

# 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 256 subsidiaries including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting for its 41 associates, including Samsung Electro-Mechanics.

#### 1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as at September 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
	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
America	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
	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

<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>
America	Harman Financial Group	Management Company	100.0
	Harman International Industries Canada	Sale of audio products	100.0
	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
	Samsung Electronics Home Appliances America (SEHA)	Manufacture of home appliances	100.0
	China Materialia	Venture capital investments	99.0
Europe/CIS	Samsung Electronics (UK) (SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding (SEHG)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH (SSEG)	Sale of semiconductor/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
	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	

<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 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
	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 ApS	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
Europe/CIS	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
	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
	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 (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
China	Samsung Electronics Suzhou Computer (SESC)	Manufacture of electronic devices	100.0
	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 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 September 30, 2018		For the three months ended September 30, 2018		For the nine months ended September 30, 2018	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	₩49,836,709	₩10,546,281	₩9,098,839	₩658,230	₩20,327,834	₩599,393
Samsung Electronics America (SEA)	30,844,367	12,314,676	8,396,872	329,386	22,482,760	652,532
Samsung (China) Investment (SCIC)	17,281,633	15,269,489	659,265	12,355	2,670,800	(80,145)
Harman and its subsidiaries <sup>1</sup>	15,132,670	5,714,624	2,200,810	23,858	6,270,564	(65,258)
Samsung Electronics Vietnam THAINGUYEN(SEVT)	11,917,013	2,716,749	7,368,469	473,234	21,189,837	1,915,919
Samsung Electronics Vietnam(SEV)	11,877,993	1,958,686	5,536,378	416,665	17,068,217	1,857,700
Samsung Semiconductor(SSI)	11,691,361	6,898,946	9,068,095	(185,412)	23,518,964	(141,523)
Samsung (China) Semiconductor(SCS)	9,713,763	2,073,437	1,242,756	465,184	3,589,827	1,177,387
Samsung Display Vietnam(SDV)	9,664,507	7,795,068	6,493,238	440,095	13,554,784	853,309
Samsung Electronics Europe Holding(SEEH)	9,124,281	6,762,965	-	1,582	-	12,861
Shanghai Samsung Semiconductor(SSS)	7,900,808	6,828,265	9,249,477	71,887	23,421,996	205,341
Samsung Asia Private(SAPL)	7,430,017	675,144	476,069	37,000	1,289,422	859,239
Samsung India Electronics(SIEL)	7,396,916	4,499,009	3,098,604	59,725	8,675,215	359,617
Samsung Electronics Huizhou(SEHZ)	6,375,115	680,378	1,924,159	55,596	7,798,046	308,563
Samsung Electronica da Amazonia(SEDA)	5,809,797	1,532,307	1,620,386	292,199	5,236,863	620,118
Samsung Austin Semiconductor(SAS)	5,515,500	588,602	968,094	90,888	2,763,353	253,598
Thai Samsung Electronics(TSE)	2,434,704	418,879	839,828	(7,659)	3,039,146	121,483
Samsung Electronics (UK)(SEUK)	2,331,548	1,690,084	1,162,011	(8,650)	3,520,229	111,436
Samsung Electronics Europe Logistics(SELS)	2,316,718	1,864,056	2,803,147	14,643	9,554,260	341,289
Samsung Electronics GmbH(SEG)	2,247,220	2,401,878	1,256,428	(176,407)	4,500,725	(214,988)
Samsung Electronics HCMC CE Complex(SEHC)	2,101,218	1,151,022	1,350,121	186,857	3,317,338	421,991
Samsung Electronics Hungarian(SEH)	1,980,511	358,402	554,611	7,904	1,750,068	90,328
Samsung Electronics France(SEF)	1,898,060	1,585,566	958,871	(3,872)	2,808,631	20,259
Samsung Suzhou LCD(SSL)	1,819,413	653,915	423,540	18,789	1,215,251	12,107
Samsung Electronics Benelux(SEBN)	1,709,274	583,883	486,101	(10,566)	1,628,708	9,509

<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 September 30, 2017		For the nine months ended September 30, 2017	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	₩50,723,199	₩12,243,688	₩7,261,121	₩622,567	₩20,173,103	₩2,642,465
Samsung Electronics America (SEA)	26,266,636	8,980,828	8,357,290	(5,218)	23,995,468	307,293
Harman and its subsidiaries <sup>1</sup>	14,676,715	5,391,669	2,086,611	(26,705)	4,778,802	(174)
Samsung (China) Investment(SCIC)	13,409,281	11,297,307	1,522,101	142,112	4,203,425	195,899
Samsung Display Vietnam(SDV)	10,460,755	9,495,803	4,598,457	210,221	10,236,161	689,613
Samsung Semiconductor(SSI)	10,125,193	5,376,696	8,316,809	19,349	20,521,935	56,290
Samsung Electronics Vietnam THAINGUYEN(SEVT)	10,044,337	2,325,221	7,316,692	791,186	21,824,215	2,713,677
Samsung Electronics Vietnam(SEV)	9,592,074	1,875,105	5,427,215	768,347	14,594,861	1,790,742
Samsung Electronics Europe Holding(SEEH)	9,474,960	7,241,753	-	2,588	-	16,467
Samsung (China) Semiconductor(SCS)	8,076,107	1,499,220	1,243,016	423,033	3,320,052	934,502
Samsung Electronics Huizhou(SEHZ)	6,440,564	980,064	3,946,570	182,654	10,427,697	459,891
Samsung India Electronics(SIEL)	6,200,351	3,406,484	2,778,124	233,650	8,529,829	636,008
Samsung Asia Private(SAPL)	6,138,652	481,546	499,369	20,541	1,436,450	520,938
Samsung Electronica da Amazonia(SEDA)	5,838,533	1,514,891	1,819,544	411,072	5,236,894	990,575
Shanghai Samsung Semiconductor(SSS)	5,169,438	4,182,832	5,675,015	55,166	17,590,283	162,922
Samsung Austin Semiconductor(SAS)	4,943,576	448,772	912,648	35,607	2,590,710	89,810
Thai Samsung Electronics(TSE)	2,191,519	371,379	1,201,853	68,720	3,524,268	100,761
Samsung Electronics Slovakia(SESK)	2,019,572	1,051,361	759,034	30,294	2,352,969	91,901
Samsung Suzhou LCD(SSL)	2,019,262	852,618	452,401	19,963	1,333,251	92,601
Samsung Electronics Europe Logistics(SELS)	1,927,321	1,810,014	3,786,317	23,091	10,210,444	214,972
Samsung Electronics Hungarian(SEH)	1,823,278	238,383	680,561	42,987	2,001,636	98,857
Samsung Electronics HCMC CE Complex(SEHC)	1,784,883	1,282,489	1,109,529	87,383	2,883,624	193,372
Samsung Electronics GmbH(SEG)	1,743,138	1,685,252	1,561,719	(35,216)	4,726,018	(14,685)
Samsung Electronics (UK)(SEUK)	1,615,723	1,094,995	1,253,634	20,605	3,502,058	147,813
Samsung Electronics Indonesia(SEIN)	1,562,037	1,002,213	782,062	21,555	2,309,552	80,500

<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 newly included in the consolidation for the nine months ended September 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>
	AMX LLC	Merger <sup>4</sup>
	AMX Holding Corporation	Merger <sup>5</sup>
	Southern Vision Systems	Merger <sup>6</sup>
	Triple Play Integration	Merger <sup>7</sup>
Europe/CIS	Joyent (UK)	Liquidation
	Aditi Technologies Europe	Liquidation
	AMX (Germany)	Merger <sup>8</sup>
	Harman Professional Germany GmbH	Merger <sup>9</sup>
Asia	Harman Malaysia Sdn. Bhd.	Liquidation
China	Harman Connected Services Taiwan	Liquidation
	Harman Automotive InfoTech (Dalian)	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.

<sup>4</sup> AMX LLC merged into Harman Professional., a subsidiary of the Company, in July 2018.

<sup>5</sup> AMX Holding Corporation merged into Harman Professional., a subsidiary of the Company, in July 2018.

<sup>6</sup> Southern Vision Systems merged into Harman Professional., a subsidiary of the Company, in July 2018.

<sup>7</sup> Triple Play Integration merged into Harman Connected Services, Inc., a subsidiary of the Company, in July 2018.

<sup>8</sup> AMX (Germany) merged into Harman Deutschland., a subsidiary of the Company, in September 2018

<sup>9</sup> Harman Professional Germany GmbH merged into Harman Deutschland., a subsidiary of the Company, in September 2018

(2) Subsidiaries newly included in the consolidation for the nine months ended September 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 nine months ended September 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 September 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.

#### (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.

#### (C) Financial Liabilities

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (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:

<i>(In millions of Korean won)</i>	Category		Carrying amount	
	<i>Korean IFRS 1039</i>	<i>Korean IFRS 1109</i>	<i>Korean IFRS 1039</i>	<i>Korean IFRS 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:

(In millions of Korean won)	Retained Earnings	Other components of equity		
		Unrealized gains or losses on available-for-sale financial assets	Gains or losses on financial assets at fair value through other comprehensive income	Share of other comprehensive income of associates and joint ventures
<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 of Korean IFRS 1115</b>		<b>Adjustments</b>	<b>Amount after application 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 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 of Korean IFRS 1115</b>		<b>Adjustments</b>	<b>Amount after application of Korean IFRS 1115</b>	
Trade receivables	₩	34,559,390	₩ 7,380,618	₩	41,940,008
Prepaid expenses		4,201,777	(296)		4,201,481
Inventories		28,529,308	(286,501)		28,242,807
Other current assets		1,765,393	287,599		2,052,992
Investments in associates and joint ventures		7,044,012	(38,668)		7,005,344
<b>Total assets</b>	₩	329,853,034	₩ 7,342,752	₩	337,195,786
Accrued expenses	₩	9,509,620	₩ 6,821,572	₩	16,331,192
Other current liabilities		14,338,512	560,550		14,899,062
<b>Total liabilities</b>	₩	87,710,504	₩ 7,382,122	₩	95,092,626
Retained earnings	₩	241,667,692	₩ (39,370)	₩	241,628,322
<b>Total equity</b>	₩	242,142,530	₩ (39,370)	₩	242,103,160

## 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 of Korean IFRS 1115</b>	<b>Adjustments</b>	<b>Amount after application of Korean IFRS 1115</b>
Revenue	₩ 184,505,563	₩ 802	₩ 184,506,365
Cost of sales	98,377,625	802	98,378,427
Gross profit	86,127,938	-	86,127,938
Operating profit	48,086,070	-	48,086,070
Gain on valuation of equity method	286,580	2,546	289,126
Income tax expense	13,668,714	702	13,669,416
Profit for the period	35,880,828	1,843	35,882,671
Total comprehensive income for the period	36,267,789	1,843	36,269,632

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 nine months ended September 30, 2018.

Contract liabilities as at September 30, 2018 amount to ₩7,628,905 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 ₩1090.96 to US \$1, the average exchange rate for the nine month period ended in September 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 September 30, 2018 and December 31, 2017, are as follows:

(A) As at September 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	₩ 33,088,093	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 33,088,093
Short-term financial instruments	58,681,418	-	-	-	-	-	-	58,681,418
Trade receivables	41,940,008	-	-	-	-	-	-	41,940,008
Financial assets at amortized cost	3,688,537	-	-	-	-	-	-	3,688,537
Financial assets at fair value through other comprehensive income	-	7,921,160	-	-	-	-	-	7,921,160
Financial assets at fair value through profit or loss	-	-	700,224	-	-	-	-	700,224
Other	8,227,112	-	44,523	21,205	-	-	-	8,292,840
<b>Total</b>	₩ 145,625,168	₩ 7,921,160	₩ 744,747	₩ 21,205	₩ -	₩ -	₩ -	₩ 154,312,280

<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	₩ -	₩ 10,209,231	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 10,209,231
Short-term borrowings	-	1,997,371	16,829,153	-	-	-	-	18,826,524
Other payables	-	8,152,127	-	-	-	-	-	8,152,127
Current portion of long-term liabilities	-	1,799,346	-	-	-	-	-	1,799,346
Debentures	-	972,435	-	-	-	-	-	972,435
Long-term borrowings	-	87,101	-	-	-	-	-	87,101
Long-term other payables	29,375	1,348,538	-	-	-	-	-	1,377,913
Other	137,836	8,795,044	27,131	-	-	-	-	8,960,011
<b>Total</b>	₩ 167,211	₩ 33,361,193	₩ 16,856,284	₩ -	₩ -	₩ -	₩ -	₩ 50,384,688

<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 September 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>September 30, 2018</b>	<b>December 31, 2017</b>
Equity instruments	₩ 7,900,418	₩ -
Debt instruments	20,742	-
<b>Total</b>	₩ 7,921,160	₩ -

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

<i>(In millions of Korean won)</i>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Equity instruments	₩ 389,356	₩ -
Debt instruments	310,868	-
<b>Total</b>	₩ 700,224	₩ -

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 September 30, 2018 and December 31, 2017, are as follows:

<i>(In millions of Korean won, number of shares and percentage)</i>	<b>September 30, 2018</b>		
	<b>Number of Shares Owned</b>	<b>Percentage of Ownership<sup>1</sup> (%)</b>	<b>Carrying Amount (Market Value)</b>
Samsung Heavy Industries	100,693,398	16.0	₩ 813,603
Hotel Shilla	2,004,717	5.1	217,512
iMarket Korea	647,320	1.8	4,259
SFA	3,644,000	10.2	133,370
Wonik Holdings	3,518,342	4.6	17,486
Wonik IPS	3,701,872	9.0	82,922
ASML	6,297,787	1.4	1,311,806
Wacom	8,398,400	5.0	39,892
BYD	52,264,808	1.9	415,160
Other			197,657
<b>Total</b>			₩ 3,233,667

<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 September 30, 2018 and December 31, 2017, are as follows:

<i>(In millions of Korean won)</i>	<b>September 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 September 30, 2018 and December 31, 2017, are as follows:

<i>(In millions of Korean won)</i>	<b>September 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, number of shares and percentage)</i>	<b>December 31, 2017</b>			
	<b>Number of Shares Owned</b>	<b>Percentage of Ownership<sup>1</sup> (%)</b>	<b>Acquisition Cost</b>	<b>Carrying Amount (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 September 30, 2018 and December 31, 2017, are as follows:

<i>(In millions of Korean won)</i>	September 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	₩ 8,588,792	₩ (474,078)	₩ 8,114,714	₩ 8,201,526	₩ (897,089)	₩ 7,304,437
Work in process	10,351,993	(415,928)	9,936,065	7,331,394	(217,493)	7,113,901
Raw materials and supplies	9,730,099	(769,260)	8,960,839	10,196,123	(782,906)	9,413,217
Materials in transit	1,231,189	-	1,231,189	1,151,800	-	1,151,800
<b>Total</b>	<b>₩ 29,902,073</b>	<b>₩ (1,659,266)</b>	<b>₩ 28,242,807</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 nine months ended September 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	17,564	19,510
Disposal	(148)	(52,834)
Share of profit	289,126	122,114
Other <sup>1</sup>	(103,549)	(12,416)
<b>Balance as at September 30</b>	<b>₩ 7,005,344</b>	<b>₩ 5,914,258</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 September 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 September 30, 2018 and December 31, 2017, are as follows:

(1) Investments in associates

*(In millions of Korean won)*

Investee	September 30, 2018		
	Acquisition cost	Net asset value of equity shares <sup>1</sup>	Carrying amount
Samsung Electro-Mechanics	₩ 359,237	₩ 1,090,834	₩ 1,095,156
Samsung SDS	147,963	1,323,430	1,348,877
Samsung Biologics	443,193	1,178,245	1,181,922
Samsung SDI	1,242,605	2,366,766	2,178,297
Cheil Worldwide	506,162	246,902	547,549
Other	601,976	247,740	419,834
<b>Total</b>	<b>₩ 3,301,136</b>	<b>₩ 6,453,917</b>	<b>₩ 6,771,635</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	September 30, 2018		
	Acquisition cost	Net asset value of equity shares <sup>1</sup>	Carrying amount
Samsung Corning Advanced Glass	₩ 215,000	₩ 171,718	₩ 171,715
Other	259,994	65,857	61,994
<b>Total</b>	<b>₩ 474,994</b>	<b>₩ 237,575</b>	<b>₩ 233,709</b>

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

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

**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 nine months ended September 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 September 30
Samsung Electro-Mechanics	₩ 991,579	₩ 112,816	₩ 4,749	₩ (13,988)	₩ 1,095,156
Samsung SDS	1,282,205	103,254	(1,637)	(34,945)	1,348,877
Samsung Biologics	1,254,937	(29,566)	390	(43,839)	1,181,922
Samsung SDI	2,126,244	48,443	17,073	(13,463)	2,178,297
Cheil Worldwide	540,114	27,657	1,846	(22,068)	547,549
Samsung Corning Advanced Glass	170,425	1,290	-	-	171,715
Other	436,847	25,232	9,363	10,386	481,828
<b>Total</b>	₩ 6,802,351	₩ 289,126	₩ 31,784	₩ (117,917)	₩ 7,005,344

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

(2) For the nine months ended September 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 September 30
Samsung Electro-Mechanics	₩ 997,022	₩ 20,114	₩ 11,678	₩ (8,846)	₩ 1,019,968
Samsung SDS	1,185,703	85,087	(4,987)	(13,103)	1,252,700
Samsung Biologics	1,289,351	(27,287)	(1,345)	(1)	1,260,718
Samsung SDI	1,232,986	(10,559)	3,619	(13,463)	1,212,583
Cheil Worldwide	517,885	26,586	8,412	(8,711)	544,172
Samsung Corning Advanced Glass	169,485	1,826	-	(1)	171,310
Other	445,452	26,347	5,600	(24,592)	452,807
<b>Total</b>	₩ 5,837,884	₩ 122,114	₩ 22,977	₩ (68,717)	₩ 5,914,258

<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 the 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 September 30, 2018 and December 31, 2017, and for the nine months ended September 30, 2018 and 2017, is as follows:

<i>(In millions of Korean won)</i>	2018				
	Samsung Electro- Mechanics	Samsung SDS	Samsung Biologics	Samsung SDI	Cheil Worldwide
<b>1. Condensed financial information</b>					
<b>Condensed statements of financial position :</b>					
Current assets	₩3,670,576	₩5,756,683	₩3,061,812	₩5,362,621	₩ 1,746,320
Non-current assets	4,942,674	2,110,622	4,243,711	13,063,354	359,858
Current liabilities	2,762,754	1,525,315	2,354,861	3,461,645	1,115,980
Non-current liabilities	1,069,364	316,439	1,209,277	2,928,929	119,538
Non-controlling interests	118,127	164,481	-	279,844	9,519
<b>Condensed statements of comprehensive income:</b>					
Revenue	₩6,194,843	₩7,252,142	₩ 357,532	₩6,679,626	₩ 2,591,403
Profit or loss from continuing operations <sup>1</sup>	470,854	456,676	(96,945)	446,864	96,072
Other comprehensive income (loss) <sup>1</sup>	930	1,331	1,082	121,490	(5,463)
Total comprehensive income (loss) <sup>1</sup>	471,784	458,007	(95,863)	568,354	90,609
<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 Electro- Mechanics	Samsung SDS	Samsung Biologics	Samsung SDI	Cheil 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	₩ 5,121,485	₩ 6,832,584	₩ 298,318	₩ 4,467,095	₩ 2,376,059
Profit or loss from continuing operations <sup>1</sup>	107,397	375,363	(86,871)	419,668	95,969
Other comprehensive income (loss) <sup>1</sup>	49,921	(22,085)	(4,346)	63,709	28,133
Total comprehensive income (loss) <sup>1</sup>	157,318	353,278	(91,217)	483,377	124,102
<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 condensed financial information of major joint ventures and dividends received from joint ventures as at September 30, 2018 and December 31, 2017, and for the nine months ended September 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	₩ 147,340	₩ 128,499
- Cash and cash equivalent	10,997	11,035
Non-current assets	240,331	253,840
Current liabilities	42,592	41,325
- Current financial liabilities <sup>1</sup>	17,865	18,900
Non-current liabilities	1,643	134
<b>Condensed statements of comprehensive income<sup>2</sup>:</b>		
Revenue	177,017	184,735
Depreciation and amortization	981	1,032
Interest income	311	597
Income tax expense or income	135	218
Net loss from continuing operations <sup>3</sup>	2,558	3,619
Other comprehensive income (loss) <sup>3</sup>	-	-
Total comprehensive income (loss) <sup>3</sup>	2,558	3,619
<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 nine months ended September 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 nine months ended September 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	₩ 24,197	₩ 1,035	₩ 20,479	₩ 5,868
Other comprehensive income (loss)	6,668	2,695	701	4,899
<b>Total comprehensive income (loss)</b>	<b>₩ 30,865</b>	<b>₩ 3,730</b>	<b>₩ 21,180</b>	<b>₩ 10,767</b>

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

<i>(In millions of Korean won and number of shares)</i>	September 30, 2018		December 31, 2017	
	Number of shares held	Market value	Market value	
Samsung Electro-Mechanics	17,693,084	₩ 2,459,339	₩	1,769,308
Samsung SDS	17,472,110	4,036,057		3,494,422
Samsung Biologics	20,836,832	11,126,868		7,730,465
Samsung SDI	13,462,673	3,480,101		2,753,117
Cheil Worldwide	29,038,075	628,674		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 nine months ended September 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	22,294,169	32,874,746
Acquisitions through business combinations <sup>1</sup>	-	858,798
Depreciation	(18,569,050)	(14,886,343)
Disposals/scrap/impairment/reversal	(364,172)	(153,969)
Other <sup>2</sup>	(23,447)	(1,160,182)
<b>Balance as at September 30</b>	<b>₩ 115,003,148</b>	<b>₩ 109,006,091</b>

<sup>1</sup> During the nine months ended September 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 nine months ended September 30, 2018 and 2017, are as follows:

<i>(In millions of Korean won)</i>	<b>2018</b>	<b>2017</b>
Cost of sales	₩ 16,910,212	₩ 13,292,501
Selling and administrative expenses and other	1,658,838	1,593,842
<b>Total</b>	<b>₩ 18,569,050</b>	<b>₩ 14,886,343</b>

#### 9. Intangible Assets

- (A) Changes in intangible assets for the nine months ended September 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)	229,153	307,775
External acquisitions	447,459	288,070
Acquisitions through business combinations <sup>1</sup>	-	10,017,528
Amortization	(1,020,676)	(1,155,447)
Disposals/scrap/impairment/reversal	(29,131)	(8,547)
Other <sup>2</sup>	412,808	582,770
<b>Balance as at September 30</b>	<b>₩ 14,800,096</b>	<b>₩ 15,376,169</b>

<sup>1</sup> During the nine months ended September 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 nine months ended September 30, 2018 and 2017, are as follows:

<i>(In millions of Korean won)</i>	<b>2018</b>	<b>2017</b>
Cost of sales	₩ 519,921	₩ 698,209
Selling and administrative expenses and other	500,755	457,238
<b>Total</b>	<b>₩ 1,020,676</b>	<b>₩ 1,155,447</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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	Financial Institutions	Annual Interest Rates (%) as at September 30, 2018	September 30, 2018	December 31, 2017
<b>Short-term borrowings</b>				
Collateralized borrowings <sup>1</sup>	Woori Bank and others	0.1 ~ 10.9	₩ 16,829,153	₩ 14,270,202
Non-collateralized borrowings	Citibank and others	0.1 ~ 34.5	1,997,371	1,497,417
<b>Total</b>			₩ 18,826,524	₩ 15,767,619
<b>Current portion of long-term borrowings</b>				
Bank borrowings	Mizuho and others	LIBOR+0.4 ~ 3.3	₩ 1,782,986	₩ 262,493
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	10,938	10,925
<b>Total</b>			₩ 1,793,924	₩ 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	52,301	57,538
<b>Total</b>			₩ 87,101	₩ 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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as at September 30, 2018	September 30, 2018	December 31, 2017
US dollar denominated straight bonds <sup>1</sup>	1997.10.2	2027.10.1	7.7	₩ 55,635 (US\$50 million)	₩ 53,570 (US\$50 million)
US dollar denominated debenture bonds <sup>2</sup>	2015.5.6	2025.5.15	4.2	445,080 (US\$400 million)	428,560 (US\$400 million)
EURO denominated debenture bonds <sup>3</sup>	2015.5.20	2022.5.27	2.0	453,101 (EUR€350 million)	447,739 (EUR€350 million)
Less: Current Portion				(5,563)	(5,357)
Less: Discounts				(1,274)	(1,405)
More: Premium				25,456	30,254
<b>Total</b>				₩ 972,435	₩ 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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Present value of funded defined benefit obligations	₩ 7,916,057	₩ 7,302,621
Present value of unfunded defined benefit obligations	244,795	234,315
<b>Subtotal</b>	<b>8,160,852</b>	<b>7,536,936</b>
Fair value of plan assets	(7,926,726)	(7,972,906)
<b>Total</b>	<b>₩ 234,126</b>	<b>₩ (435,970)</b>

(B) The amounts recognized in the statements of profit or loss for the nine months ended September 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	₩ 613,729	₩ 663,880
Net interest cost (income)	(16,385)	(9,277)
Other	8,914	2,621
<b>Total</b>	<b>₩ 606,258</b>	<b>₩ 657,224</b>

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

<i>(In millions of Korean won)</i>	<b>2018</b>	<b>2017</b>
Cost of sales	₩ 250,413	₩ 265,815
Selling and administrative expenses and other	355,845	391,409
<b>Total</b>	<b>₩ 606,258</b>	<b>₩ 657,224</b>

**13. Provisions**

Changes in the provisions for the nine months ended September 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	1,303,063	(261,543)	224,540	3,202,900	224,438	4,693,398
Payment	(1,321,024)	(437,891)	(247,781)	(393,096)	(131,800)	(2,531,592)
Other <sup>1</sup>	(18,276)	98,141	14,486	81,266	426,626	602,243
<b>Balance as at September 30</b>	<b>₩ 1,975,341</b>	<b>₩ 1,157,775</b>	<b>₩ 663,898</b>	<b>₩ 2,891,070</b>	<b>₩ 835,109</b>	<b>₩ 7,523,193</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, sale of products and other activities.
- (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 September 30, 2018 are as follows:

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

<i>(In ten thousand metric tons)</i>	<b>September 30, 2018</b>
Allocated emission permits	1,272
Estimated volume of emission	1,647

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

<i>(In millions of Korean won)</i>	<b>2018</b>	
Balance as at January 1	₩	25,059
Acquisition		2,236
Disposal		-
<b>Balance as at September 30</b>	<b>₩</b>	<b>27,295</b>

- (3) Changes in the provisions for emissions liabilities for the nine months ended September 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		68,547
Submission		(13,217)
<b>Balance as at September 30</b>	<b>₩</b>	<b>68,446</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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2018</b>		<b>December 31, 2017</b>	
Guarantees of debt for housing rental <sup>1</sup>	₩	32,550	₩	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 September 30, 2018.

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 15. Share Capital

As at September 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 September 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 September 30, 2018 and December 31, 2017 consist of the following:

<i>(In millions of Korean won)</i>	September 30, 2018	December 31, 2017
Appropriated	₩ 150,878,900	₩ 139,629,195
Unappropriated	90,749,422	76,182,005
<b>Total</b>	<b>₩ 241,628,322</b>	<b>₩ 215,811,200</b>

(B) On April 26, 2018, July 31, 2018, October 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, and September 30, 2018, respectively.

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

<i>(In millions of Korean won)</i>		<b>2018</b>		<b>2017</b>	
1 <sup>st</sup> quarter	Number of shares eligible for dividends	Ordinary shares	119,395,651	121,840,851	
		Preference share	16,457,734	17,069,534	
	Dividend rate (based on par value)		354%	140%	
Dividend amount	Ordinary shares	₩ 2,113,303	₩ 852,886		
	Preference share	291,302	119,487		
	<b>Total</b>	<b>₩ 2,404,605</b>	<b>₩ 972,373</b>		
2 <sup>nd</sup> quarter	Number of shares eligible for dividends <sup>1</sup>	Ordinary shares	5,969,782,550	121,038,051	
		Preference share	822,886,700	16,868,834	
	Dividend rate (based on par value)		354%	140%	
Dividend amount	Ordinary shares	₩ 2,113,303	₩ 847,266		
	Preference share	291,302	118,082		
	<b>Total</b>	<b>₩ 2,404,605</b>	<b>₩ 965,348</b>		
3 <sup>rd</sup> quarter	Number of shares eligible for dividends <sup>1</sup>	Ordinary shares	5,969,782,550	120,316,189	
		Preference share	822,886,700	16,691,095	
	Dividend rate (based on par value)		354%	140%	
Dividend amount	Ordinary shares	₩ 2,113,303	₩ 842,213		
	Preference share	291,302	116,838		
	<b>Total</b>	<b>₩ 2,404,605</b>	<b>₩ 959,051</b>		

<sup>1</sup> For the nine months ended September 31, 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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>September 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	1,894,779	-
Share of other comprehensive income of associates and joint ventures	(8,519)	40,394
Foreign currency translation	(9,028,355)	(9,192,002)
Remeasurement of net defined benefit liabilities (assets)	(477,591)	(405,206)
Other	41,500	6,036
<b>Total</b>	<b>₩ (12,453,349)</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 September 30, 2018 and December 31, 2017 consists of as follows:

<i>(In millions of Korean won and number of shares)</i>	<b>September 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 nine months ended September 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 nine months ended September 30, 2018 and 2017 consist of the following:

<i>(In millions of Korean won)</i>	<b>September 30, 2018</b>		<b>September 30, 2017</b>	
	<b>3 Months</b>	<b>9 Months</b>	<b>3 Months</b>	<b>9 Months</b>
Changes in finished goods and work in process	₩ (739,625)	₩ (3,632,439)	₩ (2,418,855)	₩ (4,186,999)
Raw materials used and merchandise purchased	20,440,504	58,245,296	21,509,283	58,907,132
Wages and salaries	5,500,229	16,459,120	5,648,974	16,427,353
Pension	237,477	705,644	244,320	721,416
Depreciation	6,481,244	18,569,050	5,270,583	14,886,343
Amortization	342,615	1,020,676	383,537	1,155,447
Welfare	988,504	3,098,028	922,622	2,871,547
Commission and service charges	1,501,583	4,150,720	1,944,076	5,703,997
Advertising	880,905	2,816,358	1,360,249	3,722,742
Sales promotion expenses	1,806,935	5,265,512	2,036,701	5,227,382
Other	10,444,757	29,722,330	10,614,252	29,662,537
<b>Total<sup>1</sup></b>	<b>₩ 47,885,128</b>	<b>₩ 136,420,295</b>	<b>₩ 47,515,742</b>	<b>₩ 135,098,897</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 nine months ended September 30, 2018 and 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2018</b>		<b>September 30, 2017</b>	
	<b>3 Months</b>	<b>9 Months</b>	<b>3 Months</b>	<b>9 Months</b>
<b>1) Selling and administrative expenses</b>				
Wages and salaries	₩ 1,503,110	₩ 4,590,355	₩ 1,656,927	₩ 5,044,684
Pension	68,139	196,520	64,963	191,063
Commission and service charges	1,501,583	4,150,720	1,944,076	5,703,997
Depreciation	256,003	754,808	241,305	691,613
Amortization	112,888	327,550	107,488	282,772
Advertising	880,905	2,816,358	1,360,249	3,722,742
Sales promotion expenses	1,806,935	5,265,512	2,036,701	5,227,382
Transportation	618,347	1,800,729	961,194	2,691,067
Warranty	522,088	2,000,507	701,240	2,268,165
Other	900,773	3,025,200	1,255,649	3,793,679
<b>2) Research and development expenses</b>				
Total expenses	4,559,674	13,342,762	4,293,695	12,229,963
Capitalized expenses	(39,675)	(229,153)	(111,864)	(307,775)
<b>Total</b>	<b>₩ 12,690,770</b>	<b>₩ 38,041,868</b>	<b>₩ 14,511,623</b>	<b>₩ 41,539,352</b>

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

<i>(In millions of Korean won)</i>	September 30, 2018		September 30, 2017	
	3 Months	9 Months	3 Months	9 Months
<b>Non-operating income</b>				
Dividend income	₩ 27,655	₩ 102,619	₩ 27,524	₩ 100,924
Rental income	34,468	106,358	36,722	104,800
Gain on disposal of investments	5,886	16,623	17,376	131,873
Gain on disposal of property, plant and equipment	25,312	272,452	27,249	64,607
Other	83,291	417,124	266,903	634,208
<b>Total</b>	₩ 176,612	₩ 915,176	₩ 375,774	₩ 1,036,412

<i>(In millions of Korean won)</i>	September 30, 2018		September 30, 2017	
	3 Months	9 Months	3 Months	9 Months
<b>Non-operating expenses</b>				
Loss on disposal of property, plant and equipment	₩ 11,409	₩ 59,334	₩ 25,444	₩ 90,504
Donations	81,428	219,626	68,491	208,205
Other	59,517	341,066	184,187	480,052
<b>Total</b>	₩ 152,354	₩ 620,026	₩ 278,122	₩ 778,761

**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 nine months ended September 30, 2018 and 2017 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2018		September 30, 2017	
	3 Months	9 Months	3 Months	9 Months
<b>Financial income</b>				
Interest income:	₩ 616,374	₩ 1,627,133	₩ 420,785	₩ 1,182,516
Interest income from loans and receivables	-	-	420,439	1,181,532
Interest income from available-for-sale financial assets	-	-	346	984
Interest income from financial assets at amortized cost	616,294	1,626,915	-	-
Interest income from financial assets at fair value through profit or loss	80	218	-	-
Foreign exchange differences	1,748,308	5,475,023	1,975,746	4,690,871
Gains from derivatives	136,471	801,257	214,318	561,788
<b>Total</b>	₩ 2,501,153	₩ 7,903,413	₩ 2,610,849	₩ 6,435,175

<i>(In millions of Korean won)</i>	September 30, 2018		September 30, 2017	
	3 Months	9 Months	3 Months	9 Months
<b>Financial expenses</b>				
Interest expense:	₩ 189,639	₩ 482,245	₩ 161,386	₩ 470,592
Interest expense from financial liabilities at amortized cost	69,850	207,214	77,015	252,720
Other financial liabilities	119,789	275,031	84,371	217,872
Foreign exchange differences	1,866,097	5,930,362	1,993,815	4,672,032
Losses from derivatives	193,651	609,065	252,142	678,802
<b>Total</b>	₩ 2,249,387	₩ 7,021,672	₩ 2,407,343	₩ 5,821,426

(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 September 30, 2018 to be effective for the year ended December 31, 2018 is 27.6%.

**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 nine months ended September 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>September 30, 2018</b>		<b>September 30, 2017</b>	
	<b>3 Months</b>	<b>9 Months</b>	<b>3 Months</b>	<b>9 Months</b>
Profit attributable to owners of the Parent company	₩ 12,967,428	₩ 35,560,808	₩ 11,039,771	₩ 29,328,245
Profit available for ordinary shares	11,396,510	31,252,853	9,694,653	25,753,240
Weighted-average number of ordinary shares outstanding	5,969,783	5,970,672	6,032,831	6,075,720
<b>Basic earnings per ordinary share (in Korean won)</b>	₩ 1,909	₩ 5,234	₩ 1,607	₩ 4,239

(2) Preference Shares

<i>(In millions of Korean won and thousands of number of shares)</i>	<b>September 30, 2018</b>		<b>September 30, 2017</b>	
	<b>3 Months</b>	<b>9 Months</b>	<b>3 Months</b>	<b>9 Months</b>
Profit attributable to owners of the Parent company	₩ 12,967,428	₩ 35,560,808	₩ 11,039,771	₩ 29,328,245
Profit available for preference shares	1,570,918	4,307,955	1,345,118	3,575,005
Weighted-average number of preference shares outstanding	822,887	823,094	838,802	849,439
<b>Basic earnings per preference share (in Korean won)</b>	₩ 1,909	₩ 5,234	₩ 1,604	₩ 4,209

(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 nine months ended September 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 nine months ended September 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	₩ 13,669,416	₩ 9,559,965
Financial income	(2,922,912)	(2,509,171)
Financial expenses	1,995,250	1,883,994
Post-employment benefits	705,644	721,416
Depreciation	18,569,050	14,886,343
Amortization	1,020,676	1,155,447
Bad debt expenses (Reversal)	46,742	202,076
Dividend income	(102,619)	(100,924)
Gain on valuation of equity method	(289,126)	(122,114)
Gain on disposal of property, plant and equipment	(272,452)	(64,607)
Loss on disposal of property, plant and equipment	59,334	90,504
Obsolescence and scrapping of inventories	1,569,403	1,145,018
Gain on disposal of investments	(16,623)	(131,873)
Other income/expenses	105,531	39,412
<b>Total</b>	<b>₩ 34,137,314</b>	<b>₩ 26,755,486</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 :		
Increase in trade receivables	₩ (5,409,393)	₩ (4,469,738)
Decrease(Increase) in other receivables	858,372	(224,170)
Decrease(Increase) in advance payments	47,854	(409,827)
(Increase)decrease in prepaid expenses	(221,570)	361,933
Increase in inventories	(4,960,503)	(8,940,606)
Increase in trade payables	1,189,019	3,517,958
(Decrease)Increase in other payables	(3,350,738)	262,412
(Decrease)Increase in advances received	(126,106)	6,315
Increase in withholdings	33,325	527,843
Decrease in accrued expenses	(3,989,982)	(3,052,284)
Increase in provisions	2,161,806	2,722,467
Payment of post-employment benefits	(271,804)	(353,566)
Other	(2,231,773)	(1,686,277)
<b>Total</b>	<b>₩ (16,271,493)</b>	<b>₩ (11,737,540)</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 September 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 ₩32,337 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 September 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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Total liabilities	₩ 95,092,626	₩ 87,260,662
Total equity	242,103,160	214,491,428
<b>Total liabilities to equity ratio</b>	39.3%	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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	September 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	₩ 33,088,093	₩ 1	₩ 30,545,130	₩ 1
Short-term financial instruments	58,681,418	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	3,446,114	1	-	-
Trade receivables	41,940,008	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	242,423	1	-	-
Financial assets at fair value through other comprehensive income	7,921,160	7,921,160	-	-
Financial assets at fair value through profit or loss	700,224	700,224	-	-
Other <sup>3</sup>	8,292,840	65,728	6,325,825	113,098
<b>Total financial assets</b>	<b>₩ 154,312,280</b>		<b>₩ 125,064,952</b>	
<b>Financial liabilities</b>				
Trade payables	₩ 10,209,231	₩ 1	₩ 9,083,907	₩ 1
Short-term borrowings	18,826,524	1	15,767,619	1
Other payables <sup>3</sup>	8,152,127	1	12,106,609	316,928
Current portion of long-term liabilities	1,799,346	1	278,619	1
Debentures	972,435	979,443	953,361	978,643
Long-term borrowings	87,101	1	1,814,446	1
Long-term other payables <sup>3</sup>	1,377,913	29,375	1,746,184	28,285
Other <sup>3</sup>	8,960,011	164,967	10,954,513	222,012
<b>Total financial liabilities</b>	<b>₩ 50,384,688</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 discount rates and the probabilities of the various estimates cannot be reasonably assessed.

<sup>3</sup> Assets measured at cost of ₩8,227,112 million (December 31, 2017: ₩6,212,727 million) and liabilities measured at cost of ₩10,143,582 million (December 31, 2017: ₩24,240,081) are excluded as the carrying amount is a reasonable approximation of fair value.

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

### 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 September 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>September 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	₩ 3,223,961	₩ 20,742	₩ 4,676,457	₩ 7,921,160
Financial assets at fair value through profit or loss	9,706	-	690,518	700,224
Other	-	65,728	-	65,728
<b>2) Liabilities</b>				
Debentures	₩ -	₩ 979,443	₩ -	₩ 979,443
Long-term other payables	-	-	29,375	29,375
Other	-	158,490	6,477	164,967

<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.

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

### 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	₩ 13,379	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 6.95%-8.95%(7.95%)
Samsung Venture Investment	7,660	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 20.43%~22.43%(21.43%)
Corning Incorporated convertible preference shares	3,955,709	Trinomial model	Risk adjusted discount rate Price volatility	5.93% ~ 7.93% (6.93%) 25.40% ~ 31.40%(28.40%)
<b>Long-term other payables</b>				
Contingent financial liability	29,375	Monte Carlo simulation	Discount rate Risk free rate Asset volatility Credit spread	10.50% 0.97% 34.54% 2.12%
<b>Other</b>				
Contingent financial liability	5,174	Monte Carlo simulation	Discount rate Risk free rate Operational leverage ratio Gross margin discount rate	17.57% 0.86% 60.00% 6.68%
Contingent financial liability	1,303	Probability-weighted discounted cash flow	Weighted average cost of capital Credit risk	8.60% 2.12%

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(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	247,848	-
Disposals	(59,039)	-
Amount recognized in profit or loss	14,064	-
Amount recognized in other comprehensive income	335,396	305,730
Other	1,176,132	-
<b>Balance as at September 30</b>	<b>₩ 5,366,975</b>	<b>₩ 3,770,002</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)	(2,669)
Amount recognized in profit or loss	5,992	(7,062)
Acquisition in the business combination	-	39,083
Other	862	(355)
<b>Balance as at September 30</b>	<b>₩ 35,852</b>	<b>₩ 371,699</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>
<b>Classification</b>				
Financial assets at fair value through other comprehensive income <sup>1</sup>	₩ -	₩ 124,398	₩ -	₩ (117,984)
<b>Total</b>	<b>₩ -</b>	<b>₩ 124,398</b>	<b>₩ -</b>	<b>₩ (117,984)</b>

<sup>1</sup> For equity instruments, changes in fair value are calculated with the correlation among growth rate (-1%~1%), volatility (25.40%~31.40%) and discount rate, which are significant unobservable inputs.

# Samsung Electronics Co., Ltd. and its Subsidiaries

## 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 nine months ended September 30, 2018

<i>(In millions of Korean won)</i>	DS							Intercompany elimination within the Company	Consolidated
	CE	IM	Total <sup>1</sup>	Semi- conductor	DP	Harman	Total <sup>1</sup>		
Total segment revenue	69,020,638	165,178,323	183,721,916	130,205,866	49,961,288	7,912,289	427,436,384	(242,930,019)	184,506,365
Intercompany revenue	(38,699,109)	(87,820,191)	(92,916,865)	(62,662,375)	(26,670,515)	(1,620,241)	(242,930,019)	242,930,019	-
Net revenue <sup>2</sup>	30,321,529	77,358,132	90,805,051	67,543,491	23,290,773	6,292,048	184,506,365	-	184,506,365
Depreciation	407,032	871,145	16,846,472	11,926,478	4,831,653	171,811	18,569,050	-	18,569,050
Amortization	28,716	97,003	574,783	477,175	87,269	166,860	1,020,676	-	1,020,676
Operating profit	1,347,200	8,660,035	38,018,029	36,806,613	1,644,879	89,203	48,086,070	-	48,086,070

<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 September 30, 2018

<i>(In millions of Korean won)</i>	DS							Intercompany elimination within the Company	Consolidated
	CE	IM	Total <sup>1</sup>	Semi- conductor	DP	Harman	Total <sup>1</sup>		
Total segment revenue	24,653,460	54,437,539	70,658,901	47,900,414	21,769,702	2,686,602	153,076,001	(87,616,008)	65,459,993
Intercompany revenue	(14,474,699)	(29,524,922)	(35,897,414)	(23,132,303)	(11,681,500)	(469,892)	(87,616,008)	87,616,008	-
Net revenue <sup>2</sup>	10,178,761	24,912,617	34,761,487	24,768,111	10,088,202	2,216,710	65,459,993	-	65,459,993
Depreciation	134,773	295,022	5,903,203	4,294,502	1,584,411	57,107	6,481,244	-	6,481,244
Amortization	9,213	30,713	192,551	161,671	27,431	58,184	342,615	-	342,615
Operating profit	558,986	2,221,241	14,564,055	13,650,341	1,101,089	80,978	17,574,865	-	17,574,865

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

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



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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(3) For the nine months ended September 30, 2017

<i>(In millions of Korean won)</i>	DS							Intercompany elimination within the Company	Consolidated
	CE <sup>3</sup>	IM	Total <sup>1</sup>	Semi-conductor	DP	Harman	Total <sup>1</sup>		
Total segment revenue	74,065,059	172,584,132	153,567,934	101,116,514	48,818,569	6,247,783	411,378,137	(237,781,173)	173,596,964
Intercompany revenue	(42,036,577)	(91,383,243)	(77,451,858)	(47,974,854)	(25,536,589)	(1,468,988)	(237,781,173)	237,781,173	-
Net revenue <sup>2</sup>	32,028,482	81,200,889	76,116,076	53,141,660	23,281,980	4,778,795	173,596,964	-	173,596,964
Depreciation	438,524	960,529	13,070,012	9,382,684	3,550,219	127,169	14,886,343	-	14,886,343
Amortization	28,942	115,940	720,124	617,148	91,493	119,444	1,155,447	-	1,155,447
Operating profit	1,253,221	9,412,022	28,127,074	24,307,704	3,985,508	(4,180)	38,498,067	-	38,498,067

<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 of reportable segment has been changed from CE to others.

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

<i>(In millions of Korean won)</i>	DS							Intercompany elimination within the Company	Consolidated
	CE <sup>3</sup>	IM	Total <sup>1</sup>	Semi-conductor	DP	Harman	Total <sup>1</sup>		
Total segment revenue	26,277,763	59,832,241	56,921,998	38,112,202	17,525,341	2,709,036	147,464,827	(85,415,926)	62,048,901
Intercompany revenue	(15,267,544)	(32,140,825)	(28,904,345)	(18,206,292)	(9,244,698)	(622,432)	(85,415,926)	85,415,926	-
Net revenue <sup>2</sup>	11,010,219	27,691,416	28,017,653	19,905,910	8,280,643	2,086,604	62,048,901	-	62,048,901
Depreciation	147,876	313,527	4,654,785	3,207,135	1,408,860	56,935	5,270,583	-	5,270,583
Amortization	9,746	37,796	226,989	193,280	30,696	53,657	383,537	-	383,537
Operating profit	485,071	3,289,905	10,846,687	9,962,704	968,588	(32,565)	14,533,159	-	14,533,159

<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 of reportable segment has been changed from CE to others.

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

### 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 nine months ended September 30, 2018 and 2017, is as follows:

##### (1) For the nine months ended September 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	24,737,974	61,234,078	31,721,437	32,836,589	33,976,287	-	184,506,365
Non-current assets <sup>1</sup>	93,699,847	10,055,368	6,070,517	11,846,848	8,784,903	(654,239)	129,803,244

<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 September 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	9,950,388	22,471,989	10,188,062	10,438,224	12,411,330	-	65,459,993
Non-current assets <sup>1</sup>	93,699,847	10,055,368	6,070,517	11,846,848	8,784,903	(654,239)	129,803,244

<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 nine months ended September 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	20,003,910	58,189,893	31,970,019	34,298,140	29,135,002	-	173,596,964
Non-current assets <sup>1</sup>	84,293,206	11,462,791	6,458,846	12,799,148	10,198,654	(622,272)	124,590,373

<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 September 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	7,690,359	21,550,326	11,206,535	11,732,865	9,868,816	-	62,048,901
Non-current assets <sup>1</sup>	84,293,206	11,462,791	6,458,846	12,799,148	10,198,654	(622,272)	124,590,373

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**27. Related Party Transactions**

(A) Sale and purchase transactions

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

		<b>2018</b>			
<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates and Joint ventures	Samsung SDS	₩ 59,533	₩ -	₩ 1,562,247	₩ 272,066
	Samsung Electro-Mechanics	47,651	-	1,631,481	-
	Samsung SDI	51,195	-	610,839	77,358
	Cheil Worldwide	24,768	-	649,160	3,258
	Other	734,731	-	7,180,346	146,075
	<b>Total (Associates and Joint ventures)</b>	<b>₩ 917,878</b>	<b>₩ -</b>	<b>₩11,634,073</b>	<b>₩ 498,757</b>
Other related parties	Samsung C&T	₩ 82,924	₩ 183	₩ 240,816	₩ 2,670,286
	Other	123,339	-	759,604	629,321
	<b>Total (Other related parties)</b>	<b>₩ 206,263</b>	<b>₩ 183</b>	<b>₩ 1,000,420</b>	<b>₩ 3,299,607</b>
Other <sup>2</sup>	Samsung Engineering	₩ 2,753	₩ -	₩ 17,180	₩ 981,671
	S-1	27,761	258	294,703	25,651
	Other	119,609	-	288,532	190,119
	<b>Total (Other)</b>	<b>₩ 150,123</b>	<b>₩ 258</b>	<b>₩ 600,415</b>	<b>₩ 1,197,441</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 large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

		<b>2017</b>			
<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates and Joint ventures	Samsung SDS	₩ 42,780	₩ -	₩1,418,329	₩ 215,689
	Samsung Electro-Mechanics	36,097	-	1,627,909	302
	Samsung SDI	49,204	-	749,487	38,605
	Cheil Worldwide	11,563	-	531,035	667
	Other	362,439	-	6,458,820	114,773
	<b>Total (Associates and Joint ventures)</b>	<b>₩ 502,083</b>	<b>₩ -</b>	<b>₩10,785,580</b>	<b>₩ 370,036</b>
Other related parties	Samsung C&T	₩ 135,430	₩ 68	₩ 288,664	₩2,786,369
	Other	124,278	35	689,190	196,646
	<b>Total (Other related parties)</b>	<b>₩ 259,708</b>	<b>₩ 103</b>	<b>₩ 977,854</b>	<b>₩2,983,015</b>
Other <sup>2</sup>	Samsung Engineering	₩ 7,336	₩ -	₩ 31,886	₩1,188,742
	S-1	35,258	-	267,145	59,373
	Other	51,198	3	171,477	365
	<b>Total (Other)</b>	<b>₩ 93,792</b>	<b>₩ 3</b>	<b>₩ 470,508</b>	<b>₩1,248,480</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 September 30, 2018 and December 31, 2017, are as follows:

<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	September 30, 2018	
		Receivables	Payables
Associates and Joint ventures	Samsung SDS	₩ 9,339	₩ 382,836
	Samsung Electro-Mechanics	2,271	220,007
	Samsung SDI	89,857	110,184
	Cheil Worldwide	259	359,391
	Other	259,769	975,255
	<b>Total (Associates and Joint ventures)</b>	₩ 361,495	₩ 2,047,673
Other related parties	Samsung C&T	₩ 237,723	₩ 259,032
	Other <sup>2</sup>	29,562	1,343,794
	<b>Total (Other related parties)</b>	₩ 267,285	₩ 1,602,826
Other <sup>3</sup>	Samsung Engineering	₩ 2,069	₩ 70,758
	S-1	3,133	38,996
	Other	5,772	86,658
	<b>Total (Other)</b>	₩ 10,974	₩ 196,412

<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 ₩1,166,917 million. The Company has a purchasing card agreement with a limit of ₩2,543,000 million as at September 30, 2018. For the nine months ended September 30, 2018, the amounts used and reimbursed are ₩3,724,851 million and ₩3,679,265 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 nine months ended September 30, 2018, the Company invested ₩17,564 million (for the nine months ended September 30, 2017, ₩19,510 million) in associates and joint ventures. And for the nine months ended September 30, 2018, the Company recovered ₩148 million (for the nine months ended September 30, 2017, ₩52,732 million) from associates and joint ventures. In addition, for nine months ended September 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 nine months ended September 30, 2018, the Company declared ₩ 1,357,898 million of dividends (for the nine months ended September 30, 2017: ₩997,625 million) to related parties. As at September 30, 2018 and 2017, there are no unpaid dividends to related parties. Also, for the nine months ended September 30, 2018, the Company declared ₩104,206 million of dividends (for the nine months ended September 30, 2017: ₩77,039 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 September 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 nine months ended September 30, 2018 and 2017 consists of:

<i>(In millions of Korean won)</i>	<b>2018</b>	<b>2017</b>
Short-term employee benefits	₩ 7,100	₩ 14,376
Post-employment benefits	1,083	594
Other long-term employee benefits	6,142	6,462

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 28. Business Combination

Significant business combination for the nine months ended September 30, 2017 are as follows:

To strengthen the Company's position in automotive electronics and the 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 its subsidiaries been consolidated from January 1, 2017, ₩6,256,826 million of revenues and ₩4,098 million of net income would be included on the interim consolidated statement of income for the nine months ended September 30, 2017. The revenue and net loss contributed by Harman and its subsidiaries since acquisition amount to ₩4,778,802 million and ₩174 million, respectively for the nine months ended September 30, 2017.