

**SAMSUNG Electronics Slovakia s.r.o.**

Financial Statements  
as at 31 December 2016  
and for the year then ended

in accordance with International Financial Reporting Standards  
(IFRS) as adopted by the European Union (EU)

(Translation from Slovak original)

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Translation of the Auditor's Report originally prepared in Slovak language

**Independent Auditor's Report**

To the Owners and Directors of SAMSUNG Electronics Slovakia s.r.o.:

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of SAMSUNG Electronics Slovakia s.r.o. („the Company“), which comprise the statement of financial position as at 31 December 2016, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended (“the Act on Statutory Audit”) including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Statutory Body for the Financial Statements*

Statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by statutory body.
- Conclude on the appropriateness of statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Report on Other Legal and Regulatory Requirements

### *Reporting on Information in the Annual Report*

Statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the financial statements, mentioned above, does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report was not available to us as of the date of this auditor's report.

When we obtain the Annual Report, we will consider whether it includes the disclosures required by the Act on Accounting, and, based on the work undertaken in the course of the audit of the financial statements, we will express an opinion as to whether:

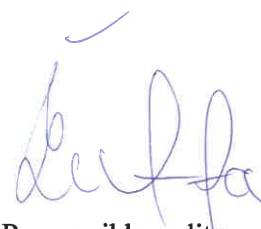
- the information given in the Annual Report for the year 2016 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the Annual Report in light of the knowledge and understanding of the accounting entity and its environment that we have acquired during the course of the audit of the financial statements.

20 January 2017  
Bratislava, Slovak Republic



Auditing company:  
KPMG Slovensko spol. s r.o.  
License SKAU No. 96



Responsible auditor:  
Ing. Marek Žuffa  
License UDVA No. 1086

SAMSUNG Electronics Slovakia s.r.o.

Statement of profit or loss and other comprehensive income  
for the year ended 31 December 2016

*In thousands of euro*

	<i>Note</i>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
Revenue	6	2 840 676	2 770 721
Cost of sales	7	(2 698 385)	(2 630 522)
<b>Gross profit</b>		<b>142 291</b>	<b>140 199</b>
Administrative and selling expenses	8	(26 319)	(26 814)
<b>Operating profit</b>		<b>115 972</b>	<b>113 385</b>
Finance income	9	14 459	17 853
Finance costs	9	(13 856)	(19 282)
Other non-operating income / (expense)		(376)	825
<b>Profit before tax</b>		<b>116 199</b>	<b>112 781</b>
Income tax expense	10	(26 343)	(25 940)
<b>Profit for the period</b>		<b>89 856</b>	<b>86 841</b>
<b>Other comprehensive income</b>			
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income for the period</b>		<b>89 856</b>	<b>86 841</b>

The notes on pages 5 to 31 are an integral part of these financial statements.

SAMSUNG Electronics Slovakia s.r.o.

Statement of financial position

as at 31 December 2016

*In thousands of euro*

	<i>Note</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Assets</b>			
Property, plant and equipment	11	91 640	54 329
Intangible assets	12	648	908
Deferred tax asset	13	6 261	3 305
<b>Total non-current assets</b>		<b>98 549</b>	<b>58 542</b>
Inventories	14	295 363	339 751
Trade and other receivables	15	438 145	298 864
Cash and cash equivalents	16	787 907	777 499
<b>Total current assets</b>		<b>1 521 415</b>	<b>1 416 114</b>
<b>Total assets</b>		<b>1 619 964</b>	<b>1 474 656</b>
<b>Equity</b>			
Share capital	17	43 098	43 098
Legal reserve fund	17	4 310	4 310
Retained earnings		1 225 127	1 135 271
<b>Total equity</b>		<b>1 272 535</b>	<b>1 182 679</b>
<b>Liabilities</b>			
Interest bearing loans and borrowings	18	-	1 031
Trade and other payables	20	344 284	282 832
Current tax payable		3 145	8 114
<b>Total current liabilities</b>		<b>347 429</b>	<b>291 977</b>
<b>Total liabilities</b>		<b>347 429</b>	<b>291 977</b>
<b>Total equity and liabilities</b>		<b>1 619 964</b>	<b>1 474 656</b>

The notes on pages 5 to 31 form an integral part of these financial statements.

SAMSUNG Electronics Slovakia s.r.o.  
Statement of changes in equity  
for the year ended 31 December 2016

*In thousands of euro*

	Share capital (Note 17)	Legal reserve fund (Note 17)	Retained earnings	Total
<b>Balance as of 1 January 2015</b>	<b>43 098</b>	<b>4 310</b>	<b>1 048 430</b>	<b>1 095 838</b>
Increase in share capital	-	-	-	-
Contribution to legal reserve fund	-	-	-	-
Total comprehensive income for the year ended 31 December 2015	-	-	86 841	86 841
<b>Balance as of 31 December 2015</b>	<b>43 098</b>	<b>4 310</b>	<b>1 135 271</b>	<b>1 182 679</b>
<b>Balance as of 1 January 2016</b>	<b>43 098</b>	<b>4 310</b>	<b>1 135 271</b>	<b>1 182 679</b>
Increase in share capital	-	-	-	-
Contribution to legal reserve fund	-	-	-	-
Total comprehensive income for the year ended 31 December 2016	-	-	89 856	89 856
<b>Balance as of 31 December 2016</b>	<b>43 098</b>	<b>4 310</b>	<b>1 225 127</b>	<b>1 272 535</b>

The notes on pages 5 to 31 are an integral part of these financial statements.



SAMSUNG Electronics Slovakia s.r.o.  
Statement of cash flows  
for the year ended 31 December 2016

In thousands of euro

	Note	Year ended 31 December 2016	Year ended 31 December 2015
<b>Cash flows from operating activities</b>			
Profit for the period		89 856	86 841
Adjustments for:			
Depreciation	7, 8	28 160	30 783
Write-off of inventory	14	48 450	12 639
Creation of provision to inventory		13 744	1 715
Net financing income		(1)	-
Net foreign exchange unrealized differences expense / (income)		1 167	(134)
Loss (gain) on revaluation of currency forwards		(388)	149
Income tax expense	10	26 343	25 940
Loss (gain) on sale of property, plant and equipment		212	(146)
<b>Operating profit before changes in working capital and provisions</b>		<b>207 543</b>	<b>157 787</b>
Increase in inventories		(17 806)	(150 130)
Decrease / (increase) in receivables		(138 665)	72 626
Increase / (decrease) in payables		58 086	(16 885)
<b>Cash generated from operations</b>		<b>109 158</b>	<b>63 398</b>
Interest received, net		1	-
Income taxes paid		(34 269)	(17 179)
<b>Net cash from operating activities</b>		<b>74 890</b>	<b>46 219</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		1 366	1 282
Acquisition of property, plant and equipment		(64 817)	(23 368)
<b>Net cash used in investing activities</b>		<b>(63 451)</b>	<b>(22 086)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings other than overdraft		-	-
Receipts from borrowings other than overdraft		-	-
<b>Net cash from (used in) financing activities</b>		<b>-</b>	<b>-</b>
Net increase in cash and cash equivalents		11 439	24 133
Cash and cash equivalents at 1 January		776 468	752 335
<b>Cash and cash equivalents at 31 December</b>		<b>787 907</b>	<b>776 468</b>
<b>Cash and cash equivalents:</b>			
Cash in banks	16	777 499	752 335
Bank overdrafts	18	(1 031)	-
<b>Balance as at 1 January</b>		<b>776 468</b>	<b>752 335</b>
Cash in banks	16	787 907	777 499
Bank overdrafts	18	-	(1 031)
<b>Balance as at 31 December</b>		<b>787 907</b>	<b>776 468</b>

The notes on pages 5 to 31 are an integral part of these financial statements.

## 1. Reporting entity

SAMSUNG Electronics Slovakia s.r.o. (hereinafter referred to as "the Company") was established on 30 May 2002 and was registered as a limited liability Company in the Commercial Register of the Slovak Republic on 10 June 2002 under the identification number 36 249 564 at the legal address:

SAMSUNG Electronics Slovakia s.r.o.

Hviezdoslavova 807

924 27 Galanta

The principal activities of the Company comprise manufacturing of visual displays.

These individual financial statements have been prepared as at 31 December 2016 and for the year then ended and were prepared and authorized for issue by the Company's directors on 19 January 2017.

### The Company's bodies:

Directors	Kyung Jin Kim (until 5 February 2016)
	Hyun Jun Jung (from 5 February 2016)
	Yeon Joon Kim

### Information about the ultimate parent

The Company is consolidated into the financial statements of SAMSUNG Electronics Co. Ltd., 129, Samsung-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, Korea. These consolidated financial statements are available at the registered office of this company.

### Legal reason for the preparation of the Financial Statements

The Financial Statements of the Company as at 31 December 2016 have been prepared as ordinary financial statements in accordance with Article 17a paragraph 2 of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2016 to 31 December 2016.

### Approval of the 2015 Financial Statements

The financial statements of SAMSUNG Electronics Slovakia s.r.o. for the year ended 31 December 2015, prepared in accordance with IFRS as adopted by the European Union, were approved by the ordinary General Meeting held on 26 May 2016. In 2015, the net profit for the year amounted to EUR 86 841 thousand. In 2016, general assembly decided on the transfer of 2015 profit to the retained earnings in the amount of EUR 86 841 thousand.

### Unlimited guarantee

The Company is not an owner or investor in any unlimited liability company.

## 2. Basis of preparation

### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**(b) Basis of measurement**

The financial statements have been prepared using the accrual principle and going concern assumption that the Company will continue in operation for the foreseeable future.

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

**(c) Functional currency**

The financial statements are presented in euro (EUR), which is the Company's functional currency, and are rounded to the nearest thousand.

**(d) Use of estimates and judgment**

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, quantitative information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 11 – Impairment of property, plant and equipment
- Note 14 – Net realizable value of inventories

*Impairment of property, plant and equipment*

Factors considered important to identify possible impairment include the following:

- Technological advancements in the industry;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- Obsolescence of products.

When we determine that the carrying value of property, plant and equipment may not be recoverable based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on our estimates of projected net discounted cash flows expected to result from that asset, including eventual disposition. Our estimated impairment could prove insufficient if our analysis overestimated the cash flows or conditions change in the future.

*Allowance for slow-moving and obsolete inventory*

The Company evaluates the recoverability of the inventory on a case-by-case basis and makes adjustments to the inventory provision based on the estimates of expected losses. Inventory for which no further processing or re-processing can be performed is written-off. The Company also considers recent trends in revenues for various inventory items and instances where the realizable value of inventory is likely to be less than its carrying value.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### a) Foreign currency

Transactions in foreign currencies are translated to euro at the foreign exchange rate ruling at the date of the accounting transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to euro at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to euro at foreign exchange rates ruling at the dates the fair value is determined. Foreign exchange differences arising on retranslation are recognized in profit or loss.

#### b) Financial instruments

##### i. Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: loans and receivables, cash and cash equivalents.

##### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### ii. Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables and current tax payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method.

### **iii. Derivative financial instruments**

Derivative financial instruments are used to economically hedge the Company's exposure to foreign exchange risks arising from operational, financing and investment activities. However, as no derivatives qualify for hedge accounting under IFRS as adopted by the EU they are accounted for as trading instruments. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value and subsequent to initial recognition, they are re-measured to their fair value. The gain or loss on re-measurement to fair value is recognized immediately in profit or loss as part of finance costs or finance income. Any attributable transaction costs are recognized in profit or loss when incurred.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

## **c) Property, plant and equipment**

### **i. Owned assets**

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy f). The cost of self-constructed assets includes the cost of materials, direct labor, any other costs directly attributable to bringing the asset to working condition for its intended use, and, where relevant, the costs of dismantling and removing the items and restoring the site on which they are located.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other non-operating income/(expense) in profit or loss.

## **ii. Leased assets**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position.

## **iii. Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## **iv. Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land and assets under construction are not depreciated.

The estimated useful lives are as follows:

- |                          |           |
|--------------------------|-----------|
| • buildings              | 20 years  |
| • plant and equipment    | 5 years   |
| • information technology | 5 years   |
| • moulds                 | 13 months |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## **d) Intangible assets**

### **i. Owned assets**

Intangible assets acquired by the Company have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses (see accounting policy f).

### **ii. Subsequent costs**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are recognised in profit or loss as incurred.

### **iii. Amortization**

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of intangible assets. The amortization commences in the month when the asset was put into use. The estimated useful lives are as follows:

- |            |         |
|------------|---------|
| • software | 5 years |
|------------|---------|

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### **e) Inventories**

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost formula (except material in transit) and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred bringing them to their existing location and condition. The cost of material in transit is based on actual costs. In the case of manufactured inventories of finished goods, semi finished goods and work in progress cost includes an appropriate share of production overheads based on normal operating capacity.

#### **f) Impairment**

##### ***Financial assets***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### ***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories (see accounting policy e) and deferred tax asset (see accounting policy k), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of the assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's

carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **g) Dividends**

Dividends are recognized as a liability in the period in which they are declared.

#### **h) Provisions**

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **i) Revenue**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For most sales, transfer usually occurs when the product is handed over to a customer at the Company's warehouse (Ex works and Free carrier delivery condition).

#### **j) Expenses**

##### **i. Operating lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense.

##### **ii. Finance costs and finance income**

Finance costs and finance income comprise interest expense on borrowings calculated using the effective interest rate method, interest income on funds invested, foreign exchange gains and losses, and gains and losses on derivative instruments that are recognized in profit or loss.

Interest income and expense are recognized in profit or loss as they accrue, using the effective interest rate method.

#### **k) Income tax**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.



Deferred tax is provided using the balance sheet method, recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit are not provided for. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **l) Employee benefits**

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **m) New standards**

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2016 and have not been applied in preparing these financial statements.

##### **i. IFRS 9 Financial Instruments**

IFRS 9 has been issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. Key features of the new standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the Company's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement and are held in a portfolio where the Company both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that the Company will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that companies will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade

receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for trade receivables and lease.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides companies with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The standard has not been endorsed by the European Union yet. The Company is currently assessing the impact of the new standard on its financial statements.

#### **ii. IFRS 15 Revenue from Contracts with Customers**

IFRS 15 has been issued on 28 May 2014 and is effective for the periods beginning on or after 1 January 2018. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be recognised separately, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The standard has been endorsed by the European Union. Clarifications to IFRS 15 Revenue from Contracts with Customers is not yet endorsed by the EU but IFRS 15 Revenue from Contracts with Customers including Effective Date of IFRS 15 have been endorsed by the EU. The Company is currently assessing the impact of the new standard on its financial statements.

#### **iii. IFRS 16 Leases**

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the Company also applies IFRS 15.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained. The Company is currently assessing the impact of the new standard on its financial statements.

#### **iv. Annual Improvements to IFRSs**

The improvements introduce amendments existing standards and consequential amendments to other standards and interpretations. None of these amendments have been endorsed by EU yet.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

Amendments to IAS 7 (applicable to annual periods beginning on or after 1 January 2017). The amendment require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (applicable to annual periods beginning on or after 1 January 2017). The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018). The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and

a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable to annual periods beginning on or after 1 January 2021). The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (effective date has not been set yet by the IASB). The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

#### **4. Fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

##### ***Trade and other receivables***

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### **Derivatives**

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

### **Non-derivative financial liabilities**

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair value of trade and other receivables, cash and cash equivalents and non-derivative financial liabilities does not significantly differ from their carrying amounts.

## **5. Financial risk management**

### **Overview**

The Company has exposure to the following risks from its use of financial instruments and from its operations:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

### **Risk management framework**

The Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Directors monitor compliance with the Company's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Company.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

### **Trade and other receivables**

Approximately 91 percent of the Company's revenue is attributable to sales transactions with a single customer that is a related party - Samsung Electronics Europe Logistics B.V. This is due to Samsung Headquarter's decision that the Company has to sell the majority of its products via a special entity that concentrates on logistics services. In the past, the Company has never suffered losses from Samsung Electronics Europe Logistics B.V.

**Credit quality of trade and other receivables**

The credit quality of trade and other receivables that are neither past due nor impaired is shown in the following table:

<i>In thousands of euro</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Group 1	-	-
Group 2	438 145	298 864
Group 3	-	-
	<b>438 145</b>	<b>298 864</b>

Group 1 – new customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers outside the Samsung Electronics group requiring credit. The Company does not require collateral in respect of financial assets.

The carrying amount of financial assets, including derivative financial instruments represents the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The amount therefore greatly exceeds expected losses.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Company. Transactions involving derivative financial instruments are with counterparties recommended by headquarter based on their sound credit ratings. Given their high credit ratings, management does not expect any counterparty to derivative transactions to fail to meet its obligations.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains access to group cash-pool accounts.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Currency risk**

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Euro. The currencies giving rise to this risk are primarily the U.S. Dollars (USD).

From time to time the Company hedges its open position of monetary assets and liabilities repayable in foreign currencies using forward exchange contracts. The foreign currency exposure in respect of forecasted sales and purchases is not hedged. In respect of other monetary assets and liabilities held in currencies other than the functional currency, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

It is estimated that an increase/decrease of one percentage point in the value of the euro against other foreign currencies as at 31 December 2016 would change the Company's profit before tax by approximately EUR 245 thousand (31 December 2015: EUR 225 thousand).

**Interest rate risk**

Management has entered into loan contracts which are exposed to floating interest rates in the normal course of business. The Company does not enter into derivative contracts to manage interest rate risk. This is performed by the parent Company on the Group basis. Loan contracts which are exposed to fixed interest rates do not have an impact on interest rate risk.

An increase or decrease of interest rate (libor) by 100 basis points, considering all other factors remain unchanged, would not significantly affect profit before tax for the period ended 31 December 2016 and 31 December 2015.

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Directors and senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk.

**Capital management**

The Company defines capital as its Equity. The Company's policy is to maintain a strong capital base so as to sustain future development of the business. The Company does not provide any employees shares. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

## 6. Revenue

Revenue according to the main divisions is presented in the table below:

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
LCD TV – LED	2 377 592	2 356 410
LCM panels	229 312	201 783
LCD Large Format Displays	144 080	137 866
<b>Subtotal – Sale of finished goods</b>	<b>2 750 984</b>	<b>2 696 059</b>
Sale of raw material	73 807	65 519
Semi-finished goods	15 885	9 143
<b>Total</b>	<b>2 840 676</b>	<b>2 770 721</b>

The major portion of the revenue represents LCD TVs – LED. The company also produces LCM panels for the purposes of own TV production and for sale to other Samsung group entities.

## 7. Cost of sales

Cost of sales comprises:

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
Material	2 602 376	2 540 618
Depreciation and amortization	26 961	29 473
Personnel expenses	25 029	23 020
Other	44 019	37 411
<b>Total</b>	<b>2 698 385</b>	<b>2 630 522</b>

The average number of employees for the year ended 31 December 2016 was 1 457 out of that 5 employees at managerial positions (year ended 31 December 2015: 1 439 out of that 2 employees at managerial positions).

## 8. Administrative and selling expenses

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
Personnel expenses	7 074	7 932
Service charges	5 021	4 584
Transportation	3 710	4 010
Depreciation and amortization	1 199	1 310
Other	9 315	8 978
	<b>26 319</b>	<b>26 814</b>

## 9. Finance income and costs

### Recognized in profit or loss

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income	2	-
Interest expense	(1)	-
<i>Net interest income</i>	1	-
Foreign exchange gains	5 862	7 397
Foreign exchange losses	(11 290)	(14 248)
<i>Net foreign exchange losses</i>	(5 428)	(6 851)
Gains from forex forward transactions	8 595	10 456
Losses from forex forward transactions	(2 565)	(5 034)
<i>Net gains from forex forward transactions</i>	6 030	5 422
<b>Total</b>	<b>603</b>	<b>(1 429)</b>
<i>Presented as:</i>		
Finance income	14 459	17 853
Finance costs	(13 856)	(19 282)



## 10. Income tax expense

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
<b>Current tax expense</b>		
Current tax charge	29 048	25 650
Adjustment for prior years	252	1 204
<b>Subtotal</b>	<b>29 300</b>	<b>26 854</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(2 957)	(914)
<b>Total income tax expense in statement of profit and loss and other comprehensive income</b>	<b>26 343</b>	<b>25 940</b>

## Reconciliation of the effective tax rate

*In thousands of euro*

	2016	%	2015	%
Profit before tax	116 199		112 781	
Income tax using the domestic corporate tax rate	25 564	22.0%	24 812	22.0%
Permanent differences	459	0.4%	350	0.3%
Change in tax rate	298	0.3%	-	0.0%
Changes in estimates related to prior years	22	0.0%	778	0.7%
<b>Total income tax expense in statement of profit and loss and other comprehensive income</b>	<b>26 343</b>	<b>22.7%</b>	<b>25 940</b>	<b>23.0%</b>

In 2016 the corporate income tax rate decrease from 22% to 21% has been enacted by Slovak government. The change of the tax rate is effective since 1 January 2017.

**11. Property, plant and equipment**

<i>In thousands of euro</i>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Information technology and other</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>					
Balance as at 1 January 2015	56 541	182 411	5 337	3 653	247 942
Acquisitions	530	17 335	676	1 357	19 898
Transfers	2	3 638	-	(3 640)	-
Disposals	-	(35 311)	(42)	-	(35 353)
<b>Balance as at 31 December 2015</b>	<b>57 073</b>	<b>168 073</b>	<b>5 971</b>	<b>1 370</b>	<b>232 487</b>
Balance as at 1 January 2016	57 073	168 073	5 971	1 370	232 487
Acquisitions	9 228	48 948	718	7 850	66 744
Transfers	-	378	4	(382)	-
Disposals	-	(10 411)	(112)	-	(10 523)
<b>Balance as at 31 December 2016</b>	<b>66 301</b>	<b>206 988</b>	<b>6 581</b>	<b>8 838</b>	<b>288 708</b>
<b>Depreciation and impairment losses</b>					
Balance as at 1 January 2015	21 873	156 967	3 165	-	182 005
Depreciation charge for the period	2 754	26 986	761	-	30 501
Transfers	-	-	-	-	-
Disposals	-	(34 327)	(21)	-	(34 348)
<b>Balance as at 31 December 2015</b>	<b>24 627</b>	<b>149 626</b>	<b>3 905</b>	<b>-</b>	<b>178 158</b>
Balance as at 1 January 2016	24 627	149 626	3 905	-	178 158
Depreciation charge for the period	2 855	24 273	743	-	27 871
Transfers	-	-	-	-	-
Disposals	-	(8 875)	(86)	-	(8 961)
<b>Balance as at 31 December 2016</b>	<b>27 482</b>	<b>165 024</b>	<b>4 562</b>	<b>-</b>	<b>197 068</b>
<b>Carrying amounts</b>					
As at 1 January 2015	34 668	25 444	2 172	3 653	65 937
<b>As at 31 December 2015</b>	<b>32 446</b>	<b>18 447</b>	<b>2 066</b>	<b>1 370</b>	<b>54 329</b>
As at 1 January 2016	32 446	18 447	2 066	1 370	54 329
<b>As at 31 December 2016</b>	<b>38 819</b>	<b>41 964</b>	<b>2 019</b>	<b>8 838</b>	<b>91 640</b>

**Impairment loss**

No impairment losses have been recognized as of 31 December 2016 and 31 December 2015.

**Insurance**

Property, plant and equipment is insured against damage caused by fire up to EUR 205 541 thousand and against mechanical and electric damage up to EUR 110 141 thousand (31 December 2015: EUR 164 937 thousand and EUR 88 257 thousand respectively).

**Security**

No property, plant and equipment is pledged or subject to any other form of security as at 31 December 2016 and 31 December 2015.

## Ownership

Ownership of property, plant and equipment (production halls) with a net book value of EUR 7 652 thousand had not been registered in the land cadaster as at 31 December 2016 as Company property. The Company expects such record in the land cadaster during 2017.

## 12. Intangible assets

*In thousands of euro*

### Cost

	Software	Total
Balance as at 1 January 2015	1 405	1 405
Acquisitions	13	13
Transfers	-	-
Disposals	-	-
<b>Balance as at 31 December 2015</b>	<b>1 418</b>	<b>1 418</b>

Balance as at 1 January 2016	1 418	1 418
Acquisitions	29	29
Transfers	-	-
Disposals	-	-
<b>Balance as at 31 December 2016</b>	<b>1 447</b>	<b>1 447</b>

### Amortization and impairment losses

Balance as at 1 January 2015	228	228
Amortization charge for the period	282	282
Transfers	-	-
Disposals	-	-
<b>Balance as at 31 December 2015</b>	<b>510</b>	<b>510</b>

Balance as at 1 January 2016	510	510
Amortization charge for the period	289	289
Transfers	-	-
Disposals	-	-
<b>Balance as at 31 December 2016</b>	<b>799</b>	<b>799</b>

### Carrying amounts

As at 1 January 2015	1 177	1 177
<b>As at 31 December 2015</b>	<b>908</b>	<b>908</b>

As at 1 January 2016	908	908
<b>As at 31 December 2016</b>	<b>648</b>	<b>648</b>

**13. Deferred tax**

Recognized deferred tax assets are attributable to the following:

<i>In thousands of euro</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Inventories	3 386	523
Property, plant and equipment	1 449	1 489
Other items	1 426	1 293
<b>Total</b>	<b>6 261</b>	<b>3 305</b>

All movements in temporary differences were recognized in profit or loss during the relevant periods. The Company has no unrecognized deferred tax assets and liabilities as at 31 December 2016 and 31 December 2015.

**14. Inventories**

<i>In thousands of euro</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Raw materials and consumables	285 496	334 925
Work in progress, semi-finished, finished goods and merchandise	9 867	4 826
<b>Total</b>	<b>295 363</b>	<b>339 751</b>

During the year ended 31 December 2016 raw materials, consumables and changes in finished good and work in progress recognised as cost of sales amounted to EUR 2 592 578 thousand (year ended 2015: EUR 2 553 260 thousand).

As at 31 December 2016 the Company has recorded an inventory obsolescence provision in the amount of EUR 16 123 thousand (31 December 2015: EUR 2 379 thousand). The Company has recorded an inventory obsolescence charge (inventory write off) during the year ended 31 December 2016 amounting to EUR 48 450 thousand (year ended 2015: EUR 12 639 thousand).

**15. Trade and other receivables**

<i>In thousands of euro</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade receivables (due from related parties)	398 455	260 279
VAT receivable	12 942	17 324
Other receivables	26 748	21 261
Subtotal	438 145	298 864
Less: Allowance for bad and doubtful debts	-	-
<b>Total</b>	<b>438 145</b>	<b>298 864</b>

## SAMSUNG Electronics Slovakia s.r.o.

Notes to the financial statements  
for the year ended 31 December 2016

Most of the trade and other receivables are determined in EUR, as can be seen from the following table:

<i>In thousands of euro</i>	31 December 2016		31 December 2015	
	Balance recalculated to EUR thousand	%	Balance recalculated to EUR thousand	%
EUR	431 427	98.5%	293 355	98.2%
USD	6 718	1.5%	5 509	1.8%
<b>Total</b>	<b>438 145</b>	<b>100%</b>	<b>298 864</b>	<b>100%</b>

The aging of receivables is provided in the table below:

<i>In thousands of euro</i>	31 December 2016			31 December 2015		
	Gross	%	Impairment	Gross	%	Impairment
Not past due	437 973	99.9%	-	297 849	99.6%	-
Past due 0-30 days	111	0.1%	-	-	0.0%	-
Past due 31-180 days	61	0.0%	-	1 015	0.4%	-
More than 180 days	-	-	-	-	0.0%	-
<b>Total</b>	<b>438 145</b>	<b>100%</b>	<b>-</b>	<b>298 864</b>	<b>100%</b>	<b>-</b>

No bad debt provision was recorded as at 31 December 2016 and 31 December 2015.

The Company faces a customer concentration risk as 84% of trade and other receivables and 91% of revenues during the year ended 31 December 2016 (31 December 2015: 79% and 91% respectively) has been generated by one related party, Samsung Electronics Logistic Center B.V.

### 16. Cash and cash equivalents

<i>In thousands of euro</i>	31 December 2016	31 December 2015
Bank balances (held in EUR)	781 973	777 499
Bank balances (held in USD)	5 934	-
<b>Cash and cash equivalents</b>	<b>787 907</b>	<b>777 499</b>
Bank overdrafts used for cash management purposes (held in USD)	-	(1 031)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>787 907</b>	<b>776 468</b>

The Company operates under a Multi Entity Cash Pooling arrangement signed between Citibank, N.A. and various companies within the Samsung group and which is maintained by Samsung Electronics European Holding (SEEH).

Included in the total amount of cash and cash equivalents is an amount of EUR 9 thousand (31 December 2015: EUR 5 thousand) held on the accounts open with bank SLSP Bratislava, Slovakia and EUR 787 898 thousand (31 December 2015: EUR 777 494 thousand) zero balance pooling to SEEH.

As of 31 December 2016 there were bank guarantees provided for the Company in favor of the Custom's office in amount of EUR 49 790 thousand (31 December 2015: EUR 49 790 thousand).

**17. Capital and reserves****Share capital**

The total authorized, issued and outstanding share capital of the Company amounts to EUR 43 098 thousand as of 31 December 2016 and 31 December 2015. The ownership structure of the Company is as follows:

	Contribution (EUR thousand)	Share and voting rights (%)
SAMSUNG Electronics Magyar Zártkörűen Működő Részvénytársaság, Samsung tér 1, Jászfényszaru 5216, Hungary	20 938	49%
SAMSUNG Electronics Co. Ltd., 129, Samsung-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, Korea	22 160	51%
<b>Total</b>	<b>43 098</b>	<b>100%</b>

The share capital is fully paid up.

The equity holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

**Legal reserve fund**

The Company is obliged by Slovak law to create a legal reserve in the minimum amount of 5% of net profit (annually) and up to a minimum of 10% of the registered share capital.

As at 31 December 2016 the legal reserve fund balance reached the amount of 10% of the share capital which is the minimum amount as required by law.

**18. Interest bearing loans and borrowings**

<i>In thousands</i>	Year of maturity	Face value 31 December 2016 (in thousands of currency)	Carrying amount 31 December 2016 (in thousands of euro)	Face value 31 December 2015 (in thousands of currency)	Carrying amount 31 December 2015 (in thousands of euro)
<b>Current liabilities</b>					
Overdraft (held in USD)	n/a	-	-	1 122	1 031
<b>Interest bearing loans and borrowings</b>		<b>-</b>	<b>-</b>	<b>1 122</b>	<b>1 031</b>

The Company has an intercompany overdraft facility, which is used mainly for the purposes of cash management related to raw material purchases.

More information about the Company's exposure to interest rate risk, refer to Note 5.

**19. Employee benefits**

The Company has no significant defined contribution plan (apart from legal social contribution), defined benefit plan or any other long-term employee benefits. Short-term employee benefits as at 31 December 2016 amounted to EUR 4 750 thousand (31 December 2015: EUR 4 747 thousand) and comprise wages and salaries payable including social and health contributions, accrual for untaken vacation and accrual for bonuses. Short-term employee benefits are presented within trade and other payables in the statement of financial position.

## 20. Trade and other payables

*In thousands of euro*

	31 December 2016	31 December 2015
Trade payables	316 158	268 465
Other payables	28 126	14 367
<b>Total</b>	<b>344 284</b>	<b>282 832</b>

The contractual cash flows equal to the carrying amount of the trade and other payables presented at the end of the reporting period and the maturities are within three months.

Most of the trade and other payables are determined in EUR, as can be seen from the following table:

*In thousands of euro*

	31 December 2016 Balance recalculated to EUR thousand	%	31 December 2015 Balance recalculated to EUR thousand	%
EUR	255 333	74.2%	228 578	80.8%
USD	88 951	25.8%	54 254	19.2%
<b>Total</b>	<b>344 284</b>	<b>100%</b>	<b>282 832</b>	<b>100%</b>

### Structure of payables according to maturity

The structure of payables (except for loans and borrowings and current tax payable) is shown in the table below:

*In thousands of euro*

	31 December 2016	31 December 2015
Payables overdue	864	114
Payables due within 1 year	343 420	282 718
<b>Total trade and other payables</b>	<b>344 284</b>	<b>282 832</b>

The Company's exposure to currency and liquidity risk related to trade and other payables is further described in note 5 of these financial statements.

### Social fund

In other payables are also presented social fund liabilities, their creation and drawing during the period are presented in the table below:

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
Balance at beginning of the period	30	30
Recognized as expenses	184	174
Drawing	(129)	(174)
<b>Balance at end of the period</b>	<b>85</b>	<b>30</b>

## 21. Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

### Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

*In thousands of euro*

	31 December 2016	31 December 2015
Cash and cash equivalents	787 907	777 499
Receivables	437 590	298 793
Foreign exchange forward contracts	555	71
<b>Total exposure</b>	<b>1 226 052</b>	<b>1 076 363</b>

### Impairment losses

Impairment losses are described in note 15.

### Liquidity risk

The following are the contractual maturities of financial assets and financial liabilities:

*In thousands of euro*

	Carrying amount	Contractual cash-flows	3 months or less	3-6 months	More than 6 months
<b>Non-derivative financial assets</b>					
Cash and cash equivalents	787 907	787 907	787 907	-	-
Receivables	437 590	437 590	437 590	-	-
<b>Derivative financial assets</b>					
Foreign exchange forward contracts	555	555	555	-	-
<b>Non-derivative financial liabilities</b>					
Trade and other payables	(344 117)	(344 117)	(343 445)	-	(672)
Current tax payable	(3 145)	(3 145)	(3 145)	-	-
<b>Derivative financial liabilities</b>					
Foreign exchange forward contracts	(167)	(167)	(167)	-	-
<b>Total</b>	<b>878 623</b>	<b>878 623</b>	<b>879 295</b>	<b>-</b>	<b>(672)</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



**Currency risk**

The Group's exposure to foreign currency risk as at 31 December 2016 and 31 December 2015 was as follows based on notional amounts:

<i>In thousands of currency</i>	<b>31 December 2016</b> <b>USD</b>	<b>31 December 2015</b> <b>USD</b>
Cash and cash equivalents	6 255	-
Receivables	7 082	5 997
Trade and other payables	(93 763)	(59 066)
Interest bearing loans and borrowings	-	(1 122)
<i>Gross exposure</i>	<u>(80 426)</u>	<u>(54 191)</u>
Foreign exchange forward contracts	54 344	29 473
<b>Net exposure</b>	<b><u>(26 082)</u></b>	<b><u>(24 718)</u></b>

**Interest rate risk**

More information about the Company's exposure to interest rate risk, refer to Note 5.

**Recognized assets and liabilities**

The fair value of forward exchange contracts as at 31 December 2016 was a gain of EUR 388 thousand (31 December 2015: loss of EUR 149 thousand). These amounts are included among trade and other receivables and payables respectively.

**Fair values**

Due to either short-term maturities or usage of floating interest rates fair values of all monetary and financial assets, monetary and financial liabilities and derivatives approximate their carrying amounts shown in the statement of financial position.

**22. Operating leases - Leases as Lessee**

The Company leases cars, a warehouse, forklifts and office equipment under operating leases. The leases are typically valid for a period of one to two years.

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of euro</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Less than one year	1 299	1 106
Between one and five years	5 196	4 424
More than five years	-	-
<b>Total</b>	<b><u>6 495</u></b>	<b><u>5 530</u></b>

Assets under operating leases are not subject to a sublease.

During the year ended 31 December 2016 an amount of EUR 1 299 thousand was recognised as an expense in profit or loss in respect of operating leases (year ended 31 December 2015: EUR 1 106 thousand).

### 23. Capital commitments

During 2016, the Company agreed to purchase property, plant and equipment in 2017 for EUR 10 145 thousand from the group company Samsung Display Slovakia s.r.o.

### 24. Contingencies

Many parts of Slovak tax legislation remain untested and there is uncertainty about the interpretation that the tax authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available. Management is not aware of any circumstances that would cause any significant costs for the Company.

### 25. Related parties

#### Identity of related parties

The Company has a related party relationship with its parent (Samsung Electronics Co. Ltd) and other group companies within the Samsung Electronics group and with its directors and executive officers. The ultimate controlling party is SAMSUNG Electronics Co. Ltd.

#### Transactions with key management personnel

There have been no transactions with key management personnel, except their salaries (included in the caption of administrative and selling expense in profit or loss) in the amount of EUR 10 thousand for the year ended 31 December 2016 (year ended 31 December 2015: EUR 894 thousand).

#### Other related party transactions

The Company carried out various transactions with the following related parties within the Samsung Electronics group:

SAMSUNG Electronics Co. Ltd., Korea; SAMSUNG International Inc., USA; SAMSUNG Electronics Hungarian RT., Hungary; SAMSUNG Electronics Europe Logistics BV, Netherlands; Samsung Display Slovakia s.r.o, Slovakia; SAMSUNG Electronics Display, Malaysia; Samsung Vina Electronics Co., Ltd., Vietnam; Samsung India Electronics Private Ltd., India; PT Samsung Electronics Indonesia, Indonesia; Samsung Electronics HCMC CE Complex Co., Ltd., Vietnam; Tianjin SAMSUNG Electronics Co. Ltd., China; Samsung Electronics Egypt, Egypt; Samsung Electronics South Africa Production Limited, South Africa; Samsung Electronics Istanbul Pazarlama ve Ticaret Limited Sirketi, Turkey; Samsung Electronica da Amazonia Ltda., Brazil; LLC Samsung Electronics Rus Kaluga, Russia; Samsung Electronics Japan, Japan; SAMSUNG Electronics America Inc., U.S.A.; SAMSUNG Semiconductor Europe GmbH, Germany; Samsung Electronics Czech and Slovak s.r.o., Czech republic; Samsung Electronics Benelux B.V., Netherlands; SAMSUNG Asia Private Limited, Singapore; SAMSUNG Electronics Hong Kong Co. Ltd., China; SAMSUNG Electronics Taiwan Co. Ltd., Taiwan; Samsung Electro-Mechanics Co., Ltd., Korea; iMarket Asia Co., Ltd., Hong Kong; Samsung Electro-Mechanics Germany, Germany; Samsung Electronics European Holding, Netherlands; Samsung SDS Global SCL Slovakia, Slovakia and other.

#### Transactions with SAMSUNG Electronics Co. Ltd. (parent)

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
Sales of own products and other assets	1 000	3 514
Sales of machinery and equipment	-	-
Purchase of raw materials	375 756	457 140
Purchase of machinery and equipment	41 694	12 463
Service and other expenses	4 079	3 946

SAMSUNG Electronics Slovakia s.r.o.

Notes to the financial statements  
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**Transactions with SAMSUNG Electronics Magyar Zártkörűen Működő Részvénytársaság (significant influence)**

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
Sales of own products and other assets	60 942	16 072
Sales of machinery and equipment	1 082	182
Purchase of raw materials	12 129	69 936
Purchase of machinery and equipment	14	915
Service and other expenses	-	-

**Transactions with other group companies**

*In thousands of euro*

	Year ended 31 December 2016	Year ended 31 December 2015
Sales of own products and other assets	2 773 367	2 750 917
Sales of machinery and equipment	220	458
Purchase of raw materials	1 448 118	1 496 925
Purchase of machinery and equipment	2 502	442
Service and other expenses	73 635	73 240

Selected assets and liabilities arising from related-party transactions are presented in the table below:

**Assets and liabilities arising from transactions with SAMSUNG Electronics Co. Ltd. (parent)**

*In thousands of euro*

	31 December 2016	31 December 2015
Trade, other receivables and prepayments	31	1 034
Trade and other payables	71 465	56 072
Other accruals payable	579	605

**Assets and liabilities arising from transactions with SAMSUNG Electronics Magyar Zártkörűen Működő Részvénytársaság (significant influence)**

*In thousands of euro*

	31 December 2016	31 December 2015
Trade, other receivables and prepayments	5 467	423
Trade and other payables	990	1 574
Other accruals payable	-	-

**Assets and liabilities arising from transactions with other group companies**

*In thousands of euro*

	31 December 2016	31 December 2015
Trade, other receivables and prepayments	405 323	259 060
Trade and other payables	183 520	132 300
Other accruals payable	256	412

The trade receivables, trade payables and accruals balances are short-term. None of the balances is secured. Usually these balances are settled via group netting process. Transactions between related parties have been realized on arm's length basis.

**26. Events after the end of reporting period**

No events with a material impact on presentation of these financial statements occurred after 31 December 2016 that would require disclosure or amendment of these financial statements.

These financial statements were authorized for issue on 19 January 2017.



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YEON JOON KIM  
*Vicepresident*



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Stanislav Kopecký  
*Finance manager*