



## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area    | Subsidiaries   | Industry                                    | Percentage of ownership <sup>1</sup> |
|---------|--|---|--------------------------------------|
|         | Harman Becker Automotive Systems                         | Manufacture and sale of audio products, R&D | 100.0                                |
|         | Harman Connected Services Engineering                    | Connected Service Provider                  | 100.0                                |
|         | Harman Connected Services, Inc.                          | Connected Service Provider                  | 100.0                                |
|         | Harman Connected Services South America                  | Connected Service Provider                  | 100.0                                |
|         | Harman da Amazonia Industria Electronica e Participacoes | Manufacture and sale of audio products      | 100.0                                |
|         | Harman de Mexico S. de R.L. de C.V.                      | Manufacture of audio products               | 100.0                                |
|         | Harman do Brasil Industria Electronica e Participacoes.  | Sale of audio products, R&D                 | 100.0                                |
|         | Harman Financial Group                                   | Management Company                          | 100.0                                |
|         | Harman International Industries Canada                   | Sale of audio products                      | 100.0                                |
| America | Harman International Industries, Inc.                    | Holding Company                             | 100.0                                |
|         | Harman International Mexico S de RL de CV                | Sale of audio products                      | 100.0                                |
|         | Harman Investment Group, LLC                             | Financing Company                           | 100.0                                |
|         | Harman KG Holding, LLC                                   | Holding Company                             | 100.0                                |
|         | Harman Professional                                      | Sale of audio products, R&D                 | 100.0                                |
|         | Red Bend Software  | Software design                             | 100.0                                |
|         | Southern Vision Systems                                  | Development of image sensing device         | 100.0                                |
|         | Triple Play Integration                                  | Connected Service Provider                  | 100.0                                |
|         | Samsung Electronics Home Appliances America (SEHA)       | Manufacture of home appliances              | 100.0                                |
|         | China Materialia   | Venture capital investments                 | 99.0                                 |

<sup>1</sup> Ownership represents the Company's ownership of the voting rights in each entity, including subsidiaries' ownerships.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area       | Subsidiaries  | Industry                                   | Percentage of ownership <sup>1</sup> |
|------------|---|--|--------------------------------------|
|            | 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 panels       | 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 panels          | 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 Semiconductor Europe (SSEL)                     | Sale of semiconductor/display panels       | 100.0                                |
|            | Samsung Electronics Austria (SEAG)                      | Sale of electronic devices                 | 100.0                                |
|            | Samsung Electronics Slovakia (SESK)                     | Manufacture of TV/monitors                 | 100.0                                |
| Europe/CIS | 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                                |
|            | Samsung Electronics Air Conditioner Europe B.V. (SEACE) | Sale of heating and cooling products       | 100.0                                |
|            | Samsung Electronics Rus Company (SERC)                  | Sale of electronic devices                 | 100.0                                |
|            | Samsung Electronics Baltics (SEB)                       | Sale of electronic devices                 | 100.0                                |
|            | Samsung Electronics Ukraine Company (SEUC)              | Sale of electronic devices                 | 100.0                                |
|            | Samsung R&D Institute Rus (SRR)                         | R&D  | 100.0                                |
|            | Samsung Electronics Central Eurasia (SECE)              | Sale of electronic devices                 | 100.0                                |
|            | Samsung Electronics Rus Kaluga (SERK)                   | Manufacture of TV                          | 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 Caucasus (SECC)                     | Marketing                                  | 100.0                                |
|            | Harman Connected Services OOO                           | Connected Service Provider                 | 100.0                                |
|            | Harman RUS CIS LLC                                      | Sale of audio products                     | 100.0                                |
|            | AKG Acoustics   | Manufacture and sale of audio products     | 100.0                                |

<sup>1</sup> Ownership represents the Company's ownership of the voting rights in each entity, including subsidiaries' ownerships.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area       | Subsidiaries                                       | Industry                                    | Percentage of ownership <sup>1</sup> |
|------------|--|---|--------------------------------------|
|            | AMX (Germany)                                      | Sale of audio products                      | 100.0                                |
|            | AMX UK   | Sale of audio products                      | 100.0                                |
|            | Duran Audio B.V.                                   | Sale of audio products, R&D                 | 100.0                                |
|            | Duran Audio Iberia Espana                          | Sale of audio products                      | 100.0                                |
|            | Endeleo  | Sale of audio products, R&D                 | 100.0                                |
|            | Harman Automotive UK                               | Manufacture of audio products               | 100.0                                |
|            | Harman Becker Automotive Systems (Germany)         | Manufacture and sale of audio products, R&D | 100.0                                |
|            | Harman Becker Automotive Systems Italy             | Sale of audio products                      | 100.0                                |
|            | Harman Becker Automotive Systems Manufacturing Kft | Manufacture of audio products, R&D          | 100.0                                |
|            | Harman Belgium                                     | Sale of audio products                      | 100.0                                |
|            | Harman Connected Services AB.                      | Connected Service Provider                  | 100.0                                |
|            | Harman Connected Services Finland OY               | Connected Service Provider                  | 100.0                                |
|            | Harman Connected Services (Germany)                | Connected Service Provider                  | 100.0                                |
|            | Harman Connected Services                          | Connected Service Provider                  | 100.0                                |
|            | Harman Connected Services Poland Sp.zoo            | Connected Service Provider                  | 100.0                                |
|            | Harman Connected Services UK                       | Connected Service Provider                  | 100.0                                |
|            | Harman Consumer Division Nordic A/S                | Sale of audio products                      | 100.0                                |
|            | Harman Consumer Finland OY                         | Sale of audio products                      | 100.0                                |
|            | Harman Consumer Nederland B.V.                     | Sale of audio products                      | 100.0                                |
|            | Harman Deutschland                                 | Sale of audio products                      | 100.0                                |
|            | Harman Finance International GP S.a.r.l            | Holding Company                             | 100.0                                |
|            | Harman Finance International SCA                   | Financing Company                           | 100.0                                |
| Europe/CIS | Harman France SNC                                  | Sale of audio products                      | 100.0                                |
|            | Harman Holding & Co. KG                            | Management Company                          | 100.0                                |
|            | Harman Hungary Financing                           | Financing Company                           | 100.0                                |
|            | Harman Inc. & Co. KG                               | Holding Company                             | 100.0                                |
|            | Harman International Estonia OU                    | R&D   | 100.0                                |
|            | Harman International Industries (UK)               | Sale of audio products, etc.                | 100.0                                |
|            | Harman International Romania SRL                   | R&D   | 100.0                                |
|            | Harman International s.r.o                         | Manufacture of audio products               | 100.0                                |
|            | Harman International SNC                           | Sale of audio products                      | 100.0                                |
|            | Harman Management                                  | Holding Company                             | 100.0                                |
|            | Harman Professional Kft                            | Manufacture of audio products, R&D          | 100.0                                |
|            | Inspiration Matters                                | Sale of audio products, R&D                 | 100.0                                |
|            | Knight Image                                       | Sale of audio products, R&D                 | 100.0                                |
|            | Martin Manufacturing (UK)                          | Manufacture of audio products               | 100.0                                |
|            | Harman Professional Denmark ApS                    | Sale of audio products, R&D                 | 100.0                                |
|            | Harman Professional France SAS                     | Sale of audio products                      | 100.0                                |
|            | Harman Professional Germany GmbH                   | Sale of audio products                      | 100.0                                |
|            | R&D International                                  | Manufacture of audio products               | 100.0                                |
|            | Red Bend Software (UK)                             | Software design                             | 100.0                                |
|            | Red Bend Software SAS                              | Software design                             | 100.0                                |
|            | Studer Professional Audio                          | Sale of audio products, R&D                 | 100.0                                |
|            | Innoetics E.P.E.                                   | Software development                        | 100.0                                |
|            | ARCAM  | Holding Company                             | 100.0                                |
|            | A&R Cambridge                                      | Sale of audio products                      | 100.0                                |

<sup>1</sup> Ownership represents the Company's ownership of the voting rights in each entity, including subsidiaries' ownerships.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area                   | Subsidiaries                                       | Industry                                   | Percentage of ownership <sup>1</sup> |
|------------------------|--|--|--------------------------------------|
|                        | Samsung Electronics West Africa (SEWA)             | Marketing                                  | 100.0                                |
|                        | Samsung Electronics East Africa (SEEA)             | Marketing                                  | 100.0                                |
|                        | Samsung Gulf Electronics (SGE)                     | Sale of electronic devices                 | 100.0                                |
|                        | Samsung Electronics Egypt (SEEG)                   | Manufacture and sale of electronic devices | 100.0                                |
|                        | Samsung Electronics Israel (SEIL)                  | Marketing                                  | 100.0                                |
|                        | Samsung Electronics Tunisia (SETN)                 | Marketing                                  | 100.0                                |
|                        | Samsung Electronics Pakistan (SEPAK)               | Marketing                                  | 100.0                                |
|                        | Samsung Electronics South Africa (SSA)             | Sale of electronic devices                 | 100.0                                |
|                        | Samsung Electronics Turkey (SETK)                  | Sale of electronic devices                 | 100.0                                |
|                        | Samsung Semiconductor Israel R&D Center (SIRC)     | R&D  | 100.0                                |
| Middle East and Africa | Samsung Electronics Levant (SELV)                  | Sale of electronic devices                 | 100.0                                |
|                        | Samsung Electronics Maghreb Arab (SEMAG)           | Sale of electronic devices                 | 100.0                                |
|                        | Samsung Electronics South Africa Production (SSAP) | Manufacture of TV/monitors                 | 100.0                                |
|                        | Broadsense   | Service                                    | 100.0                                |
|                        | Global Symphony Technology Group                   | Holding Company                            | 100.0                                |
|                        | Harman Connected Services Morocco                  | Connected Service Provider                 | 100.0                                |
|                        | Harman Industries Holdings Mauritius               | Holding Company                            | 100.0                                |
|                        | iOnRoad  | R&D  | 100.0                                |
|                        | iOnRoad Technologies                               | R&D  | 100.0                                |
|                        | Red Bend   | Manufacture of audio products              | 100.0                                |
|                        | TowerSec (Israel)                                  | R&D  | 100.0                                |

<sup>1</sup> Ownership represents the Company's ownership of the voting rights in each entity, including subsidiaries' ownerships.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area                   | Subsidiaries                                  | Industry  | Percentage of ownership <sup>1</sup> |
|------------------------|---|---|--------------------------------------|
|                        | 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 of electronic devices               | 100.0                                |
|                        | Samsung Electronics (M) (SEMA)                | Manufacture of home appliances                  | 100.0                                |
|                        | Samsung Vina Electronics (SAVINA)             | 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 Nepal Services (SNSL)                 | Service   | 100.0                                |
|                        | Samsung Electronics Australia (SEAU)          | Sale of electronic devices                      | 100.0                                |
|                        | Samsung Electronics Indonesia (SEIN)          | Manufacture and sale of electronic devices      | 100.0                                |
|                        | Samsung Telecommunications Indonesia (STIN)   | Sale and service of electronic devices          | 100.0                                |
|                        | Thai Samsung Electronics (TSE)                | Manufacture and sale of electronic devices      | 91.8                                 |
|                        | Samsung Electronics Philippines (SEPCO)       | Sale of electronic devices                      | 100.0                                |
|                        | Samsung Malaysia Electronics (SME)            | Sale of electronic devices                      | 100.0                                |
|                        | Samsung R&D Institute Bangladesh (SRBD)       | R&D   | 100.0                                |
|                        | Samsung Electronics Vietnam (SEV)             | Manufacture of electronic devices               | 100.0                                |
| Asia<br>(Except China) | Samsung Electronics Vietnam THAINGUYEN (SEVT) | Manufacture and sale of communication equipment | 100.0                                |
|                        | Samsung Medison India (SMIN)                  | Medical equipment                               | 100.0                                |
|                        | Samsung Electronics New Zealand (SENZ)        | Sale of electronic devices                      | 100.0                                |
|                        | Samsung Display Vietnam (SDV)                 | Manufacture of display panels                   | 100.0                                |
|                        | Samsung Electronics HCMC CE Complex (SEHC)    | Manufacture and sale of electronic devices      | 100.0                                |
|                        | Laos Samsung Electronics Sole(LSE)            | Marketing                                       | 100.0                                |
|                        | AMX Products and Solutions Private            | Sale of audio products                          | 100.0                                |
|                        | Harman Connected Services India               | Connected Service Provider                      | 100.0                                |
|                        | Harman Connected Services Technologies        | Connected Service Provider                      | 100.0                                |
|                        | Harman International (India) Private          | Sale of audio products, R&D                     | 100.0                                |
|                        | Harman International Industries PTY           | Holding Company                                 | 100.0                                |
|                        | Harman International Singapore                | Sale of audio products                          | 100.0                                |
|                        | Harman Professional Singapore Pte.            | Sale of audio products                          | 100.0                                |
|                        | INSP India Software Development Pvt.          | Software development and supply                 | 100.0                                |
|                        | Martin Professional Pte.                      | Sale of audio products                          | 100.0                                |
|                        | Harman Connected Services Japan               | Connected Service Provider                      | 100.0                                |
|                        | Harman International Japan                    | Sale of audio products, R&D                     | 100.0                                |
|                        | Red Bend Software Japan                       | Software design                                 | 100.0                                |
|                        | Studer Japan                                  | Holding Company                                 | 100.0                                |

<sup>1</sup> Ownership represents the Company's ownership of the voting rights in each entity, including subsidiaries' ownerships.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Area  | Subsidiaries  | Industry                               | Percentage of ownership <sup>1</sup> |
|-------|---|--|--------------------------------------|
|       | Samsung Display Dongguan (SDD)                            | Manufacture of display panels          | 100.0                                |
|       | Samsung Display Tianjin (SDT)                             | Manufacture of display panels          | 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 R&D Institute China-Shenzhen (SRC-Shenzhen)       | R&D                                    | 100.0                                |
|       | Samsung Electronics Suzhou Semiconductor (SESS)           | Toll processing of semiconductor       | 100.0                                |
|       | Samsung Electronics Huizhou (SEHZ)                        | Manufacture of electronic devices      | 99.9                                 |
|       | Tianjin Samsung Electronics (TSEC)                        | Manufacture of TV/monitors             | 91.2                                 |
|       | Samsung Electronics Taiwan (SET)                          | Sale of electronic devices             | 100.0                                |
|       | Beijing Samsung Telecom R&D Center (BST)                  | R&D                                    | 100.0                                |
|       | Tianjin Samsung Telecom Technology (TSTC)                 | Manufacture of communication equipment | 90.0                                 |
|       | Shanghai Samsung Semiconductor (SSS)                      | Sale of semiconductor/display panels   | 100.0                                |
|       | Samsung Electronics Suzhou Computer (SESC)                | Manufacture of electronic devices      | 100.0                                |
| China | Samsung Suzhou Module (SSM)                               | Toll processing of display panels      | 100.0                                |
|       | Samsung Suzhou LCD (SSL)                                  | Manufacture of display panels          | 60.0                                 |
|       | Shenzhen Samsung Electronics Telecommunication (SSET)     | Manufacture of communication equipment | 95.0                                 |
|       | 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 (Beijing) Service (SBSC)              | Services                               | 100.0                                |
|       | Tianjin Samsung LED (TSLED)                               | Manufacture of LED                     | 100.0                                |
|       | SEMES (Xian)  | Semiconductor equipment                | 100.0                                |
|       | Samsung Semiconductor Xian (SSCX)                         | Sale of semiconductor/display panels   | 100.0                                |
|       | Harman (China) Technologies                               | Manufacture of audio products          | 100.0                                |
|       | Harman (Suzhou) Audio and Infotainment Systems            | Sale of audio products                 | 100.0                                |
|       | Harman Automotive Electronic Systems (Suzhou)             | Manufacture of audio products, R&D     | 100.0                                |
|       | Harman Commercial (Shanghai)                              | Sale of audio products                 | 100.0                                |
|       | Harman Holding  | Sale of audio products                 | 100.0                                |
|       | Harman International (China) Holdings                     | Sale of audio products, R&D            | 100.0                                |
|       | Harman Automotive InfoTech (Dalian)                       | Software development and supply        | 100.0                                |
|       | Harman Technology (Shenzhen)                              | Sale of audio products, R&D            | 100.0                                |
|       | Harman Connected Services Solutions (Beijing)             | Connected Service Provider             | 100.0                                |
|       | Harman Connected Services Solutions (Chengdu)             | Connected Service Provider             | 100.0                                |

<sup>1</sup> Ownership represents the Company's ownership of the voting rights in each entity, including subsidiaries' ownerships.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(1) 2018

| <i>(In millions of Korean won)</i>               | As at June 30, 2018 |             | For the three months ended<br>June 30, 2018 |                      | For the six months ended<br>June 30, 2018 |                      |
|--|---------------------|-------------|---|----------------------|---|----------------------|
|  | Assets              | Liabilities | Sales                                       | Net Income<br>(Loss) | Sales                                     | Net Income<br>(Loss) |
| Samsung Display (SDC)                            | ₩46,255,618         | ₩7,969,054  | ₩5,021,571                                  | ₩ (38,667)           | ₩11,228,996                               | ₩ (58,836)           |
| Samsung Electronics America<br>(SEA)             | 28,159,604          | 9,811,210   | 6,638,981                                   | 113,909              | 14,085,888                                | 323,146              |
| Samsung (China) Investment<br>(SCIC)             | 17,253,443          | 15,159,338  | 856,687                                     | (91,680)             | 2,011,534                                 | (92,500)             |
| Harman and its subsidiaries <sup>1</sup>         | 14,959,993          | 5,474,246   | 2,129,117                                   | 8,779                | 4,069,755                                 | (89,116)             |
| Samsung Electronics Vietnam<br>(SEV)             | 11,370,099          | 1,787,133   | 5,431,737                                   | 745,556              | 11,531,839                                | 1,441,035            |
| Samsung Electronics Vietnam<br>THAINGUYEN (SEVT) | 11,022,717          | 2,221,035   | 6,307,765                                   | 639,183              | 13,821,368                                | 1,442,684            |
| Samsung Semiconductor (SSI)                      | 10,597,024          | 5,579,951   | 7,147,031                                   | 25,581               | 14,450,868                                | 43,889               |
| Samsung (China)<br>Semiconductor (SCS)           | 9,494,527           | 1,972,317   | 1,186,532                                   | 356,245              | 2,347,071                                 | 712,203              |
| Samsung Electronics Europe<br>Holding (SEEH)     | 9,441,965           | 7,028,119   | -   | 10,124               | -   | 11,279               |
| Samsung Display Vietnam<br>(SDV)                 | 8,176,676           | 6,732,486   | 2,494,504                                   | 60,661               | 7,061,547                                 | 413,214              |
| Samsung India Electronics<br>(SIEL)              | 7,765,852           | 4,747,672   | 2,893,781                                   | 107,926              | 5,576,611                                 | 299,892              |
| Samsung Asia Private (SAPL)                      | 7,409,670           | 623,681     | 415,005                                     | 37,957               | 813,353                                   | 822,239              |
| Shanghai Samsung<br>Semiconductor (SSS)          | 6,984,665           | 5,945,001   | 8,209,195                                   | 78,210               | 14,172,518                                | 133,454              |
| Samsung Electronics Huizhou<br>(SEHZ)            | 6,666,027           | 759,518     | 2,460,965                                   | 133,732              | 5,873,887                                 | 252,967              |
| Samsung Electronica da<br>Amazonia (SEDA)        | 5,661,507           | 1,481,008   | 1,776,296                                   | 129,724              | 3,616,477                                 | 327,920              |
| Samsung Austin Semiconductor<br>(SAS)            | 5,492,166           | 616,315     | 937,600                                     | 82,182               | 1,795,259                                 | 162,710              |
| Thai Samsung Electronics<br>(TSE)                | 2,517,897           | 522,222     | 1,098,174                                   | 60,821               | 2,199,318                                 | 129,142              |
| Samsung Electronics GmbH<br>(SEG)                | 2,186,064           | 2,165,006   | 1,616,310                                   | 10,386               | 3,244,296                                 | (38,581)             |
| Samsung Electronics (UK)<br>(SEUK)               | 2,101,142           | 1,447,358   | 1,195,023                                   | 110,237              | 2,358,218                                 | 120,086              |
| Samsung Electronics Europe<br>Logistics (SELS)   | 1,936,915           | 1,499,317   | 2,911,364                                   | (5,432)              | 6,751,113                                 | 326,646              |
| Samsung Electronics HCMC<br>CE Complex (SEHC)    | 1,910,500           | 1,139,489   | 1,033,280                                   | 146,673              | 1,967,217                                 | 235,134              |
| Samsung Suzhou LCD (SSL)                         | 1,859,755           | 658,669     | 377,263                                     | (16,058)             | 791,711                                   | (6,682)              |
| Samsung Electronics Hungarian<br>(SEH)           | 1,858,643           | 264,562     | 586,304                                     | 36,371               | 1,195,457                                 | 82,424               |
| Samsung Electronics Benelux<br>(SEBN)            | 1,646,893           | 504,586     | 499,163                                     | 11,930               | 1,142,608                                 | 20,075               |
| Samsung Display Dongguan<br>(SDD)                | 1,586,740           | 346,986     | 928,233                                     | 66,627               | 1,493,275                                 | 72,040               |

<sup>1</sup> Consolidated financial data of an intermediate company that includes Harman International Industries, Inc. and its subsidiaries.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) 2017

| <i>(In millions of Korean won)</i>            | As at December 31, 2017 |             | For the three months ended<br>June 30, 2017 |                      | For the six months ended<br>June 30, 2017 |                      |
|---|-------------------------|-------------|---|----------------------|---|----------------------|
|   | Assets                  | Liabilities | Sales                                       | Net Income<br>(Loss) | Sales                                     | Net Income<br>(Loss) |
| Samsung Display (SDC)                         | ₩50,723,199             | ₩12,243,688 | ₩6,451,196                                  | ₩1,002,128           | ₩12,911,982                               | ₩2,019,898           |
| Samsung Electronics America (SEA)             | 26,266,636              | 8,980,828   | 9,914,282                                   | 350,197              | 15,638,178                                | 312,511              |
| Harman and its subsidiaries <sup>1</sup>      | 14,676,715              | 5,391,669   | 2,154,442                                   | 2,082                | 2,692,191                                 | 26,531               |
| Samsung (China) Investment (SCIC)             | 13,409,281              | 11,297,307  | 1,233,598                                   | (55,172)             | 2,681,324                                 | 53,787               |
| Samsung Display Vietnam (SDV)                 | 10,460,755              | 9,495,803   | 3,413,993                                   | 426,876              | 5,637,704                                 | 479,392              |
| Samsung Semiconductor (SSI)                   | 10,125,193              | 5,376,696   | 6,623,455                                   | 19,801               | 12,205,126                                | 36,941               |
| Samsung Electronics Vietnam THAINGUYEN (SEVT) | 10,044,337              | 2,325,221   | 8,251,277                                   | 1,135,179            | 14,507,523                                | 1,922,491            |
| Samsung Electronics Vietnam (SEV)             | 9,592,074               | 1,875,105   | 5,591,772                                   | 617,853              | 9,167,646                                 | 1,022,395            |
| Samsung Electronics Europe Holding (SEEH)     | 9,474,960               | 7,241,753   | -   | 11,128               | -   | 13,879               |
| Samsung (China) Semiconductor (SCS)           | 8,076,107               | 1,499,220   | 1,029,282                                   | 378,881              | 2,077,036                                 | 511,469              |
| Samsung Electronics Huizhou (SEHZ)            | 6,440,564               | 980,064     | 3,772,299                                   | 120,143              | 6,481,127                                 | 277,237              |
| Samsung India Electronics (SIEL)              | 6,200,351               | 3,406,484   | 2,913,895                                   | 198,335              | 5,751,705                                 | 402,358              |
| Samsung Asia Private (SAPL)                   | 6,138,652               | 481,546     | 480,184                                     | 487,487              | 937,081                                   | 500,397              |
| Samsung Electronica da Amazonia (SEDA)        | 5,838,533               | 1,514,891   | 1,746,582                                   | 233,080              | 3,417,350                                 | 579,503              |
| Shanghai Samsung Semiconductor (SSS)          | 5,169,438               | 4,182,832   | 5,887,045                                   | 54,071               | 11,915,268                                | 107,756              |
| Samsung Austin Semiconductor (SAS)            | 4,943,576               | 448,772     | 864,920                                     | 25,227               | 1,678,062                                 | 54,203               |
| Thai Samsung Electronics (TSE)                | 2,191,519               | 371,379     | 1,189,087                                   | 6,922                | 2,322,415                                 | 32,041               |
| Samsung Electronics Slovakia (SESK)           | 2,019,572               | 1,051,361   | 716,780                                     | 28,592               | 1,593,935                                 | 61,607               |
| Samsung Suzhou LCD (SSL)                      | 2,019,262               | 852,618     | 435,697                                     | 42,698               | 880,850                                   | 72,638               |
| Samsung Electronics Europe Logistics (SELS)   | 1,927,321               | 1,810,014   | 3,102,374                                   | 6,368                | 6,424,127                                 | 191,881              |
| Samsung Electronics Hungarian (SEH)           | 1,823,278               | 238,383     | 658,808                                     | 37,550               | 1,321,074                                 | 55,870               |
| Samsung Electronics HCMC CE Complex (SEHC)    | 1,784,883               | 1,282,489   | 997,333                                     | 68,094               | 1,774,095                                 | 105,989              |
| Samsung Electronics GmbH (SEG)                | 1,743,138               | 1,685,252   | 1,646,514                                   | 55,498               | 3,164,299                                 | 20,531               |
| Samsung Electronics (UK) (SEUK)               | 1,615,723               | 1,094,995   | 1,250,180                                   | 98,563               | 2,248,424                                 | 127,208              |
| Samsung Electronics Indonesia (SEIN)          | 1,562,037               | 1,002,213   | 740,579                                     | 53,097               | 1,527,490                                 | 58,945               |

<sup>1</sup> Consolidated financial data of an intermediate company that includes Harman International Industries, Inc. and its subsidiaries.



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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(C) Changes in scope of consolidation

(1) Subsidiaries excluded from the consolidation for the six months ended June 30, 2018:

| Area       | Subsidiary                        | Description         |
|------------|-----------------------------------|---------------------|
| America    | NexusDX (Nexus)                   | Sale of Business    |
|            | SINN USA                          | Merger <sup>1</sup> |
|            | Samsung Pay                       | Merger <sup>2</sup> |
|            | Harman Connected Services Holding | Merger <sup>3</sup> |
| Europe/CIS | Joyent (UK)                       | Liquidation         |
|            | Aditi Technologies Europe         | Liquidation         |
| Asia       | Harman Malaysia Sdn. Bhd.         | Liquidation         |
| China      | Harman Connected Services Taiwan  | Liquidation         |

<sup>1</sup> SINN USA merged into Harman International Industries, Inc., a subsidiary of the Company, in April 2018.

<sup>2</sup> Samsung Pay merged into Samsung Electronics America (SEA), a subsidiary of the Company, in June 2018.

<sup>3</sup> Harman Connected Services Holding merged into Harman Connected Services, Inc., a subsidiary of the Company, in June 2018.

(2) Subsidiaries newly included in the consolidation for the six months ended June 30, 2018.

| Area     | Subsidiary                        | Description   |
|----------|-----------------------------------|---------------|
| Domestic | Samsung Venture Capital Union #40 | Incorporation |

# Samsung Electronics Co., Ltd. and its Subsidiaries

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 2. Summary of Significant Accounting Policies

#### 2.1 Basis of Presentation

The interim consolidated financial statements for the six months ended June 30, 2018, have been prepared in accordance with *Korean IFRS 1034, Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with the K-IFRS standards and interpretations effective at the reporting date.

##### (A) New and amended standards adopted by the Company

The Company applied the following amended and enacted standards for the annual period beginning on January 1, 2018:

##### *Enactment of Korean IFRS 1109, Financial Instruments*

The Company has applied *Korean IFRS 1109, Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in *Korean IFRS 1109*, comparative figures have not been restated.

##### *Enactment of Korean IFRS 1115, Revenue from Contracts with Customers*

The Company has elected to apply *Korean IFRS 1115, Revenue from Contracts with Customers* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in *Korean IFRS 1115*, comparative figures have not been restated.

##### *Enactment of Korean IFRIC 2122, Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, liability, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the consolidated financial statements.

##### (B) New and amended standards not adopted by the Company

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2018, and not early adopted by the Company, are as follows:

##### *Enactment of Korean IFRS 1116, Leases*

*Korean IFRS 1116 Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace *Korean IFRS 1017 Leases, Interpretation 2104 Determining whether an Arrangement contains a Lease, Interpretation 2015 Operating Leases-Incentives, and Interpretation 2027 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, and at the date of initial application, the Company shall assess whether the contract is, or contains, a lease in accordance with the new standard. However, the Company may not need to reassess all contracts at initial application because the Company can elect to apply the practical expedient to contracts entered into before the date of initial application.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For a contract that is, or contains, a lease, the Company shall account for each lease component within the contract as a lease separately from non-lease components of the contract. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The accounting standard as a lessor did not change significantly from *Korean IFRS 1017 Leases*.

#### (a) Lessee accounting

A lessee shall apply this standard to its leases either: a) retrospectively to each prior reporting period presented applying *Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application) or b) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company has not yet elected an adoption method.

The Company is in the process of performing a preliminary assessment of potential financial impact of applying *Korean IFRS 1116* to the 2018 consolidated financial statements based on available information as at June 30, 2018. The Company plans to perform more detailed analyses on the financial effects based on additional information in the future.

#### (b) Lessor accounting

The Company expects the effect on the consolidated financial statements from applying *Korean IFRS 1116* will not be significant as accounting for the Company, as a lessor, will not significantly change.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 2.2 Accounting Policies

Significant accounting policies and estimates adopted in the preparation of the interim consolidated financial statements are consistent with those adopted in the preparation of the annual financial statements for the year ended December 31, 2017, except changes in accounting policies applied in the financial year beginning on January 1, 2018 (Note 2.1) and as described below.

##### (A) Income tax expense

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

##### (B) Financial assets

###### (1) Classification

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss)
- Those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

###### (2) Measurement

At initial recognition, the Company measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### a) Debt Instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### ① Financial assets measured at amortized cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Financial income' using the effective interest rate method.

#### ② Financial assets measured at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'Financial income and expenses' and impairment losses are presented in 'Other non-operating expenses'.

#### ③ Financial assets measured at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Other non-operating income and expenses' in the year in which it arises.

##### b) Equity Instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings. Dividend income from such investments continue to be recognized in profit or loss as 'Other non-operating income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Other non-operating income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

#### (3) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (C) Financial Liabilities

##### (1) Classification and Measurement

The Company shall classify all financial liabilities as financial liabilities measured subsequently at amortized cost, except for

- Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Such financial liabilities are measured based on the methodology described in Note 2.2 (B).
- Financial guarantee contracts. After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of:
  - (a) The amount of the loss allowance determined on lifetime expected credit losses.
  - (b) The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of *Korean IFRS 1115*.
- Commitments to provide a loan at a below-market interest rate. An issuer of such a commitment shall subsequently measure it at the higher of:
  - (a) The amount of the loss allowance determined on lifetime expected credit losses.
  - (b) The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of *Korean IFRS 1115*.
- Contingent consideration recognized by an acquirer in a business combination to which *Korean IFRS 1103* applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss.

#### (D) Revenue recognition

The Company applied *Korean IFRS 1115* to the annual period beginning January 1, 2018. The Company shall recognize revenue in accordance with *Korean IFRS 1115* by applying the following 5 steps: ① Identify the contracts with the customers, ② Identify the separate performance obligations, ③ Determine the transaction price of the contract, ④ Allocate the transaction price to each of the separate performance obligations, and ⑤ Recognize the revenue as each performance obligation is satisfied.

##### (1) Identification of performance obligations

The Company exports various products and merchandise in accordance with Incoterms Group C trading conditions (Incoterms CIF, etc.). According to *Korean IFRS 1115*, since the seller provides the shipping service after control of the product or merchandise has been transferred to the customer, the shipping service (including insurance) is recognized as a separate performance obligation.

##### (2) A performance obligation is satisfied over time

The Company delivers products to customers and installs them in accordance with the system air conditioner contracts awarded by the Public Procurement Service. According to *Korean IFRS 1115*, the Company can recognize revenue over time if the Company creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced. The Company recognizes the revenue from system air conditioner installation over time as the customer controls the outcome of the service.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(3) Variable consideration

The Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Company does not expect to be entitled. The Company has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product less the costs to recover the products.

(4) Allocation of the transaction price

The transaction price in an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the goods or services being provided to a customer. The Company determines the standalone selling price for each separate performance obligation by using methods such as the ‘adjusted market assessment approach’.

### 2.3 Change of Accounting Policies

(A) *Korean IFRS 1109, Financial Instruments*

The Company has applied *Korean IFRS 1109, Financial Instruments*, for the first time for their annual reporting period commencing January 1, 2018. In accordance with the transitional provisions in *Korean IFRS 1109*, comparative figures have not been restated. The application of *Korean IFRS 1109* has the following impacts on the consolidated financial statements.

(1) Classification and measurement of financial instruments

- a) On the date of initial application, January 1, 2018, the financial instruments of the Company subject to reclassifications were as follows:

| (In millions of Korean won)                    | Category                                    |   | Carrying amount                   |                                   |
|--|---|---|-----------------------------------|-----------------------------------|
|  | <i>Korean IFRS</i><br><i>1039</i>           | <i>Korean IFRS</i><br><i>1109</i>             | <i>Korean IFRS</i><br><i>1039</i> | <i>Korean IFRS</i><br><i>1109</i> |
| <b>Financial Assets</b>                        |   |   |                                   |                                   |
| Cash and cash equivalents                      | Loans and receivables                       | Amortized cost                                | ₩ 30,545,130                      | ₩ 30,545,130                      |
| Short-term financial instruments               | Loans and receivables                       | Amortized cost                                | 49,447,696                        | 49,447,696                        |
| Short-term available-for-sale financial assets | Available-for-sale financial assets         | Amortized cost                                | 3,191,375                         | 3,191,375                         |
| Trade receivable                               | Loans and receivables                       | Amortized cost                                | 27,695,995                        | 27,695,995                        |
| Long-term available-for-sale financial assets  | Available-for-sale financial assets         | Fair value through other comprehensive income | 7,752,180                         | 7,151,434                         |
|  |   | Fair value through profit or loss             |                                   | 600,746                           |
| Held-to-maturity financial assets              | Held-to-maturity financial assets           | Amortized cost                                | 106,751                           | 106,751                           |
| Other  | Assets at fair value through profit or loss | Fair value through profit or loss             | 67,702                            | 67,702                            |
|  | Loans and receivables                       | Amortized cost                                | 6,212,727                         | 6,212,727                         |
|  | Other financial assets                      | Other financial assets                        | 45,396                            | 45,396                            |
| <b>Total</b>                                   |   |   | <b>₩125,064,952</b>               | <b>₩125,064,952</b>               |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For financial liabilities, the Company has reclassified financial liabilities at fair value through profit or loss into fair value through profit or loss, and financial liabilities at amortized cost into amortized cost.

- b) The impact of the reclassification of financial instruments on the Company's equity as at January 1, 2018, is as follows:

| <i>(In millions of Korean won)</i>  | <b>Retained Earnings</b> | <b>Other components of equity</b>  |   |   |
|---|--------------------------|--|---|---|
|   |                          | <b>Unrealized gains or losses on available-for-sale financial assets</b> | <b>Gains or losses on financial assets at fair value through other comprehensive income</b> | <b>Share of other comprehensive income of associates and joint ventures</b> |
| <b>Balance as at January 1 – Korean IFRS 1039</b>   | ₩ 215,811,200            | ₩ 1,879,774  | ₩ -   | ₩ 40,394  |
| <b>Adjustments :</b>  |                          |  |   |   |
| From available-for-sale financial assets to financial assets at fair value through profit or loss             | 75,547                   | (75,547)   | -   | -   |
| From available-for-sale financial assets to financial assets at fair value through other comprehensive income | 105,618                  | (1,804,227)  | 1,698,609   | -   |
| Investments in associates and joint ventures  | 80,225                   | -  | -   | (80,569)  |
| <b>Total</b>  | ₩ 261,390                | ₩ (1,879,774)  | ₩ 1,698,609   | ₩ (80,569)  |
| <b>Balance as at January 1 – Korean IFRS 1109</b>   | ₩ 216,072,590            | ₩ -  | ₩ 1,698,609   | ₩ (40,175)  |

#### (2) Impairments of Financial Assets

The Company has three types of financial assets subject to *Korean IFRS 1109*'s new expected credit loss model:

- Trade receivables arising from sales of inventories,
- Debt instruments measured at fair value through other comprehensive income, and
- Debt instruments measured at amortized cost.

Upon adoption of *Korean IFRS 1109*, accounting policies for recognition of impairment have changed. For trade receivables, the Company applies the practical expedient to provide for expected credit losses prescribed by *Korean IFRS 1109*, which requires the use of the lifetime expected loss provision for all trade receivables. The impact of the change in impairment methodology on the Company's consolidated financial statements is not material.

#### (3) Hedge Accounting

The Company held foreign currency forward contract hedges as of January 1, 2018, which qualified as cash flow hedges under *Korean IFRS 1109*. The Company's risk management strategies and hedge documentation are aligned with the requirements of *Korean IFRS 1109* and are thus treated as continuing hedges.



## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(B) *Korean IFRS 1115, Revenue from Contracts with Customers*

The Company has applied *Korean IFRS 1115, Revenue from Contracts with Customers*, for the first time for their annual reporting period commencing January 1, 2018. In accordance with the transitional provisions in *Korean IFRS 1115*, comparative figures have not been restated. The application of *Korean IFRS 1115* has the following impact on the consolidated financial statements.

- (1) The following adjustments were made to the amounts recognized in the statements of financial position at the date of initial application (January 1, 2018):

| <i>(In millions of Korean won)</i>              | <b>Amount before application<br/>of Korean IFRS 1115</b> | <b>Adjustments</b> | <b>Amount after application<br/>of Korean IFRS 1115</b> |
|---|--|--------------------|---|
| Trade receivables                               | ₩ 27,695,995   | ₩ 6,983,845        | ₩ 34,679,840  |
| Prepaid expenses                                | 3,835,219  | 188                | 3,835,407   |
| Inventories                                     | 24,983,355   | (139,546)          | 24,843,809  |
| Other current assets                            | 1,421,060  | 143,866            | 1,564,926   |
| Investments in associates<br>and joint ventures | 6,802,351  | (41,214)           | 6,761,137   |
| <b>Total assets</b>                             | ₩ 301,752,090  | ₩ 6,947,139        | ₩ 308,699,229   |
| Accrued expenses                                | ₩ 13,996,273   | ₩ 6,462,176        | ₩ 20,458,449  |
| Other current liabilities                       | 403,139  | 526,177            | 929,316   |
| <b>Total liabilities</b>                        | ₩ 87,260,662   | ₩ 6,988,353        | ₩ 94,249,015  |
| Retained earnings                               | ₩ 215,811,200  | ₩ (41,214)         | ₩ 215,769,986   |
| <b>Total equity</b>                             | ₩ 214,491,428  | ₩ (41,214)         | ₩ 214,450,214   |

- (2) Consolidated financial statement line items affected by the adoption of *Korean IFRS 1115* in the current period are as follows:

a) Consolidated statements of financial position

| <i>(In millions of Korean won)</i>              | <b>Amount before application<br/>of Korean IFRS 1115</b> | <b>Adjustments</b> | <b>Amount after application<br/>of Korean IFRS 1115</b> |
|---|--|--------------------|---|
| Trade receivables                               | ₩ 28,225,354   | ₩ 6,787,706        | ₩ 35,013,060  |
| Prepaid expenses                                | 4,196,128  | (194)              | 4,195,934   |
| Inventories                                     | 27,536,333   | (177,566)          | 27,358,767  |
| Other current assets                            | 1,616,135  | 178,061            | 1,794,196   |
| Investments in associates and<br>joint ventures | 6,925,306  | (30,351)           | 6,894,955   |
| <b>Total assets</b>                             | ₩ 311,930,724  | ₩ 6,757,656        | ₩ 318,688,380   |
| Accrued expenses                                | ₩ 10,544,023   | ₩ 6,343,538        | ₩ 16,887,561  |
| Other current liabilities                       | 13,645,610   | 447,513            | 14,093,123  |
| <b>Total liabilities</b>                        | ₩ 78,775,528   | ₩ 6,788,007        | ₩ 85,563,535  |
| Retained earnings                               | ₩ 231,098,568  | ₩ (33,395)         | ₩ 231,065,173   |
| <b>Total equity</b>                             | ₩ 233,155,196  | ₩ (30,351)         | ₩ 233,124,845   |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

b) Consolidated statements of comprehensive income

| <i>(In millions of Korean won)</i>           | <b>Amount before application<br/>of Korean IFRS 1115</b> | <b>Adjustments</b> | <b>Amount after application<br/>of Korean IFRS 1115</b> |
|--|--|--------------------|---|
| Revenue                                      | ₩ 119,046,071  | ₩ 301              | ₩ 119,046,372   |
| Cost of sales                                | 63,183,768   | 301                | 63,184,069  |
| Gross profit                                 | 55,862,303   | -                  | 55,862,303  |
| Operating profit                             | 30,511,205   | -                  | 30,511,205  |
| Gain on valuation of equity<br>method        | 159,808  | 10,863             | 170,671   |
| Income tax expense                           | 8,847,743  | 3,044              | 8,850,787   |
| Profit for the period                        | 22,724,137   | 7,819              | 22,731,956  |
| Total comprehensive income<br>for the period | 24,873,229   | 7,819              | 24,881,048  |

Applying *Korean IFRS 1115, Revenue from Contracts with Customers*, did not impact the cash flows from operating activities, cash flows from investing activities, cash flows from financing activities, and total cash flows for the six months ended June 30, 2018.

Contract liabilities as at June 30, 2018 amount to ₩6,980,719 million (as at January 1, 2018: ₩7,140,266 million), which are included in advances received, accrued expenses, other current liabilities and others.

#### 2.4 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 consolidated 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 ₩1075.44 to US \$1, the average exchange rate for the six month period ended in June 30, 2018. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

#### 2.5 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 the interim consolidated financial statements are consistent with those made in the preparation of the annual consolidated financial statements for the year ended December 31, 2017, except for the estimation methodologies applied in deriving corporate income tax and accounting estimates and assumptions for implementation of *Korean IFRS 1109* and *Korean IFRS 1115*.

##### (A) Impairment of financial assets

The provision for impairment of financial assets under *Korean IFRS 1109, Financial Instruments*, are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**3. Financial Instruments by Category**

Categorizations of financial assets and liabilities as at June 30, 2018 and December 31, 2017, are as follows:

(A) As at June 30, 2018

| <i>(In millions of Korean won)</i>                                | <b>Financial assets measured at fair value through other comprehensive income</b> |             | <b>Financial assets measured at fair value through profit or loss</b> |     | <b>Other financial assets<sup>1</sup></b> |     | <b>Total</b> |               |
|---|---|-------------|---|-----|---|-----|--------------|---------------|
|   | <b>Financial assets measured at amortized cost</b>                                |             |   |     |   |     |              |               |
| <b>Assets</b>   |   |             |   |     |   |     |              |               |
| Cash and cash equivalents   | ₩ 31,362,222  | ₩ -         | ₩ -   | ₩ - | ₩ -                                       | ₩ - | ₩ -          | ₩ 31,362,222  |
| Short-term financial instruments                                  | 48,717,141  | -           | -   | -   | -   | -   | -            | 48,717,141    |
| Trade receivables   | 35,013,060  | -           | -   | -   | -   | -   | -            | 35,013,060    |
| Financial assets at amortized cost                                | 4,138,899   | -           | -   | -   | -   | -   | -            | 4,138,899     |
| Financial assets at fair value through other comprehensive income | -   | 7,436,535   | -   | -   | -   | -   | -            | 7,436,535     |
| Financial assets at fair value through profit or loss             | -   | -           | 650,775   | -   | -   | -   | -            | 650,775       |
| Other   | 7,354,849   | -           | 63,070  | -   | 30,374                                    | -   | -            | 7,448,293     |
| <b>Total</b>  | ₩ 126,586,171   | ₩ 7,436,535 | ₩ 713,845   | ₩ - | ₩ 30,374                                  | ₩ - | ₩ -          | ₩ 134,766,925 |

<sup>1</sup> Other financial assets include derivatives designated as hedging instruments, which are not subject to categorizations.

| <i>(In millions of Korean won)</i>       | <b>Liabilities measured at fair value through profit or loss</b> |              | <b>Financial liabilities measured at amortized cost</b> |     | <b>Other financial liabilities<sup>1</sup></b> |     | <b>Total</b> |              |
|--|--|--------------|---|-----|--|-----|--------------|--------------|
|  |  |              |   |     |  |     |              |              |
| <b>Liabilities</b>                       |  |              |   |     |  |     |              |              |
| Trade payables                           | ₩ -  | ₩ 8,410,278  | ₩ -   | ₩ - | ₩ -  | ₩ - | ₩ -          | ₩ 8,410,278  |
| Short-term borrowings                    | -  | 1,788,413    | 11,387,601  | -   | -  | -   | -            | 13,176,014   |
| Other payables                           | -  | 8,369,675    | -   | -   | -  | -   | -            | 8,369,675    |
| Current portion of long-term liabilities | -  | 1,859,552    | -   | -   | -  | -   | -            | 1,859,552    |
| Debentures                               | -  | 978,754      | -   | -   | -  | -   | -            | 978,754      |
| Long-term borrowings                     | -  | 92,635       | -   | -   | -  | -   | -            | 92,635       |
| Long-term other payables                 | 29,613   | 1,623,249    | -   | -   | -  | -   | -            | 1,652,862    |
| Other                                    | 103,428  | 10,013,220   | 26,760  | -   | -  | -   | -            | 10,143,408   |
| <b>Total</b>                             | ₩ 133,041  | ₩ 33,135,776 | ₩ 11,414,361  | ₩ - | ₩ -  | ₩ - | ₩ -          | ₩ 44,683,178 |

<sup>1</sup> Other financial liabilities include collateralized borrowings and derivatives designated as hedging instruments, which are not subject to categorizations.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(B) As at December 31, 2017

| <i>(In millions of Korean won)</i>             | <b>Assets at fair value through profit or loss</b> | <b>Loans and receivables</b> | <b>Available-for-sale financial assets</b> | <b>Held-to-maturity financial assets</b> | <b>Other financial assets<sup>1</sup></b> | <b>Total</b> |
|--|--|------------------------------|--|--|---|--------------|
| <b>Financial Assets</b>                        |  |                              |  |  |   |              |
| Cash and cash equivalents                      | ₩ -  | ₩ 30,545,130                 | ₩ -  | ₩ -                                      | ₩ -                                       | ₩ 30,545,130 |
| Short-term financial instruments               | -  | 49,447,696                   | -  | -  | -   | 49,447,696   |
| Short-term available-for-sale financial assets | -  | -                            | 3,191,375                                  | -  | -   | 3,191,375    |
| Trade receivables                              | -  | 27,695,995                   | -  | -  | -   | 27,695,995   |
| Long-term available-for-sale financial assets  | -  | -                            | 7,752,180                                  | -  | -   | 7,752,180    |
| Held-to-maturity financial assets              | -  | -                            | -  | 106,751                                  | -   | 106,751      |
| Other  | 67,702   | 6,212,727                    | -  | -  | 45,396                                    | 6,325,825    |
| <b>Total</b>                                   | ₩ 67,702   | ₩113,901,548                 | ₩ 10,943,555                               | ₩ 106,751                                | ₩ 45,396                                  | ₩125,064,952 |

<sup>1</sup> Other financial assets include derivatives designated as hedging instruments, which are not subject to categorizations.

| <i>(In millions of Korean won)</i>       | <b>Liabilities at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Other financial liabilities<sup>1</sup></b> | <b>Total</b> |
|--|---|---|--|--------------|
| <b>Financial Liabilities</b>             |   |   |  |              |
| Trade payables                           | ₩ -   | ₩ 9,083,907   | ₩ -  | ₩ 9,083,907  |
| Short-term borrowings                    | -   | 1,497,417   | 14,270,202                                     | 15,767,619   |
| Other payables                           | 316,928   | 11,789,681  | -  | 12,106,609   |
| Current portion of long-term liabilities | -   | 278,619   | -  | 278,619      |
| Debentures                               | -   | 953,361   | -  | 953,361      |
| Long-term borrowings                     | -   | 1,814,446   | -  | 1,814,446    |
| Long-term other payables                 | 28,285  | 1,717,899   | -  | 1,746,184    |
| Other                                    | 180,366   | 10,732,501  | 41,646   | 10,954,513   |
| <b>Total</b>                             | ₩ 525,579   | ₩ 37,867,831  | ₩ 14,311,848                                   | ₩ 52,705,258 |

<sup>1</sup> Other financial liabilities include collateralized borrowings and derivatives designated as hedging instruments, which are not subject to categorizations.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**4. Financial Assets at Fair Value**

(A) Details of financial assets at fair value as at June 30, 2018 and December 31, 2017, are as follows:

(1) Financial assets at fair value through other comprehensive income

| <i>(In millions of Korean won)</i> | <b>June 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|----------------------|--------------------------|
| Equity instruments                 | ₩ 7,374,884          | ₩ -                      |
| Debt instruments                   | 61,651               | -                        |
| <b>Total</b>                       | ₩ 7,436,535          | ₩ -                      |

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

| <i>(In millions of Korean won)</i> | <b>June 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|----------------------|--------------------------|
| Equity instruments                 | ₩ 367,503            | ₩ -                      |
| Debt instruments                   | 283,272              | -                        |
| <b>Total</b>                       | ₩ 650,775            | ₩ -                      |

Financial Assets above were previously classified as available-for-sale financial assets.

(B) Details of listed equity securities of financial assets at fair value as at June 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won,<br/>number of shares and percentage)</i> | <b>June 30, 2018</b>              |  |                         |   |
|---|-----------------------------------|--|-------------------------|---|
|   | <b>Number of Shares<br/>Owned</b> | <b>Percentage of<br/>Ownership<sup>1</sup> (%)</b> | <b>Acquisition Cost</b> | <b>Carrying Amount<br/>(Market Value)</b> |
| Samsung Heavy Industries  | 100,693,398                       | 16.0   | ₩ 735,488               | ₩ 718,951                                 |
| Hotel Shilla  | 2,004,717                         | 5.1  | 13,957                  | 247,583                                   |
| iMarket Korea   | 647,320                           | 1.8  | 324                     | 4,473                                     |
| SFA   | 3,644,000                         | 10.2   | 38,262                  | 119,341                                   |
| Wonik Holdings  | 3,518,342                         | 4.6  | 30,821                  | 20,019                                    |
| Wonik IPS   | 3,701,872                         | 9.0  | 32,428                  | 104,023                                   |
| ASML  | 6,297,787                         | 1.4  | 363,012                 | 1,386,170                                 |
| Wacom   | 8,398,400                         | 5.0  | 62,013                  | 53,711                                    |
| BYD   | 52,264,808                        | 1.9  | 528,665                 | 422,167                                   |
| Other   |                                   |  | 158,688                 | 138,474                                   |
| <b>Total</b>  |                                   |  | ₩ 1,963,658             | ₩ 3,214,912                               |

<sup>1</sup> Ownership represents the Company's ownership of ordinary shares issued in each entity

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**5. Available-for-Sale Financial Assets**

- (A) Details of short-term available-for-sale financial assets as at June 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>    | <b>June 30, 2018</b> |   | <b>December 31, 2017</b> |           |
|---------------------------------------|----------------------|---|--------------------------|-----------|
| Beneficiary certificates <sup>1</sup> | ₩                    | - | ₩                        | 3,191,375 |

<sup>1</sup> Beneficiary certificates are comprised of time deposits and others.

- (B) Details of long-term available-for-sale financial assets as at June 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>June 30, 2018</b> |   | <b>December 31, 2017</b> |           |
|------------------------------------|----------------------|---|--------------------------|-----------|
| Equity securities - Listed         | ₩                    | - | ₩                        | 2,908,581 |
| Equity securities - Non-listed     |                      | - |                          | 4,729,124 |
| Debt securities <sup>1</sup>       |                      | - |                          | 114,475   |
| <b>Total</b>                       | ₩                    | - | ₩                        | 7,752,180 |

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

- (C) Details of listed equity securities as at December 31, 2017, are as follows:

| <i>(In millions of Korean won,<br/>number of shares and percentage)</i> | <b>December 31, 2017</b>          |  |                         |   |  |
|---|-----------------------------------|--|-------------------------|---|--|
|   | <b>Number of Shares<br/>Owned</b> | <b>Percentage of<br/>Ownership<sup>1</sup> (%)</b> | <b>Acquisition Cost</b> | <b>Carrying Amount<br/>(Market Value)</b> |  |
| Samsung Heavy Industries  | 65,930,982                        | 16.9   | ₩ 473,727               | ₩ 483,274                                 |  |
| Hotel Shilla  | 2,004,717                         | 5.1  | 13,957                  | 170,200                                   |  |
| iMarket Korea   | 647,320                           | 1.8  | 324                     | 5,832                                     |  |
| SFA <sup>2</sup>  | 3,644,000                         | 10.2   | 38,262                  | 141,205                                   |  |
| Wonik Holdings  | 3,518,342                         | 4.6  | 30,821                  | 27,760                                    |  |
| Wonik IPS   | 3,701,872                         | 9.0  | 32,428                  | 123,643                                   |  |
| ASML  | 6,297,787                         | 1.4  | 363,012                 | 1,169,393                                 |  |
| Wacom   | 8,398,400                         | 5.0  | 62,013                  | 48,631                                    |  |
| BYD   | 52,264,808                        | 1.9  | 528,665                 | 556,381                                   |  |
| Other   |                                   |  | 158,688                 | 182,262                                   |  |
| <b>Total</b>  |                                   |  | ₩ 1,701,897             | ₩ 2,908,581                               |  |

<sup>1</sup> Ownership represents the Company's ownership of ordinary shares issued in each entity.

<sup>2</sup> As SFA executed a capital increase without consideration, the Company's number of SFA shares owned increased.

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, net of impairment loss and the current fair value is recorded within other components of equity, net of tax effects (unrealized gains or losses on available-for-sale financial assets).

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 6. Inventories

Inventories as at June 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | June 30, 2018       |                                  |                     | December 31, 2017   |                                  |                     |
|------------------------------------|---------------------|----------------------------------|---------------------|---------------------|----------------------------------|---------------------|
|                                    | Gross Amount        | Valuation Allowance <sup>1</sup> | Carrying Amount     | Gross Amount        | Valuation Allowance <sup>1</sup> | Carrying Amount     |
| Finished goods                     | ₩ 8,681,847         | ₩ (790,850)                      | ₩ 7,890,997         | ₩ 8,201,526         | ₩ (897,089)                      | ₩ 7,304,437         |
| Work in process                    | 9,865,017           | (444,862)                        | 9,420,155           | 7,331,394           | (217,493)                        | 7,113,901           |
| Raw materials and supplies         | 9,859,780           | (867,466)                        | 8,992,314           | 10,196,123          | (782,906)                        | 9,413,217           |
| Materials in transit               | 1,055,301           | -                                | 1,055,301           | 1,151,800           | -                                | 1,151,800           |
| <b>Total</b>                       | <b>₩ 29,461,945</b> | <b>₩ (2,103,178)</b>             | <b>₩ 27,358,767</b> | <b>₩ 26,880,843</b> | <b>₩ (1,897,488)</b>             | <b>₩ 24,983,355</b> |

<sup>1</sup> Inventories for which the Company has suspended sales or production, are evaluated based on net realizable value. Valuation allowance is recorded if the net realizable value is less than the carrying amount.

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

(A) Changes in investments in associates and joint ventures for the six months ended June 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> | 2018               | 2017               |
|------------------------------------|--------------------|--------------------|
| Balance as at January 1            | ₩ 6,802,351        | ₩ 5,837,884        |
| Acquisition                        | 17,137             | 12,850             |
| Disposal                           | (148)              | (52,204)           |
| Share of profit                    | 170,671            | 41,691             |
| Other <sup>1</sup>                 | (95,056)           | (25,341)           |
| <b>Balance as at June 30</b>       | <b>₩ 6,894,955</b> | <b>₩ 5,814,880</b> |

<sup>1</sup> Other consist of dividends, impairment, reclassification and the cumulative effect of changes in accounting principles.

(B) Major investments in associates and joint ventures as at June 30, 2018, are as follows:

(1) Investments in associates

| Investee                  | Nature of Relationship with Associate   | Percentage of Ownership <sup>1</sup> (%) | Principal Business Location | The End of Reporting Period |
|---------------------------|---|--|-----------------------------|-----------------------------|
| Samsung Electro-Mechanics | Manufacture and supply electronic components including passive components, circuit boards, and modules        | 23.7                                     | Korea                       | December                    |
| Samsung SDS               | Provide IT services including computer programming, system integration and management and logistical services | 22.6                                     | Korea                       | December                    |
| Samsung Biologics         | New business investment   | 31.5                                     | Korea                       | December                    |
| Samsung SDI <sup>2</sup>  | Manufacture and supply electronics including secondary cell batteries   | 19.6                                     | Korea                       | December                    |
| Cheil Worldwide           | Advertising agency  | 25.2                                     | Korea                       | December                    |

<sup>1</sup> Ownership represents the Company's ownership of ordinary shares issued in each entity.

<sup>2</sup> The Company's ownership of ordinary shares outstanding is 20.6%.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in joint ventures

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

<sup>1</sup> Ownership represents the Company's ownership of ordinary shares issued in each entity.

(C) Details of investments in associates and joint ventures as at June 30, 2018 and December 31, 2017, are as follows:

(1) Investments in associates

*(In millions of Korean won)*

| Investee                  | June 30, 2018      |   |                    |
|---------------------------|--------------------|---|--------------------|
|                           | Acquisition cost   | Net asset value of equity shares <sup>1</sup> | Carrying amount    |
| Samsung Electro-Mechanics | ₩ 359,237          | ₩ 1,035,480                                   | ₩ 1,037,134        |
| Samsung SDS               | 147,963            | 1,297,827                                     | 1,323,237          |
| Samsung Biologics         | 443,193            | 1,187,931                                     | 1,191,143          |
| Samsung SDI               | 1,242,605          | 2,319,343                                     | 2,163,071          |
| Cheil Worldwide           | 506,162            | 241,318                                       | 539,968            |
| Other                     | 602,069            | 234,056                                       | 407,595            |
| <b>Total</b>              | <b>₩ 3,301,229</b> | <b>₩ 6,315,955</b>                            | <b>₩ 6,662,148</b> |

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

*(In millions of Korean won)*

| Investee                  | December 31, 2017  |   |                    |
|---------------------------|--------------------|---|--------------------|
|                           | Acquisition cost   | Net asset value of equity shares <sup>1</sup> | Carrying amount    |
| Samsung Electro-Mechanics | ₩ 359,237          | ₩ 989,924                                     | ₩ 991,579          |
| Samsung SDS               | 147,963            | 1,256,881                                     | 1,282,205          |
| Samsung Biologics         | 443,193            | 1,251,292                                     | 1,254,937          |
| Samsung SDI               | 1,242,605          | 2,266,451                                     | 2,126,244          |
| Cheil Worldwide           | 506,162            | 241,335                                       | 540,114            |
| Other                     | 593,080            | 215,025                                       | 376,349            |
| <b>Total</b>              | <b>₩ 3,292,240</b> | <b>₩ 6,220,908</b>                            | <b>₩ 6,571,428</b> |

<sup>1</sup> The 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, 2018    |   |                  |
|--------------------------------|------------------|---|------------------|
|                                | Acquisition cost | Net asset value of equity shares <sup>1</sup> | Carrying amount  |
| Samsung Corning Advanced Glass | ₩ 215,000        | ₩ 171,024                                     | ₩ 171,020        |
| Other                          | 259,994          | 65,435  | 61,787           |
| <b>Total</b>                   | <b>₩ 474,994</b> | <b>₩ 236,459</b>                              | <b>₩ 232,807</b> |

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



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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Korean won)

December 31, 2017

| Investee                       | Acquisition cost | Net asset value of equity |         | Carrying amount |
|--------------------------------|------------------|---------------------------|---------|-----------------|
|                                |                  | shares <sup>1</sup>       |         |                 |
| Samsung Corning Advanced Glass | ₩ 215,000        | ₩                         | 170,440 | ₩ 170,425       |
| Other                          | 259,994          |                           | 65,106  | 60,498          |
| <b>Total</b>                   | ₩ 474,994        | ₩                         | 235,546 | ₩ 230,923       |

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

(D) Details of the valuation of investments in associates and joint ventures under the equity method, are as follows:

(1) For the six months ended June 30, 2018

| (In millions of Korean won)    | Balance as at January 1 | Gain/loss on valuation | Other comprehensive income/loss | Other <sup>1</sup> | Balance as at June 30 |
|--------------------------------|-------------------------|------------------------|---------------------------------|--------------------|-----------------------|
| Samsung Electro-Mechanics      | ₩ 991,579               | ₩ 54,547               | ₩ 4,996                         | ₩ (13,988)         | ₩ 1,037,134           |
| Samsung SDS                    | 1,282,205               | 71,849                 | 4,129                           | (34,946)           | 1,323,237             |
| Samsung Biologics              | 1,254,937               | (20,074)               | 119                             | (43,839)           | 1,191,143             |
| Samsung SDI                    | 2,126,244               | 32,082                 | 18,208                          | (13,463)           | 2,163,071             |
| Cheil Worldwide                | 540,114                 | 18,501                 | 3,421                           | (22,068)           | 539,968               |
| Samsung Corning Advanced Glass | 170,425                 | 595                    | -                               | -                  | 171,020               |
| Other                          | 436,847                 | 13,171                 | 8,982                           | 10,382             | 469,382               |
| <b>Total</b>                   | ₩ 6,802,351             | ₩ 170,671              | ₩ 39,855                        | ₩ (117,922)        | ₩ 6,894,955           |

<sup>1</sup> Other consists of acquisitions, disposals, dividends, impairment, reclassification and the cumulative effect of changes in accounting principle.

(2) For the six months ended June 30, 2017

| (In millions of Korean won)    | Balance as at January 1 | Gain/loss on valuation | Other comprehensive income/loss | Other <sup>1</sup> | Balance as at June 30 |
|--------------------------------|-------------------------|------------------------|---------------------------------|--------------------|-----------------------|
| Samsung Electro-Mechanics      | ₩ 997,022               | ₩ 1,122                | ₩ 17,795                        | ₩ (8,847)          | ₩ 1,007,092           |
| Samsung SDS                    | 1,185,703               | 52,078                 | (9,596)                         | (13,103)           | 1,215,082             |
| Samsung Biologics              | 1,289,351               | (17,419)               | (1,425)                         | (1)                | 1,270,506             |
| Samsung SDI                    | 1,232,986               | (18,236)               | 13,306                          | (13,462)           | 1,214,594             |
| Cheil Worldwide                | 517,885                 | 14,474                 | (2,671)                         | (8,711)            | 520,977               |
| Samsung Corning Advanced Glass | 169,485                 | (210)                  | -                               | -                  | 169,275               |
| Other                          | 445,452                 | 9,882                  | (3,320)                         | (34,660)           | 417,354               |
| <b>Total</b>                   | ₩ 5,837,884             | ₩ 41,691               | ₩ 14,089                        | ₩ (78,784)         | ₩ 5,814,880           |

<sup>1</sup> Other consists of acquisitions, disposals, dividends, impairment and reclassification.

**Samsung Electronics Co., Ltd. and its 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 at June 30, 2018 and December 31, 2017, and for the six months ended June 30, 2018 and 2017, is as follows:

| <i>(In millions of Korean won)</i>                     | 2018                             |                |                      |                |                    |
|--|----------------------------------|----------------|----------------------|----------------|--------------------|
|  | Samsung<br>Electro-<br>Mechanics | Samsung<br>SDS | Samsung<br>Biologics | Samsung<br>SDI | Cheil<br>Worldwide |
| <b>1. Condensed financial information</b>              |                                  |                |                      |                |                    |
| <b>Condensed statements of financial position :</b>    |                                  |                |                      |                |                    |
| Current assets   | ₩ 2,736,905                      | ₩ 5,519,619    | ₩ 3,085,273          | ₩ 4,601,841    | ₩ 1,767,072        |
| Non-current assets                                     | 5,493,049                        | 2,103,209      | 4,255,919            | 12,288,621     | 352,865            |
| Current liabilities                                    | 2,806,561                        | 1,437,445      | 2,304,119            | 3,224,880      | 1,150,402          |
| Non-current liabilities                                | 880,376                          | 277,085        | 1,264,933            | 1,909,911      | 119,328            |
| Non-controlling interests                              | 116,635                          | 160,616        | -                    | 235,662        | 8,540              |
| <b>Condensed statements of comprehensive income:</b>   |                                  |                |                      |                |                    |
| Revenue  | ₩ 3,828,545                      | ₩ 4,829,124    | ₩ 256,465            | ₩ 4,156,830    | ₩ 1,722,383        |
| Profit or loss from continuing operations <sup>1</sup> | 233,178                          | 317,756        | (66,803)             | 231,984        | 65,005             |
| Other comprehensive income (loss) <sup>1</sup>         | 1,983                            | 26,692         | 1,695                | 100,822        | 4,661              |
| Total comprehensive income (loss) <sup>1</sup>         | 235,161                          | 344,448        | (65,108)             | 332,806        | 69,666             |
| <b>2. Dividends from associates</b>                    |                                  |                |                      |                |                    |
| Dividends  | ₩ 13,270                         | ₩ 34,944       | ₩ -                  | ₩ 13,463       | ₩ 22,069           |

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

| <i>(In millions of Korean won)</i>                     | 2017                             |                |                      |                |                    |
|--|----------------------------------|----------------|----------------------|----------------|--------------------|
|  | Samsung<br>Electro-<br>Mechanics | Samsung<br>SDS | Samsung<br>Biologics | Samsung<br>SDI | Cheil<br>Worldwide |
| <b>1. Condensed financial information</b>              |                                  |                |                      |                |                    |
| <b>Condensed statements of financial position:</b>     |                                  |                |                      |                |                    |
| Current assets   | ₩ 2,478,798                      | ₩ 5,117,499    | ₩ 620,995            | ₩ 3,605,076    | ₩ 1,889,096        |
| Non-current assets                                     | 5,288,605                        | 2,160,262      | 6,562,096            | 12,146,401     | 349,197            |
| Current liabilities                                    | 2,454,110                        | 1,324,862      | 2,287,442            | 2,670,360      | 1,281,293          |
| Non-current liabilities                                | 981,802                          | 233,469        | 919,198              | 1,629,117      | 101,012            |
| Non-controlling interests                              | 99,848                           | 161,151        | -                    | 194,698        | 9,927              |
| <b>Condensed statements of comprehensive income:</b>   |                                  |                |                      |                |                    |
| Revenue  | ₩ 3,280,346                      | ₩ 4,523,661    | ₩ 170,865            | ₩ 2,759,090    | ₩ 1,499,685        |
| Profit or loss from continuing operations <sup>1</sup> | 35,537                           | 229,566        | (55,172)             | 273,935        | 54,388             |
| Other comprehensive income (loss) <sup>1</sup>         | 76,067                           | (42,496)       | (4,432)              | 93,755         | (8,209)            |
| Total comprehensive income (loss) <sup>1</sup>         | 111,604                          | 187,070        | (59,604)             | 367,690        | 46,179             |
| <b>2. Dividends from associates</b>                    |                                  |                |                      |                |                    |
| Dividends  | ₩ 8,847                          | ₩ 13,104       | ₩ -                  | ₩ 13,463       | ₩ 8,711            |

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

## Samsung Electronics Co., Ltd. and its 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 at June 30, 2018 and December 31, 2017, and for the six months ended June 30, 2018 and 2017, is as follows:

| <i>(In millions of Korean won)</i>                               | Samsung Corning Advanced Glass |         |      |         |
|--|--------------------------------|---------|------|---------|
|  | 2018                           |         | 2017 |         |
| <b>1. Condensed financial information</b>                        |                                |         |      |         |
| <b>Condensed statements of financial position:</b>               |                                |         |      |         |
| Current assets   | ₩                              | 138,493 | ₩    | 128,499 |
| - Cash and cash equivalent                                       |                                | 11,479  |      | 11,035  |
| Non-current assets   |                                | 245,433 |      | 253,840 |
| Current liabilities  |                                | 40,739  |      | 41,325  |
| - Current financial liabilities <sup>1</sup>                     |                                | 19,005  |      | 18,900  |
| Non-current liabilities  |                                | 1,139   |      | 134     |
| <b>Condensed statements of comprehensive income<sup>2</sup>:</b> |                                |         |      |         |
| Revenue  |                                | 111,207 |      | 122,873 |
| Depreciation and amortization                                    |                                | 647     |      | 709     |
| Interest income  |                                | 217     |      | 413     |
| Income tax expense or income                                     |                                | 111     |      | (462)   |
| Net loss from continuing operations <sup>3</sup>                 |                                | 1,169   |      | (441)   |
| Other comprehensive income (loss) <sup>3</sup>                   |                                | -       |      | -       |
| Total comprehensive income (loss) <sup>3</sup>                   |                                | 1,169   |      | (441)   |
| <b>2. Dividends from joint ventures</b>                          |                                |         |      |         |
| Dividends  | ₩                              | -       | ₩    | -       |

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

<sup>2</sup> Amounts relate to the six months ended June 30, 2018 and 2017.

<sup>3</sup> Income (loss) attributable to owners of the parent.

- (3) Income (loss) amounts attributable to owners of the parent from associates and joint ventures which are not individually material for the six months ended June 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>        | 2018            |                | 2017             |                |
|---|-----------------|----------------|------------------|----------------|
|   | Associates      | Joint ventures | Associates       | Joint ventures |
| Profit or loss from continuing operations | ₩ 12,697        | ₩ 474          | ₩ 4,556          | ₩ 5,326        |
| Other comprehensive income (loss)         | 5,392           | 3,590          | (5,784)          | 2,464          |
| <b>Total comprehensive income (loss)</b>  | <b>₩ 18,089</b> | <b>₩ 4,064</b> | <b>₩ (1,228)</b> | <b>₩ 7,790</b> |

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

- (F) Details of marketable investments in associates as at June 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won and number of shares)</i> | June 30, 2018         |              | December 31, 2017 |           |
|---|-----------------------|--------------|-------------------|-----------|
|   | Number of shares held | Market value | Market value      |           |
| Samsung Electro-Mechanics                               | 17,693,084            | ₩ 2,627,423  | ₩                 | 1,769,308 |
| Samsung SDS   | 17,472,110            | 3,503,158    |                   | 3,494,422 |
| Samsung Biologics                                       | 20,836,832            | 8,688,959    |                   | 7,730,465 |
| Samsung SDI   | 13,462,673            | 2,881,012    |                   | 2,753,117 |
| Cheil Worldwide   | 29,038,075            | 599,636      |                   | 615,607   |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 8. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the six months ended June 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>                      | <b>2018</b> |                    | <b>2017</b> |                    |
|---|-------------|--------------------|-------------|--------------------|
| Balance as at January 1                                 | ₩           | 111,665,648        | ₩           | 91,473,041         |
| Acquisition and capital expenditures                    |             | 16,647,807         |             | 22,493,100         |
| Acquisitions through business combinations <sup>1</sup> |             | -                  |             | 858,796            |
| Depreciation  |             | (12,087,806)       |             | (9,615,760)        |
| Disposals/scrap/impairment                              |             | (310,393)          |             | (92,372)           |
| Other <sup>2</sup>                                      |             | 660,884            |             | (1,421,565)        |
| <b>Balance as at June 30</b>                            | <b>₩</b>    | <b>116,576,140</b> | <b>₩</b>    | <b>103,695,240</b> |

<sup>1</sup> During the six months ended June 30, 2017, Samsung Electronics America, the Company's subsidiary, acquired 100% of the equity shares of Harman International Industries and its subsidiaries (Refer to Note 28).

<sup>2</sup> Other includes effects of changes in foreign currency exchange rates and effects of the offset related to government assistance.

(B) Details of depreciation of property, plant and equipment for the six months ended June 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>            | <b>2018</b> |                   | <b>2017</b> |                  |
|---|-------------|-------------------|-------------|------------------|
| Cost of sales                                 | ₩           | 10,985,086        | ₩           | 8,557,135        |
| Selling and administrative expenses and other |             | 1,102,720         |             | 1,058,625        |
| <b>Total</b>                                  | <b>₩</b>    | <b>12,087,806</b> | <b>₩</b>    | <b>9,615,760</b> |

#### 9. Intangible Assets

(A) Changes in intangible assets for the six months ended June 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>                      | <b>2018</b> |                   | <b>2017</b> |                   |
|---|-------------|-------------------|-------------|-------------------|
| Balance as at January 1                                 | ₩           | 14,760,483        | ₩           | 5,344,020         |
| Internally generated (development costs)                |             | 189,478           |             | 195,911           |
| External acquisitions                                   |             | 287,577           |             | 214,847           |
| Acquisitions through business combinations <sup>1</sup> |             | -                 |             | 10,013,241        |
| Amortization  |             | (678,061)         |             | (771,910)         |
| Disposals/scrap/impairment                              |             | (24,740)          |             | (4,548)           |
| Other <sup>2</sup>                                      |             | 464,727           |             | 229,747           |
| <b>Balance as at June 30</b>                            | <b>₩</b>    | <b>14,999,464</b> | <b>₩</b>    | <b>15,221,308</b> |

<sup>1</sup> During the six months ended June 30, 2017, Samsung Electronics America, the Company's subsidiary, acquired 100% of the equity shares of Harman International Industries and its subsidiaries (Refer to Note 28).

<sup>2</sup> Other includes effects of changes in foreign currency exchange rates.

(B) Details of amortization of intangible assets for the six months ended June 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>            | <b>2018</b> |                | <b>2017</b> |                |
|---|-------------|----------------|-------------|----------------|
| Cost of sales                                 | ₩           | 347,978        | ₩           | 479,912        |
| Selling and administrative expenses and other |             | 330,083        |             | 291,998        |
| <b>Total</b>                                  | <b>₩</b>    | <b>678,061</b> | <b>₩</b>    | <b>771,910</b> |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 10. Borrowings

Details of the carrying amounts of borrowings as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>             | Financial Institutions  | Annual Interest Rates (%)<br>as at June 30, 2018 | June 30,<br>2018 | December 31,<br>2017 |
|--|-------------------------|--|------------------|----------------------|
| <b>Short-term borrowings</b>                   |                         |  |                  |                      |
| Collateralized borrowings <sup>1</sup>         | Woori Bank and others   | 0.1 ~ 12.3                                       | ₩ 11,387,601     | ₩ 14,270,202         |
| Non-collateralized borrowings                  | Citibank and others     | 0.1 ~ 18.2                                       | 1,788,413        | 1,497,417            |
| <b>Total</b>                                   |                         |  | ₩ 13,176,014     | ₩ 15,767,619         |
| <b>Current portion of long-term borrowings</b> |                         |  |                  |                      |
| Bank borrowings                                | Mizuho and others       | LIBOR+0.4 ~ 3.3                                  | ₩ 1,843,502      | ₩ 262,493            |
| Financial lease liabilities <sup>2</sup>       | CSSD and others         | 1.1 ~ 15.7                                       | 10,591           | 10,925               |
| <b>Total</b>                                   |                         |  | ₩ 1,854,093      | ₩ 273,418            |
| <b>Long-term borrowings</b>                    |                         |  |                  |                      |
| Bank borrowings                                | Shinhan Bank and others | 3.2 ~ 3.5  | ₩ 34,800         | ₩ 1,756,908          |
| Financial lease liabilities <sup>2</sup>       | CSSD and others         | 1.1 ~ 15.7                                       | 57,835           | 57,538               |
| <b>Total</b>                                   |                         |  | ₩ 92,635         | ₩ 1,814,446          |

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

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

#### 11. Debentures

Details of the carrying amounts of debentures as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>                 | Issue Date | Due Date  | Annual Interest Rates (%)<br>as at June 30, 2018 | June 30,<br>2018             | December 31,<br>2017         |
|--|------------|-----------|--|------------------------------|------------------------------|
| US dollar denominated straight bonds <sup>1</sup>  | 1997.10.2  | 2027.10.1 | 7.7  | ₩ 56,085<br>(US\$50 million) | ₩ 53,570<br>(US\$50 million) |
| US dollar denominated debenture bonds <sup>2</sup> | 2015.5.6   | 2025.5.15 | 4.2  | 448,680<br>(US\$400 million) | 428,560<br>(US\$400 million) |
| EURO denominated debenture bonds <sup>3</sup>      | 2015.5.20  | 2022.5.27 | 2.0  | 453,956<br>(EUR€350 million) | 447,739<br>(EUR€350 million) |
| Less: Current Portion                              |            |           |  | (5,608)                      | (5,357)                      |
| Less: Discounts                                    |            |           |  | (1,348)                      | (1,405)                      |
| More: Premium                                      |            |           |  | 26,989                       | 30,254                       |
| <b>Total</b>                                       |            |           |  | ₩ 978,754                    | ₩ 953,361                    |

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

<sup>2</sup> Harman International Industries issued dollar denominated debenture bonds. Repayment of these debentures is due on the date of maturity and interest is paid semi-annually.

<sup>3</sup> Harman Finance International SCA issued euro denominated debenture bonds. Repayment of these debentures is due on the date of maturity and interest is paid annually.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**12. Net Defined Benefit Liabilities (Assets)**

(A) Details of net defined benefit liabilities (assets) recognized on the statements of financial position as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>                    | <b>June 30, 2018</b> | <b>December 31, 2017</b> |
|---|----------------------|--------------------------|
| Present value of funded defined benefit obligations   | ₩ 7,708,482          | ₩ 7,302,621              |
| Present value of unfunded defined benefit obligations | 247,674              | 234,315                  |
| <b>Subtotal</b>                                       | <b>7,956,156</b>     | <b>7,536,936</b>         |
| Fair value of plan assets                             | (7,936,349)          | (7,972,906)              |
| <b>Total</b>  | <b>₩ 19,807</b>      | <b>₩ (435,970)</b>       |

(B) The amounts recognized in the statements of profit or loss for the six months ended June 30, 2018 and 2017 relating to defined benefit plans are as follows:

| <i>(In millions of Korean won)</i> | <b>2018</b>      | <b>2017</b>      |
|------------------------------------|------------------|------------------|
| Current service cost               | ₩ 409,719        | ₩ 443,381        |
| Net interest cost (income)         | (11,250)         | (7,051)          |
| Other                              | 166              | 2,350            |
| <b>Total</b>                       | <b>₩ 398,635</b> | <b>₩ 438,680</b> |

(C) The expenses related to defined benefit plans recognized on the statements of profit or loss for the six months ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of Korean won)</i>            | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|
| Cost of sales                                 | ₩ 167,088        | ₩ 174,795        |
| Selling and administrative expenses and other | 231,547          | 263,885          |
| <b>Total</b>                                  | <b>₩ 398,635</b> | <b>₩ 438,680</b> |

**13. Provisions**

Changes in the provisions for the six months ended June 30, 2018 are as follows:

| <i>(In millions of Korean won)</i>                    | <b>Warranty (A)</b> | <b>Royalty expenses (B)</b> | <b>Long-term incentives (C)</b> | <b>Bonus (D)</b>   | <b>Other (E, F)</b> | <b>Total</b>       |
|---|---------------------|-----------------------------|---------------------------------|--------------------|---------------------|--------------------|
| Balance as at January 1                               | ₩ 2,011,578         | ₩ 1,759,068                 | ₩ 672,653                       | ₩ -                | ₩ 315,845           | ₩ 4,759,144        |
| Charged (credited) to the statement of profit or loss | 867,068             | (192,033)                   | 135,128                         | 2,211,691          | 128,949             | 3,150,803          |
| Payment   | (838,634)           | (367,874)                   | (230,842)                       | (58,664)           | (125,800)           | (1,621,814)        |
| Other <sup>1</sup>                                    | 8,064               | 108,652                     | 2,018                           | 93,660             | 40,238              | 252,632            |
| <b>Balance as at June 30</b>                          | <b>₩ 2,048,076</b>  | <b>₩ 1,307,813</b>          | <b>₩ 578,957</b>                | <b>₩ 2,246,687</b> | <b>₩ 359,232</b>    | <b>₩ 6,540,765</b> |

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

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (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 recognizes provisions for the estimated royalty expenses that are under negotiation with counterparties. The timing and amount 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 recognizes 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.
- (E) The Company records provisions for the estimated expenses occurring from discontinuing production and sale of products.
- (F) The Company makes provisions for the carrying amounts of emission rights held by the Company and the emission in excess of the emission rights for the applicable years. Details of emission rights and liabilities as at June 30, 2018 are as follows:

- (1) Allocated amount of emission permits and estimated amount of emission as at June 30, 2018 are as follows:

| <i>(In ten thousand metric tons)</i> | <b>June 30, 2018</b> |
|--------------------------------------|----------------------|
| Allocated emission permits           | 1,227                |
| Estimated volume of emission         | 1,649                |

- (2) Changes in the emission permits rights for the six months ended June 30, 2018 are as follows:

| <i>(In millions of Korean won)</i> | <b>2018</b> |               |
|------------------------------------|-------------|---------------|
| Balance as at January 1            | ₩           | 25,059        |
| Acquisition                        |             | -             |
| Disposal                           |             | -             |
| <b>Balance as at June 30</b>       | ₩           | <b>25,059</b> |

- (3) Changes in the provisions for emissions liabilities for the six months ended June 30, 2018 are as follows:

| <i>(In millions of Korean won)</i>         | <b>2018</b> |               |
|--|-------------|---------------|
| Balance as at January 1                    | ₩           | 13,116        |
| Charged to the statement of profit or loss |             | 63,883        |
| Submission                                 |             | (20)          |
| <b>Balance as at June 30</b>               | ₩           | <b>76,979</b> |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 14. Commitments and Contingencies

##### (A) Guarantees

Details of guarantees of debt provided by the Company as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>                 | <b>June 30, 2018</b> |        | <b>December 31, 2017</b> |        |
|--|----------------------|--------|--------------------------|--------|
| Guarantees of debt for housing rental <sup>1</sup> | ₩                    | 32,529 | ₩                        | 49,937 |

<sup>1</sup> The maximum amount of debt guarantee provided by the Company for employees seeking a first home mortgage from financial institutions is ₩106,044 million.

##### (B) Litigation

- (1) The Company and Apple have agreed to settle Apple's design and utility patent litigation in the United States as at the reporting date.
- (2) The Company is involved in claims, disputes, and investigations conducted by regulatory bodies at the reporting date, including civil claims from some overseas buyers for price-fixing related to the sale of TFT-LCD. 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.
- (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, as at the reporting date, the Company believes the outcome will not have a material impact on the financial condition of the Company.

##### (C) Other commitments

Samsung Display entered into a collaboration agreement with Corning Incorporated on October 23, 2013 that includes a condition relating to mutual loss preservation which can cause inflows or outflows of future economic benefits and the Company has recorded an estimated liability as a result of this commitment as at June 30, 2018.



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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 15. Share Capital

As at June 30, the Company's total number of authorized shares has been changed from 500,000,000 shares (₩5,000 per share) to 25,000,000,000 shares (₩100 per share). The Company has issued 6,419,324,700 shares of ordinary shares and 903,629,000 shares of preference shares as at June 30, 2018, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩732,295 million (ordinary shares ₩641,932 million and preference shares ₩90,363 million), which does not agree with paid-in capital of ₩897,514 million.

#### 16. Retained Earnings

(A) Retained earnings as at June 30, 2018 and December 31, 2017 consist of the following:

| <i>(In millions of Korean won)</i> | June 30, 2018        | December 31, 2017    |
|------------------------------------|----------------------|----------------------|
| Appropriated                       | ₩ 150,878,900        | ₩ 139,629,195        |
| Unappropriated                     | 80,186,273           | 76,182,005           |
| <b>Total</b>                       | <b>₩ 231,065,173</b> | <b>₩ 215,811,200</b> |

(B) On April 26, 2018, July 31, 2018, the Company declared cash dividends to shareholders of ordinary shares and preference shares as interim dividends for the three months ended March 31, 2018, June 30, 2018.

Details of interim dividends for the six months ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of Korean won)</i> |  | 2018            |                    | 2017             |                  |
|------------------------------------|--|-----------------|--------------------|------------------|------------------|
|                                    | Number of shares eligible for dividends              | Ordinary shares | 119,395,651        | Preference share | 121,840,851      |
|                                    |  |                 | 16,457,734         |                  | 17,069,534       |
| 1 <sup>st</sup>                    | Dividend rate (based on par value)                   |                 | 354%               |                  | 140%             |
| quarter                            | Dividend amount                                      | Ordinary shares | ₩ 2,113,303        | Preference share | ₩ 852,886        |
|                                    |  |                 | 291,302            |                  | 119,487          |
|                                    | <b>Total</b>   |                 | <b>₩ 2,404,605</b> |                  | <b>₩ 972,373</b> |
|                                    | Number of shares eligible for dividends <sup>1</sup> | Ordinary shares | 5,969,782,550      | Preference share | 121,038,051      |
|                                    |  |                 | 822,886,700        |                  | 16,868,834       |
| 2 <sup>nd</sup>                    | Dividend rate (based on par value)                   |                 | 354%               |                  | 140%             |
| quarter                            | Dividend amount                                      | Ordinary shares | ₩ 2,113,303        | Preference share | ₩ 847,266        |
|                                    |  |                 | 291,302            |                  | 118,082          |
|                                    | <b>Total</b>   |                 | <b>₩ 2,404,605</b> |                  | <b>₩ 965,348</b> |

<sup>1</sup> For the six months ended June 30, 2018, the Company's number of shares has been changed by the stock split (Refer to Note 15).

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**17. Other Components of Equity**

(A) Other components of equity as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>  | <b>June 30, 2018</b>  | <b>December 31, 2017</b> |
|---|-----------------------|--------------------------|
| Treasury stock  | ₩ (4,875,163)         | ₩ (6,228,187)            |
| Unrealized gains on available-for-sale financial assets                               | -                     | 1,879,774                |
| Changes in value of financial assets at fair value through other comprehensive income | 1,618,473             | -                        |
| Share of other comprehensive income of associates and joint ventures                  | (460)                 | 40,394                   |
| Foreign currency translation  | (7,024,502)           | (9,192,002)              |
| Remeasurement of net defined benefit liabilities (assets)                             | (460,188)             | (405,206)                |
| Other   | 46,677                | 6,036                    |
| <b>Total</b>  | <b>₩ (10,695,163)</b> | <b>₩ (13,899,191)</b>    |

(B) The Company repurchases registered ordinary shares and non-voting preference shares for the purpose of stock price stability and increase in shareholder value. The Company recognizes the repurchase amount in other components of equity. Treasury stock as at June 30, 2018 and December 31, 2017 consists of as follows:

| <i>(In millions of Korean won and number of shares)</i> | <b>June 30, 2018</b>   |                          | <b>December 31, 2017</b> |                          |
|---|------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>Ordinary Shares</b> | <b>Preference Shares</b> | <b>Ordinary Shares</b>   | <b>Preference Shares</b> |
| Number of shares <sup>1</sup>                           | 449,542,150            | 80,742,300               | 9,410,125                | 1,720,171                |
| Acquisition cost  | ₩ 4,435,755            | ₩ 439,408                | ₩ 5,560,506              | ₩ 667,681                |

<sup>1</sup> For the six months ended June 30, 2018, the Company's number of shares has been changed by the stock split (Refer to Note 15).

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**18. Expenses by Nature**

Expenses by nature for the three and six months ended June 30, 2018 and 2017 consist of the following:

| <i>(In millions of Korean won)</i>            | <b>June 30, 2018</b> |                     | <b>June 30, 2017</b> |                     |
|---|----------------------|---------------------|----------------------|---------------------|
|   | <b>3 Months</b>      | <b>6 Months</b>     | <b>3 Months</b>      | <b>6 Months</b>     |
| Changes in finished goods and work in process | ₩ (1,586,580)        | ₩ (2,892,814)       | ₩ (756,111)          | ₩ (1,768,144)       |
| Raw materials used and merchandise purchased  | 18,565,994           | 37,804,792          | 20,330,238           | 37,397,849          |
| Wages and salaries                            | 5,461,022            | 10,958,891          | 5,681,627            | 10,778,379          |
| Pension                                       | 233,786              | 468,167             | 240,312              | 477,096             |
| Depreciation                                  | 6,172,543            | 12,087,806          | 4,846,261            | 9,615,760           |
| Amortization                                  | 326,988              | 678,061             | 399,951              | 771,910             |
| Welfare                                       | 1,085,035            | 2,109,524           | 1,016,407            | 1,948,925           |
| Commission and service charges                | 1,043,062            | 2,649,137           | 1,916,215            | 3,759,921           |
| Advertising                                   | 1,020,930            | 1,935,453           | 1,543,615            | 2,362,493           |
| Sales promotion expenses                      | 1,658,546            | 3,458,577           | 1,816,476            | 3,190,681           |
| Other   | 9,632,297            | 19,277,573          | 9,898,999            | 19,048,285          |
| <b>Total<sup>1</sup></b>                      | <b>₩ 43,613,623</b>  | <b>₩ 88,535,167</b> | <b>₩ 46,933,990</b>  | <b>₩ 87,583,155</b> |

<sup>1</sup> Equal to the sum of cost of sales and selling and administrative expenses on the interim consolidated statements of profit or loss.

**19. Selling and Administrative Expenses**

Selling and administrative expenses for the three and six months ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of Korean won)</i>            | <b>June 30, 2018</b> |                 | <b>June 30, 2017</b> |                 |
|---|----------------------|-----------------|----------------------|-----------------|
|   | <b>3 Months</b>      | <b>6 Months</b> | <b>3 Months</b>      | <b>6 Months</b> |
| <b>1) Selling and administrative expenses</b> |                      |                 |                      |                 |
| Wages and salaries                            | ₩ 1,504,300          | ₩ 3,087,245     | ₩ 1,799,454          | ₩ 3,387,757     |
| Pension                                       | 63,461               | 128,381         | 63,293               | 126,100         |
| Commission and service charges                | 1,043,062            | 2,649,137       | 1,916,215            | 3,759,921       |
| Depreciation                                  | 252,923              | 498,805         | 239,275              | 450,308         |
| Amortization                                  | 108,218              | 214,662         | 107,795              | 175,284         |
| Advertising                                   | 1,020,930            | 1,935,453       | 1,543,615            | 2,362,493       |
| Sales promotion expenses                      | 1,658,546            | 3,458,577       | 1,816,476            | 3,190,681       |
| Transportation                                | 603,131              | 1,182,382       | 944,229              | 1,729,873       |
| Warranty                                      | 709,310              | 1,478,419       | 714,822              | 1,566,925       |
| Other   | 1,006,177            | 2,124,427       | 1,418,582            | 2,538,030       |
| <b>2) Research and development expenses</b>   |                      |                 |                      |                 |
| Total expenses                                | 4,448,043            | 8,783,088       | 4,077,480            | 7,936,268       |

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

|                      |                     |                     |                     |                     |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| Capitalized expenses | (79,075)            | (189,478)           | (107,075)           | (195,911)           |
| <b>Total</b>         | <b>₩ 12,339,026</b> | <b>₩ 25,351,098</b> | <b>₩ 14,534,161</b> | <b>₩ 27,027,729</b> |

**20. Other Non-Operating Income and Expenses**

Details of other non-operating income and expenses for the three and six months ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of Korean won)</i>                | <b>June 30, 2018</b> |                  | <b>June 30, 2017</b> |                  |
|---|----------------------|------------------|----------------------|------------------|
|   | <b>3 Months</b>      | <b>6 Months</b>  | <b>3 Months</b>      | <b>6 Months</b>  |
| <b>Non-operating income</b>                       |                      |                  |                      |                  |
| Dividend income                                   | ₩ 40,637             | ₩ 74,964         | ₩ 41,467             | ₩ 73,400         |
| Rental income                                     | 34,883               | 71,890           | 34,713               | 68,078           |
| Gain on disposal of investments                   | 9,179                | 10,737           | 40,049               | 114,497          |
| Gain on disposal of property, plant and equipment | 154,114              | 247,140          | 21,743               | 37,358           |
| Other   | 128,775              | 333,833          | 206,243              | 367,305          |
| <b>Total</b>                                      | <b>₩ 367,588</b>     | <b>₩ 738,564</b> | <b>₩ 344,215</b>     | <b>₩ 660,638</b> |

| <i>(In millions of Korean won)</i>                | <b>June 30, 2018</b> |                  | <b>June 30, 2017</b> |                  |
|---|----------------------|------------------|----------------------|------------------|
|   | <b>3 Months</b>      | <b>6 Months</b>  | <b>3 Months</b>      | <b>6 Months</b>  |
| <b>Non-operating expenses</b>                     |                      |                  |                      |                  |
| Loss on disposal of property, plant and equipment | ₩ 17,519             | ₩ 47,925         | ₩ 27,775             | ₩ 65,060         |
| Donations   | 91,101               | 114,480          | 112,460              | 139,714          |
| Other   | 113,789              | 305,267          | 83,170               | 295,865          |
| <b>Total</b>                                      | <b>₩ 222,409</b>     | <b>₩ 467,672</b> | <b>₩ 223,405</b>     | <b>₩ 500,639</b> |

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**21. Financial Income and Expenses**

(A) Details of financial income and expenses for the three and six months ended June 30, 2018 and 2017 are as follows:

| <i>(In millions of Korean won)</i>   | June 30, 2018 |             | June 30, 2017 |             |
|--|---------------|-------------|---------------|-------------|
|  | 3 Months      | 6 Months    | 3 Months      | 6 Months    |
| <b>Financial income</b>  |               |             |               |             |
| Interest income:   | ₩ 559,454     | ₩ 1,010,759 | ₩ 361,125     | ₩ 761,731   |
| Interest income from loans and receivables                                 | -             | -           | 360,964       | 761,093     |
| Interest income from available-for-sale financial assets                   | -             | -           | 161           | 638         |
| Interest income from financial assets at amortized cost                    | 559,384       | 1,010,621   | -             | -           |
| Interest income from financial assets at fair value through profit or loss | 70            | 138         | -             | -           |
| Foreign exchange differences   | 2,254,844     | 3,726,715   | 1,230,068     | 2,715,125   |
| Gains from derivatives   | 304,762       | 664,786     | 135,981       | 347,470     |
| <b>Total</b>   | ₩ 3,119,060   | ₩ 5,402,260 | ₩ 1,727,174   | ₩ 3,824,326 |

| <i>(In millions of Korean won)</i>                            | June 30, 2018 |             | June 30, 2017 |             |
|---|---------------|-------------|---------------|-------------|
|   | 3 Months      | 6 Months    | 3 Months      | 6 Months    |
| <b>Financial expenses</b>                                     |               |             |               |             |
| Interest expense:   | ₩ 156,383     | ₩ 292,606   | ₩ 160,816     | ₩ 309,206   |
| Interest expense from financial liabilities at amortized cost | 65,622        | 137,364     | 85,407        | 175,705     |
| Other financial liabilities                                   | 90,761        | 155,242     | 75,409        | 133,501     |
| Foreign exchange differences                                  | 2,460,326     | 4,064,265   | 1,185,693     | 2,678,217   |
| Losses from derivatives                                       | 216,036       | 415,414     | 178,110       | 426,660     |
| <b>Total</b>  | ₩ 2,832,745   | ₩ 4,772,285 | ₩ 1,524,619   | ₩ 3,414,083 |

(B) The Company recognizes foreign exchange gains and losses arising from foreign currency transactions and translation as financial income and expenses.

**22. Income Tax Expense**

Income tax expense is recognized based on management's best estimate of the weighted average annual effective income tax rate expected for the full financial year. The average annual tax rate expected as at June 30, 2018 to be effective for the year ended December 31, 2018 is 28.0%.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**23. Earnings per Share**

(A) Basic earnings per share

Basic earnings per share for the three and six months ended June 30, 2018 and 2017 are calculated as follows:

(1) Ordinary Shares

| <i>(In millions of Korean won and thousands of number of shares)</i> | <b>June 30, 2018</b> |                 | <b>June 30, 2017</b> |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | <b>3 Months</b>      | <b>6 Months</b> | <b>3 Months</b>      | <b>6 Months</b> |
| Profit attributable to owners of the Parent company                  | ₩ 10,981,547         | ₩ 22,593,380    | ₩ 10,799,942         | ₩ 18,288,474    |
| Profit available for ordinary shares                                 | 9,651,206            | 19,856,343      | 9,478,704            | 16,050,504      |
| Weighted-average number of ordinary shares outstanding               | 5,969,783            | 5,971,125       | 6,074,711            | 6,097,536       |
| <b>Basic earnings per ordinary share (in Korean won)</b>             | <b>₩ 1,617</b>       | <b>₩ 3,325</b>  | <b>₩ 1,560</b>       | <b>₩ 2,632</b>  |

(2) Preference Shares

| <i>(In millions of Korean won and thousands of number of shares)</i> | <b>June 30, 2018</b> |                 | <b>June 30, 2017</b> |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | <b>3 Months</b>      | <b>6 Months</b> | <b>3 Months</b>      | <b>6 Months</b> |
| Profit attributable to owners of the Parent company                  | ₩ 10,981,547         | ₩ 22,593,380    | ₩ 10,799,942         | ₩ 18,288,474    |
| Profit available for preference shares                               | 1,330,341            | 2,737,037       | 1,321,238            | 2,237,970       |
| Weighted-average number of preference shares outstanding             | 822,887              | 823,199         | 849,144              | 854,850         |
| <b>Basic earnings per preference share (in Korean won)</b>           | <b>₩ 1,617</b>       | <b>₩ 3,325</b>  | <b>₩ 1,556</b>       | <b>₩ 2,618</b>  |

(B) Diluted earnings per share

The Company does not have dilutive potential ordinary shares and as a result, basic earnings per share and diluted earnings per share are the same for the three and six months ended June 30, 2018 and 2017.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**24. Cash Flows**

Adjustments and changes in assets and liabilities arising from operating activities for the six months ended June 30, 2018 and 2017 are as follows:

- Adjustments

| <i>(In millions of Korean won)</i>                | <b>2018</b>         | <b>2017</b>         |
|---|---------------------|---------------------|
| Adjustments for:                                  |                     |                     |
| Income tax expense                                | ₩ 8,850,787         | ₩ 5,838,636         |
| Financial income                                  | (2,943,011)         | (1,834,235)         |
| Financial expenses                                | 2,195,581           | 1,242,698           |
| Post-employment benefits                          | 468,167             | 477,096             |
| Depreciation                                      | 12,087,806          | 9,615,760           |
| Amortization                                      | 678,061             | 771,910             |
| Bad debt expenses (Reversal)                      | (42,734)            | 146,386             |
| Dividend income                                   | (74,964)            | (73,400)            |
| Gain on valuation of equity method                | (170,671)           | (41,691)            |
| Gain on disposal of property, plant and equipment | (247,140)           | (37,358)            |
| Loss on disposal of property, plant and equipment | 47,925              | 65,060              |
| Obsolescence and scrapping of inventories         | 1,034,038           | 769,841             |
| Gain on disposal of investments                   | (10,737)            | (114,497)           |
| Other income/expenses                             | 34,335              | 23,012              |
| <b>Total</b>                                      | <b>₩ 21,907,443</b> | <b>₩ 16,849,218</b> |

- Changes in assets and liabilities arising from operating activities

| <i>(In millions of Korean won)</i>      | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
| Changes in assets and liabilities :     |                      |                      |
| Decrease(Increase) in trade receivables | ₩ 1,667,731          | ₩ (2,378,447)        |
| Decrease in other receivables           | 980,459              | 112,720              |
| Decrease(Increase) in advance payments  | 16,386               | (183,539)            |
| (Increase) decrease in prepaid expenses | (263,272)            | 763,798              |
| Increase in inventories                 | (3,149,586)          | (4,880,235)          |
| (Decrease)Increase in trade payables    | (639,687)            | 2,033,038            |
| Decrease in other payables              | (2,975,268)          | (1,398,283)          |
| Decrease in advances received           | (183,519)            | (112,978)            |
| Increase in withholdings                | 59,821               | 110,462              |
| Decrease in accrued expenses            | (3,600,100)          | (3,053,028)          |
| Increase in provisions                  | 1,548,783            | 1,753,676            |
| Payment of post-employment benefits     | (191,205)            | (281,697)            |
| Other                                   | (1,611,966)          | (1,337,604)          |
| <b>Total</b>                            | <b>₩ (8,341,423)</b> | <b>₩ (8,852,117)</b> |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 25. 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. In addition, the Company uses derivatives to hedge certain risk exposure.

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

The Company also operates local finance centers in accordance with global financial risk management across major regions including the United States, United Kingdom, Singapore, China, Brazil and Russia.

The Company's financial assets that are under financial risk management are comprised of cash and cash equivalents, short-term financial instruments, financial assets at amortized cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, trade receivables and other financial assets. The Company's financial liabilities under financial risk management are comprised of trade payables, borrowings, debentures, and other financial liabilities.

##### (A) Market risk

###### (1) Foreign exchange risk

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 Indian Rupee.

To minimize foreign exchange risk arising from operating activities, the Company's foreign exchange management policy requires normal business transactions to be in local currency or for the cash-in currency to be matched up with the cash-out currency. In addition, the Company makes use of derivatives to minimize uncertainty of cash flows and fluctuation of profit or loss occurring from foreign exchange risk. The Company's foreign exchange risk management policy also defines foreign exchange risk, measuring period, controlling responsibilities, management procedures, hedging period and hedge ratio.

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

###### (2) Price risk

The Company's investment portfolio consists of direct and indirect investments in equity instruments classified as financial assets at fair value through other comprehensive income, which is in line with the Company's strategy.

As at June 30, 2018 and December 31, 2017, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩32,149 million and ₩29,086 million, respectively.



## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (3) Interest rate risk

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

In order to avoid interest rate risk, the Company maintains minimum external borrowings by facilitating cash pooling systems on a regional and global basis. The Company manages exposed interest rate risk via periodic monitoring and handling 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 limit on a periodic basis based on the client's and counterparty's financial conditions, default history and other important factors. Adequate insurance coverage is maintained for accounts receivables related to trading partners situated in higher risk countries.

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

As at June 30, 2018 and December 31, 2017, the Company estimates that its maximum exposure to credit risk is the carrying amount of its financial assets, net of impairment losses.

#### (C) Liquidity risk

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

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

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

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (D) Capital risk management

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

The Company's capital risk management policy has not changed since the previous financial year. The Company has maintained an AA- and Aa3 credit rating from S&P and Moody's, respectively.

The total liabilities to equity ratios as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>       | <b>June 30, 2018</b> | <b>December 31, 2017</b> |
|--|----------------------|--------------------------|
| Total liabilities                        | ₩ 85,563,535         | ₩ 87,260,662             |
| Total equity                             | 233,124,845          | 214,491,428              |
| <b>Total liabilities to equity ratio</b> | 36.7%                | 40.7%                    |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(E) Fair value estimation

- (1) Carrying amounts and fair values of financial instruments by category as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>                                | June 30, 2018        |            | December 31, 2017    |            |
|---|----------------------|------------|----------------------|------------|
|   | Carrying<br>amount   | Fair value | Carrying<br>amount   | Fair value |
| <b>Financial assets</b>   |                      |            |                      |            |
| Cash and cash equivalents   | ₩ 31,362,222         | ₩ 1        | ₩ 30,545,130         | ₩ 1        |
| Short-term financial instruments                                  | 48,717,141           | 1          | 49,447,696           | 1          |
| Short-term available-for-sale financial assets                    | -                    | -          | 3,191,375            | 3,191,375  |
| Short-term financial assets at amortized cost                     | 3,896,630            | 1          | -                    | -          |
| Trade receivables   | 35,013,060           | 1          | 27,695,995           | 1          |
| Long-term available-for-sale financial assets <sup>2</sup>        | -                    | -          | 7,752,180            | 6,561,155  |
| Held-to-maturity financial assets                                 | -                    | -          | 106,751              | 1          |
| Financial assets at amortized cost                                | 242,269              | 1          | -                    | -          |
| Financial assets at fair value through other comprehensive income | 7,436,535            | 7,436,535  | -                    | -          |
| Financial assets at fair value through profit or loss             | 650,775              | 650,775    | -                    | -          |
| Other <sup>3</sup>  | 7,448,293            | 93,444     | 6,325,825            | 113,098    |
| <b>Total financial assets</b>                                     | <b>₩ 134,766,925</b> |            | <b>₩ 125,064,952</b> |            |
| <b>Financial liabilities</b>                                      |                      |            |                      |            |
| Trade payables  | ₩ 8,410,278          | ₩ 1        | ₩ 9,083,907          | ₩ 1        |
| Short-term borrowings   | 13,176,014           | 1          | 15,767,619           | 1          |
| Other payables <sup>3</sup>                                       | 8,369,675            | 1          | 12,106,609           | 316,928    |
| Current portion of long-term liabilities                          | 1,859,552            | 1          | 278,619              | 1          |
| Debentures  | 978,754              | 990,541    | 953,361              | 978,643    |
| Long-term borrowings  | 92,635               | 1          | 1,814,446            | 1          |
| Long-term other payables <sup>3</sup>                             | 1,652,862            | 29,613     | 1,746,184            | 28,285     |
| Other <sup>3</sup>  | 10,143,408           | 130,188    | 10,954,513           | 222,012    |
| <b>Total financial liabilities</b>                                | <b>₩ 44,683,178</b>  |            | <b>₩ 52,705,258</b>  |            |

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

<sup>2</sup> Amounts measured at cost of 1,191,025 million as at December 31, 2017 are excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

<sup>3</sup> Assets measured at cost of ₩7,354,849 million (December 31, 2017: ₩6,212,727 million) and liabilities measured at cost of ₩11,636,469 million (December 31, 2017: ₩24,240,081) are excluded as the carrying amount is a reasonable approximation of fair value.

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (2) Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at June 30, 2018 and December 31, 2017 are as follows:

| <i>(In millions of Korean won)</i>                                | <b>June 30, 2018</b> |                |                |                      |
|---|----------------------|----------------|----------------|----------------------|
|   | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>Total balance</b> |
| <b>1) Assets</b>  |                      |                |                |                      |
| Financial assets at fair value through other comprehensive income | ₩ 3,206,868          | ₩ 61,651       | ₩ 4,168,016    | ₩ 7,436,535          |
| Financial assets at fair value through profit or loss             | 8,044                | -              | 642,731        | 650,775              |
| Other   | -                    | 93,444         | -              | 93,444               |
| <b>2) Liabilities</b>   |                      |                |                |                      |
| Debentures  | ₩ -                  | ₩ 990,541      | ₩ -            | ₩ 990,541            |
| Long-term other payables  | -                    | -              | 29,613         | 29,613               |
| Other   | -                    | 123,659        | 6,529          | 130,188              |

  

| <i>(In millions of Korean won)</i>             | <b>December 31, 2017</b> |                |                |                      |
|--|--------------------------|----------------|----------------|----------------------|
|  | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total balance</b> |
| <b>1) Assets</b>                               |                          |                |                |                      |
| Short-term available-for-sale financial assets | ₩ -                      | ₩ 3,191,375    | ₩ -            | ₩ 3,191,375          |
| Long-term available-for-sale financial assets  | 2,908,581                | -              | 3,652,574      | 6,561,155            |
| Other  | -                        | 113,098        | -              | 113,098              |
| <b>2) Liabilities</b>                          |                          |                |                |                      |
| Other payables                                 | ₩ -                      | ₩ -            | ₩ 316,928      | ₩ 316,928            |
| Debentures                                     | -                        | 978,643        | -              | 978,643              |
| Long-term other payables                       | -                        | -              | 28,285         | 28,285               |
| Other  | -                        | 215,307        | 6,705          | 222,012              |

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

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

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

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.

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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 back to present value

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. For trade and other receivables, the book amount 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 using a proper interest rate for corporate bonds, government and public bonds, and bank debentures that are classified as Level 2 in the fair value hierarchy.

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

*(In millions of Korean won)*

| Classification   | Fair Value | Valuation Technique                       | Level 3 Inputs  | Input Range (Weighted Average)                |
|--|------------|---|---|---|
| <b>Financial assets at fair value through other comprehensive income</b> |            |   |   |   |
| Maltani  | ₩ 14,688   | Discounted cash flow                      | Permanent growth rate<br>Weighted average cost of capital                                   | -1.00% ~ 1.00% (0%)<br>6.40%-8.40%(7.40%)     |
| Samsung Venture Investment   | 7,660      | Discounted cash flow                      | Permanent growth rate<br>Weighted average cost of capital                                   | -1.00% ~ 1.00% (0%)<br>20.43%~22.43%(21.43%)  |
| Corning Incorporated convertible preference shares                       | 3,481,142  | Trinomial model                           | Risk adjusted discount rate<br>Price volatility   | 5.88% ~ 7.88% (6.88%)<br>26.0% ~ 32.0%(29.0%) |
| <b>Long-term other payables</b>  |            |   |   |   |
| Contingent financial liability   | 29,613     | Monte Carlo simulation                    | Discount rate<br>Risk free rate<br>Asset volatility<br>Credit spread                        | 10.50%<br>0.97%<br>34.54%<br>2.12%            |
| <b>Other</b>   |            |   |   |   |
| Contingent financial liability   | 5,216      | Monte Carlo simulation                    | Discount rate<br>Risk free rate<br>Operational leverage ratio<br>Gross margin discount rate | 17.57%<br>0.86%<br>60.00%<br>6.68%            |
| Contingent financial liability   | 1,313      | Probability-weighted discounted cash flow | Weighted average cost of capital<br>Credit risk   | 8.60%<br>2.12%                                |

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(4) Changes in Level 3 instruments:

| <i>(In millions of Korean won)</i>              | <b>2018</b>        | <b>2017</b>        |
|---|--------------------|--------------------|
| <b>Financial Assets</b>                         |                    |                    |
| Balance as at January 1                         | ₩ 3,652,574        | ₩ 3,464,272        |
| Acquisitions                                    | 166,606            | -                  |
| Disposals                                       | (38,403)           | -                  |
| Amount recognized in profit or loss             | (3,594)            | -                  |
| Amount recognized in other comprehensive income | (144,264)          | 273,864            |
| Other   | 1,177,828          | -                  |
| <b>Balance as at June 30</b>                    | <b>₩ 4,810,747</b> | <b>₩ 3,738,136</b> |

| <i>(In millions of Korean won)</i>      | <b>2018</b>     | <b>2017</b>      |
|---|-----------------|------------------|
| <b>Financial Liabilities</b>            |                 |                  |
| Balance as at January 1                 | ₩ 351,918       | ₩ 342,702        |
| Settlement                              | (322,920)       | (2,258)          |
| Amount recognized in profit or loss     | 5,992           | (12,643)         |
| Acquisition in the business combination | -               | 39,083           |
| Other                                   | 1,152           | (579)            |
| <b>Balance as at June 30</b>            | <b>₩ 36,142</b> | <b>₩ 366,305</b> |

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

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

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

| <i>(In millions of Korean won)</i>   | <b>Favorable Changes</b> |                  | <b>Unfavorable Changes</b> |                    |
|--|--------------------------|------------------|----------------------------|--------------------|
|  | <b>Profit or Loss</b>    | <b>Equity</b>    | <b>Profit or Loss</b>      | <b>Equity</b>      |
| Financial assets at fair value through other comprehensive income <sup>1</sup> | ₩ -                      | ₩ 125,784        | ₩ -                        | ₩ (130,512)        |
| <b>Total</b>   | <b>₩ -</b>               | <b>₩ 125,784</b> | <b>₩ -</b>                 | <b>₩ (130,512)</b> |

<sup>1</sup> For equity instruments, changes in fair value are calculated with the correlation among growth rate (-1%~1%), volatility (26.0%~32.0%) and discount rate, which are significant unobservable inputs.

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 26. Segment Information

(A) Operating segment information

The chief operating decision maker has been identified as the Management Committee. The Company determines operating segments based on the units reported to the Management Committee. The Management Committee reviews operating profits of each operating segment in order to assess performance and to make strategic decisions regarding allocation of resources to the segment.

The operating segments are product-based and are identified based on the internal organization and revenue streams. As at the reporting date, the operating segments are comprised of CE, IM, Semiconductor, DP, Harman and others.

The segment information for each reporting period such as depreciation, amortization of intangible assets, and operating profit is prepared after the allocation of internal transaction adjustments. Total assets and liabilities of each operating segment are excluded from the disclosure as these have not been provided regularly to the Management Committee.

(1) For the six months ended June 30, 2018

| <i>(In millions of Korean won)</i> | DS           |              |                    |                |              |             | Total <sup>1</sup> | Intercompany elimination within the Company | Consolidated |
|------------------------------------|--------------|--------------|--------------------|----------------|--------------|-------------|--------------------|---|--------------|
|                                    | CE           | IM           | Total <sup>1</sup> | Semi-conductor | DP           | Harman      |                    |   |              |
| Total segment revenue              | 44,367,178   | 110,740,784  | 113,063,015        | 82,305,452     | 28,191,586   | 5,225,687   | 274,360,383        | (155,314,011)                               | 119,046,372  |
| Intercompany revenue               | (24,224,410) | (58,295,269) | (57,019,451)       | (39,530,072)   | (14,989,015) | (1,150,349) | (155,314,011)      | 155,314,011                                 | -            |
| Net revenue <sup>2</sup>           | 20,142,768   | 52,445,515   | 56,043,564         | 42,775,380     | 13,202,571   | 4,075,338   | 119,046,372        | -   | 119,046,372  |
| Depreciation                       | 272,259      | 576,123      | 10,943,269         | 7,631,976      | 3,247,242    | 114,704     | 12,087,806         | -   | 12,087,806   |
| Amortization                       | 19,503       | 66,290       | 382,232            | 315,504        | 59,838       | 108,676     | 678,061            | -   | 678,061      |
| Operating profit                   | 788,214      | 6,438,794    | 23,453,974         | 23,156,272     | 543,790      | 8,225       | 30,511,205         | -   | 30,511,205   |

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

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

(2) For the three months ended June 30, 2018

| <i>(In millions of Korean won)</i> | DS           |              |                    |                |             |           | Total <sup>1</sup> | Intercompany elimination within the Company | Consolidated |
|------------------------------------|--------------|--------------|--------------------|----------------|-------------|-----------|--------------------|---|--------------|
|                                    | CE           | IM           | Total <sup>1</sup> | Semi-conductor | DP          | Harman    |                    |   |              |
| Total segment revenue              | 22,970,337   | 50,427,978   | 57,039,352         | 42,791,028     | 13,011,234  | 2,680,625 | 133,753,020        | (75,270,362)                                | 58,482,658   |
| Intercompany revenue               | (12,569,243) | (26,432,576) | (29,341,891)       | (20,798,834)   | (7,345,249) | (546,126) | (75,270,362)       | 75,270,362                                  | -            |
| Net revenue <sup>2</sup>           | 10,401,094   | 23,995,402   | 27,697,461         | 21,992,194     | 5,665,985   | 2,134,499 | 58,482,658         | -   | 58,482,658   |
| Depreciation                       | 132,965      | 283,588      | 5,604,305          | 3,951,512      | 1,624,677   | 58,278    | 6,172,543          | -   | 6,172,543    |
| Amortization                       | 5,345        | 32,113       | 179,954            | 147,315        | 29,236      | 54,285    | 326,988            | -   | 326,988      |
| Operating profit                   | 513,061      | 2,669,171    | 11,690,318         | 11,605,913     | 135,527     | 44,965    | 14,869,035         | -   | 14,869,035   |

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

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

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(3) For the six months ended June 30, 2017

| <i>(In millions of Korean won)</i> | DS              |              |                    |                    |              |           |                    | Intercompan<br>y elimination<br>within the<br>Company | Consolidated |
|------------------------------------|-----------------|--------------|--------------------|--------------------|--------------|-----------|--------------------|---|--------------|
|                                    | CE <sup>3</sup> | IM           | Total <sup>1</sup> | Semi-<br>conductor | DP           | Harman    | Total <sup>1</sup> |   |              |
| Total segment revenue              | 47,787,296      | 112,751,891  | 96,645,936         | 63,004,312         | 31,293,228   | 3,538,747 | 263,913,310        | (152,365,247)   | 111,548,063  |
| Intercompany revenue               | (26,769,033)    | (59,242,418) | (48,547,513)       | (29,768,562)       | (16,291,891) | (846,556) | (152,365,247)      | 152,365,247   | -            |
| Net revenue <sup>2</sup>           | 21,018,263      | 53,509,473   | 48,098,423         | 33,235,750         | 15,001,337   | 2,692,191 | 111,548,063        | -   | 111,548,063  |
| Depreciation                       | 290,648         | 647,002      | 8,415,227          | 6,175,549          | 2,141,359    | 70,234    | 9,615,760          | -   | 9,615,760    |
| Amortization                       | 19,196          | 78,144       | 493,135            | 423,868            | 60,797       | 65,787    | 771,910            | -   | 771,910      |
| Operating profit                   | 768,150         | 6,122,117    | 17,280,387         | 14,345,000         | 3,016,920    | 28,385    | 23,964,908         | -   | 23,964,908   |

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

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

<sup>3</sup> CE is restated in correspondence to the reclassification of the Medical Instrument business segment, in which the composition has been changed from CE to others.

(4) For the three months ended June 30, 2017

| <i>(In millions of Korean won)</i> | DS              |              |                    |                    |             |           |                    | Intercompan<br>y elimination<br>within the<br>Company | Consolidated |
|------------------------------------|-----------------|--------------|--------------------|--------------------|-------------|-----------|--------------------|---|--------------|
|                                    | CE <sup>3</sup> | IM           | Total <sup>1</sup> | Semi-<br>conductor | DP          | Harman    | Total <sup>1</sup> |   |              |
| Total segment revenue              | 24,303,437      | 64,310,418   | 50,815,846         | 33,504,359         | 16,005,643  | 2,818,742 | 144,175,047        | (83,174,510)  | 61,000,537   |
| Intercompany revenue               | (13,501,315)    | (34,299,300) | (25,566,031)       | (15,929,036)       | (8,296,591) | (664,300) | (83,174,510)       | 83,174,510  | -            |
| Net revenue <sup>2</sup>           | 10,802,122      | 30,011,118   | 25,249,815         | 17,575,323         | 7,709,052   | 2,154,442 | 61,000,537         | -   | 61,000,537   |
| Depreciation                       | 148,345         | 319,020      | 4,226,211          | 3,072,470          | 1,110,970   | 57,065    | 4,846,261          | -   | 4,846,261    |
| Amortization                       | 9,689           | 38,754       | 241,280            | 206,953            | 30,349      | 48,772    | 399,951            | -   | 399,951      |
| Operating profit                   | 353,634         | 4,056,779    | 9,688,392          | 8,031,005          | 1,711,971   | 5,918     | 14,066,547         | -   | 14,066,547   |

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

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

<sup>3</sup> CE is restated in correspondence to the reclassification of the Printing Solutions business segment, in which the composition of reportable segment has been changed from CE to others.



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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as at and for the three and six months ended June 30, 2018 and 2017, is as follows:

##### (1) For the six months ended June 30, 2018

| <i>(In millions of Korean won)</i> | <b>Korea</b> | <b>America</b> | <b>Europe</b> | <b>Asia and Africa</b> | <b>China</b> | <b>Intercompany elimination within the Company</b> | <b>Consolidated</b> |
|------------------------------------|--------------|----------------|---------------|------------------------|--------------|--|---------------------|
| Net segment revenue                | 14,787,586   | 38,762,089     | 21,533,375    | 22,398,365             | 21,564,957   | -  | 119,046,372         |
| Non-current assets <sup>1</sup>    | 94,327,930   | 10,302,602     | 6,116,306     | 12,180,531             | 9,215,522    | (567,287)  | 131,575,604         |

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

##### (2) For the three months ended June 30, 2018

| <i>(In millions of Korean won)</i> | <b>Korea</b> | <b>America</b> | <b>Europe</b> | <b>Asia and Africa</b> | <b>China</b> | <b>Intercompany elimination within the Company</b> | <b>Consolidated</b> |
|------------------------------------|--------------|----------------|---------------|------------------------|--------------|--|---------------------|
| Net segment revenue                | 6,266,803    | 18,962,735     | 10,509,378    | 10,786,080             | 11,957,662   | -  | 58,482,658          |
| Non-current assets <sup>1</sup>    | 94,327,930   | 10,302,602     | 6,116,306     | 12,180,531             | 9,215,522    | (567,287)  | 131,575,604         |

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

##### (3) For the six months ended June 30, 2017

| <i>(In millions of Korean won)</i> | <b>Korea</b> | <b>America</b> | <b>Europe</b> | <b>Asia and Africa</b> | <b>China</b> | <b>Intercompany elimination within the Company</b> | <b>Consolidated</b> |
|------------------------------------|--------------|----------------|---------------|------------------------|--------------|--|---------------------|
| Net segment revenue                | 12,313,551   | 36,639,567     | 20,763,484    | 22,565,275             | 19,266,186   | -  | 111,548,063         |
| Non-current assets <sup>1</sup>    | 78,744,969   | 11,614,728     | 6,286,621     | 12,670,060             | 10,423,712   | (617,732)  | 119,122,358         |

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

##### (4) For the three months ended June 30, 2017

| <i>(In millions of Korean won)</i> | <b>Korea</b> | <b>America</b> | <b>Europe</b> | <b>Asia and Africa</b> | <b>China</b> | <b>Intercompany elimination within the Company</b> | <b>Consolidated</b> |
|------------------------------------|--------------|----------------|---------------|------------------------|--------------|--|---------------------|
| Net segment revenue                | 6,416,112    | 21,255,139     | 11,482,288    | 11,919,295             | 9,927,703    | -  | 61,000,537          |
| Non-current assets <sup>1</sup>    | 78,744,969   | 11,614,728     | 6,286,621     | 12,670,060             | 10,423,712   | (617,732)  | 119,122,358         |

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

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**27. Related Party Transactions**

(A) Sale and purchase transactions

Sale and purchase transactions with related parties for the six months ended June 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> |  | Name of Company <sup>1</sup>                 | 2018             |                             |                   |                             |
|------------------------------------|--|--|------------------|-----------------------------|-------------------|-----------------------------|
|                                    |  |  | Sales            | Disposal of<br>fixed assets | Purchases         | Purchase of<br>fixed assets |
| Associates and<br>Joint ventures   |  | Samsung SDS                                  | ₩ 48,658         | ₩ -                         | ₩1,050,988        | ₩ 188,967                   |
|                                    |  | Samsung Electro-Mechanics                    | 36,202           | -                           | 1,159,082         | -                           |
|                                    |  | Samsung SDI                                  | 36,982           | -                           | 414,792           | 47,994                      |
|                                    |  | Cheil Worldwide                              | 23,980           | -                           | 441,335           | 2,587                       |
|                                    |  | Other  | 543,460          | -                           | 4,561,210         | 102,105                     |
|                                    |  | <b>Total (Associates and Joint ventures)</b> | <b>₩ 689,282</b> | <b>₩ -</b>                  | <b>₩7,627,407</b> | <b>₩ 341,653</b>            |
| Other related parties              |  | Samsung C&T                                  | ₩ 60,949         | ₩ 183                       | ₩ 166,817         | ₩1,863,833                  |
|                                    |  | Other  | 82,369           | -                           | 474,520           | 389,186                     |
|                                    |  | <b>Total (Other related parties)</b>         | <b>₩ 143,318</b> | <b>₩ 183</b>                | <b>₩ 641,337</b>  | <b>₩2,253,019</b>           |
| Other <sup>2</sup>                 |  | Samsung Engineering                          | ₩ 2,309          | ₩ -                         | ₩ 14,107          | ₩ 616,528                   |
|                                    |  | S-1  | 14,239           | 258                         | 186,957           | 20,474                      |
|                                    |  | Other  | 98,985           | -                           | 118,099           | 77,921                      |
|                                    |  | <b>Total (Other)</b>                         | <b>₩ 115,533</b> | <b>₩ 258</b>                | <b>₩ 319,163</b>  | <b>₩ 714,923</b>            |

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

<sup>2</sup> Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to same enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

| <i>(In millions of Korean won)</i> |  | Name of Company <sup>1</sup>                 | 2017             |                             |                   |                             |
|------------------------------------|--|--|------------------|-----------------------------|-------------------|-----------------------------|
|                                    |  |  | Sales            | Disposal of<br>fixed assets | Purchases         | Purchase of<br>fixed assets |
| Associates and<br>Joint ventures   |  | Samsung SDS                                  | ₩ 33,550         | ₩ -                         | ₩896,677          | ₩ 130,183                   |
|                                    |  | Samsung Electro-Mechanics                    | 24,296           | -                           | 1,060,933         | 302                         |
|                                    |  | Samsung SDI                                  | 37,488           | -                           | 490,439           | 19,395                      |
|                                    |  | Cheil Worldwide                              | 10,575           | -                           | 320,846           | 667                         |
|                                    |  | Other  | 223,902          | -                           | 4,254,680         | 79,382                      |
|                                    |  | <b>Total (Associates and Joint ventures)</b> | <b>₩ 329,811</b> | <b>₩ -</b>                  | <b>₩7,023,575</b> | <b>₩ 229,929</b>            |
| Other related parties              |  | Samsung C&T                                  | ₩ 85,569         | ₩ 68                        | ₩ 189,575         | ₩1,599,365                  |
|                                    |  | Other  | 87,781           | 35                          | 443,286           | 115,277                     |
|                                    |  | <b>Total (Other related parties)</b>         | <b>₩ 173,350</b> | <b>₩ 103</b>                | <b>₩ 632,861</b>  | <b>₩1,714,642</b>           |
| Other <sup>2</sup>                 |  | Samsung Engineering                          | ₩ 5,196          | ₩ -                         | ₩ 15,464          | ₩ 751,610                   |
|                                    |  | S-1  | 24,070           | -                           | 172,441           | 42,077                      |
|                                    |  | Other  | 35,040           | 3                           | 71,834            | 365                         |
|                                    |  | <b>Total (Other)</b>                         | <b>₩ 64,306</b>  | <b>₩ 3</b>                  | <b>₩ 259,739</b>  | <b>₩ 794,052</b>            |

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

<sup>2</sup> Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Balances of receivables and payables arising from sales and purchases of goods and services as at June 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | Name of Company <sup>1</sup>                 | June 30, 2018 |             |
|------------------------------------|--|---------------|-------------|
|                                    |  | Receivables   | Payables    |
| Associates and Joint ventures      | Samsung SDS                                  | ₩ 4,531       | ₩ 437,897   |
|                                    | Samsung Electro-Mechanics                    | 2,092         | 227,706     |
|                                    | Samsung SDI                                  | 86,324        | 114,594     |
|                                    | Cheil Worldwide                              | 279           | 360,169     |
|                                    | Other  | 182,914       | 894,726     |
|                                    | <b>Total (Associates and Joint ventures)</b> | ₩ 276,140     | ₩ 2,035,092 |
| Other related parties              | Samsung C&T                                  | ₩ 246,599     | ₩ 648,158   |
|                                    | Other <sup>2</sup>                           | 29,340        | 1,273,038   |
|                                    | <b>Total (Other related parties)</b>         | ₩ 275,939     | ₩ 1,921,196 |
| Other <sup>3</sup>                 | Samsung Engineering                          | ₩ 2,235       | ₩ 48,738    |
|                                    | S-1  | 985           | 35,775      |
|                                    | Other  | 2,449         | 48,395      |
|                                    | <b>Total (Other)</b>                         | ₩ 5,669       | ₩ 132,908   |

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

<sup>2</sup> Payables include the unsettled amount from purchasing cards with Samsung Card of ₩1,073,852 million. The Company has a purchasing card agreement with a limit of ₩2,543,000 million as at June 30, 2018. For the six months ended June 30, 2018, the amounts used and reimbursed are ₩2,557,646 million and ₩2,605,125 million, respectively.

<sup>3</sup> Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

| <i>(In millions of Korean won)</i> | Name of Company <sup>1</sup>                 | December 31, 2017 |             |
|------------------------------------|--|-------------------|-------------|
|                                    |  | Receivables       | Payables    |
| Associates and Joint ventures      | Samsung SDS                                  | ₩ 14,182          | ₩ 406,760   |
|                                    | Samsung Electro-Mechanics                    | 7,052             | 197,364     |
|                                    | Samsung SDI                                  | 90,370            | 97,193      |
|                                    | Cheil Worldwide                              | 369               | 500,706     |
|                                    | Other  | 250,059           | 954,537     |
|                                    | <b>Total (Associates and Joint ventures)</b> | ₩ 362,032         | ₩ 2,156,560 |
| Other related parties              | Samsung C&T                                  | ₩ 242,506         | ₩ 731,995   |
|                                    | Other <sup>2</sup>                           | 29,457            | 1,313,314   |
|                                    | <b>Total (Other related parties)</b>         | ₩ 271,963         | ₩ 2,045,309 |
| Other <sup>3</sup>                 | Samsung Engineering                          | 2,518             | ₩ 652,519   |
|                                    | S-1  | 2,589             | 58,309      |
|                                    | Other  | 3,369             | 35,774      |
|                                    | <b>Total (Other)</b>                         | ₩ 8,476           | ₩ 746,602   |

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

<sup>2</sup> Payables include the unsettled amount from purchasing cards with Samsung Card of ₩1,121,331 million. The Company has a purchasing card agreement with a limit of ₩2,343,000 million as at December 31, 2017. For the year ended December 31, 2017, the amounts used and reimbursed are ₩5,091,576 million and ₩5,279,430 million, respectively.

<sup>3</sup> Although these entities are not related parties of the Company in accordance with *Korean IFRS 1024*, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (C) For the six months ended June 30, 2018, the Company invested ₩17,137 million (for the six months ended June 30, 2017, ₩12,850 million) in associates and joint ventures. And for the six months ended June 30, 2018, the Company recovered ₩148 million (for the six months ended June 30, 2017, ₩52,204) from associates and joint ventures. In addition, for six months ended June 30, 2018, the Company invested ₩204,055 million to Samsung Heavy Industries, one of the entities that are not related parties of the Company in accordance with *Korean IFRS 1024*, but belong to the same conglomerate according to the Monopoly Regulation and Fair Trade Act.
- (D) For the six months ended June 30, 2018, the Company declared ₩ 941,308 million of dividends (for the six months ended June 30, 2017: ₩829,901 million) to related parties. As at June 30, 2018 and 2017, there are no unpaid dividends to related parties. Also, for the six months ended June 30, 2018, the Company declared ₩72,770 million of dividends (for the six months ended June 30, 2017: ₩64,045 million) to the entities that are not related parties of the Company in accordance with *Korean IFRS 1024*, but belong to the same conglomerate according to the Monopoly Regulation and Fair Trade Act. As at June 30, 2018 and 2017, there are no unpaid dividends to these entities.
- (E) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable for employee services for the six months ended June 30, 2018 and 2017 consists of:

| <i>(In millions of Korean won)</i> | <b>2018</b> | <b>2017</b> |
|------------------------------------|-------------|-------------|
| Short-term employee benefits       | ₩ 5,118     | ₩ 11,974    |
| Post-employment benefits           | 760         | 396         |
| Other long-term employee benefits  | 4,433       | 4,308       |

## Samsung Electronics Co., Ltd. and its Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 28. Business Combination

Significant business combination for the six months ended June 30, 2017 are as follow:

To strengthen automotive electronics and audio business, Samsung Electronics America, the Company's subsidiary, acquired 100% of the equity shares of Harman and its subsidiaries on March 10, 2017.

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

|                              |  |
|------------------------------|--|
| Name of the acquired company | Harman International Industries, Inc. and 109 subsidiaries                     |
| Headquarters location        | Stamford, CT, USA  |
| Representative director      | Dinesh Paliwal   |
| Industry                     | Design, development, manufacture and sale of audio and video system components |

##### (B) Purchase price allocation

| <i>(In millions of Korean Won)</i>      | <b>Amount</b> |           |
|---|---------------|-----------|
| I. Consideration transferred            | ₩             | 9,272,702 |
| II. Identifiable assets and liabilities |               |           |
| Cash and cash equivalents               |               | 647,729   |
| Trade and other receivables             |               | 1,533,437 |
| Inventory                               |               | 1,068,865 |
| Property, plant and equipment           |               | 858,790   |
| Intangible assets                       |               | 5,564,309 |
| Other assets                            |               | 902,824   |
| Trade and other payables                |               | 3,436,020 |
| Deferred tax liabilities                |               | 1,442,527 |
| Other liabilities                       |               | 873,637   |
| Total net identifiable assets           |               | 4,823,770 |
| III. Goodwill (I – II)                  | ₩             | 4,448,932 |

Had Harman and the subsidiaries been consolidated from January 1, 2017, ₩4,170,215 million of revenues and ₩30,803 million of net income would be included on the interim consolidated statement of income for the six months ended June 30, 2017. The revenue and net income contributed by Harman and the subsidiaries since acquisition amount to ₩2,692,191 million and ₩26,531 million, respectively for the six months ended June 30, 2017.