SAMSUNG Electronics Slovakia s.r.o.

Financial Statements
as at 31 December 2018
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 Auditors' Report originally prepared in Slovak language

Independent Auditors' 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 2018, 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 2018, 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 the Statutory Body and Those Charged with Governance for the Financial Statements

The 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 the 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, the 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 the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 the statutory body.

- Conclude on the appropriateness of the 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 auditors' 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 auditors' 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

The 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 auditors' report.

When we obtain the Annual Report of the Company, 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 2018 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 Company and its environment that we have acquired during the course of the audit of the financial statements.

25 January 2019
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

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

Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Statement of profit or loss and other comprehensive income for the year ended 31 December 2018

In thousands of euro	*Note*	Year ended 31 December 2018	Year ended 31 December 2017
Revenue	*6*	1 856 861	2 536 308
Cost of sales	*7*	(1 742 719)	(2 409 908)
Gross profit		**114 142**	**126 400**
Administrative and selling expenses	*8*	(25 102)	(28 287)
Operating profit		**89 040**	**98 113**
Finance income	*9*	10 756	13 185
Finance costs	*9*	(9 866)	(11 489)
Other non-operating income / (expense)	*9*	(10 712)	1 397
Profit before tax		**79 218**	**101 206**
Income tax expense	*10*	(16 733)	(21 694)
Profit for the period		**62 485**	**79 512**
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive income for the period		**62 485**	**79 512**

The notes on pages 5 to 33 are an integral part of these financial statements.

In thousands of euro	*Note*	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	*11*	71 640	94 481
Intangible assets	*12*	106	432
Deferred tax asset	*13*	6 464	4 236
Total non-current assets		**78 210**	**99 149**
Inventories	*14*	253 026	298 720
Trade and other receivables	*15*	168 760	203 240
Cash and cash equivalents	*16*	518 338	977 607
Total current assets		**940 124**	**1 479 567**
Total assets		**1 018 334**	**1 578 716**
Equity			
Share capital	*17*	43 098	43 098
Legal reserve fund	*17*	4 310	4 310
Retained earnings	*17*	771 936	709 451
Total equity		**819 344**	**756 859**
Liabilities			
Trade and other payables	*20*	198 990	821 857
Total current liabilities		**198 990**	**821 857**
Total liabilities		**198 990**	**821 857**
Total equity and liabilities		**1 018 334**	**1 578 716**

The notes on pages 5 to 33 form an integral part of these financial statements.

In thousands of euro	Share capital (Note 17)	Legal reserve fund (Note 17)	Retained earnings (Note 17)	Total
Balance as of 1 January 2017	**43 098**	**4 310**	**1 225 127**	**1 272 535**
Increase in share capital	-	-	-	-
Contribution to legal reserve fund	-	-	-	-
Total comprehensive income for the year ended 31 December 2017	-	-	79 512	79 512
Dividend declared	-	-	(595 188)	(595 188)
Balance as of 31 December 2017	**43 098**	**4 310**	**709 451**	**756 859**
Balance as of 1 January 2018	**43 098**	**4 310**	**709 451**	**756 859**
Increase in share capital	-	-	-	-
Contribution to legal reserve fund	-	-	-	-
Total comprehensive income for the year ended 31 December 2018	-	-	62 485	62 485
Dividend declared	-	-	-	-
Balance as of 31 December 2018	**43 098**	**4 310**	**771 936**	**819 344**

The notes on pages 5 to 33 are an integral part of these financial statements.

In thousands of euro	*Note*	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities			
Profit for the period		62 485	79 512
Adjustments for:			
Depreciation and amortization	7, 8	44 219	57 890
Impairment loss on property, plant and equipment	11	11 901	-
Write-off of inventory	14	9 417	20 757
Creation / (reversal) of provision to inventory		(750)	(9 028)
Net financing income		(130)	(77)
Net foreign exchange unrealized differences expense / (income)		(432)	(1 786)
Loss (gain) on revaluation of currency forwards		131	278
Income tax expense	10	16 733	21 694
Loss (gain) on sale of property, plant and equipment		(1 054)	(706)
Operating profit before changes in working capital and provisions		**142 520**	**168 534**
Increase in inventories		37 027	(15 086)
Decrease / (increase) in receivables		28 346	243 862
Increase / (decrease) in payables		(28 981)	(116 096)
Cash generated from operations		**178 912**	**281 214**
Interest received, net		(130)	77
Income taxes paid		(10 902)	(31 783)
Net cash from operating activities		**167 880**	**249 508**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3 790	7 034
Acquisition of property, plant and equipment		(35 751)	(66 842)
Net cash used in investing activities		**(31 961)**	**(59 808)**
Cash flows from financing activities			
Repayment of borrowings other than overdraft		-	-
Receipts from borrowings other than overdraft		-	-
Dividends paid	17	(595 188)	-
Net cash from (used in) financing activities		**595 188**	**-**
Net increase / (decrease) in cash and cash equivalents		(459 269)	189 700
Cash and cash equivalents at 1 January		977 607	787 907
Cash and cash equivalents at 31 December		**518 338**	**977 607**
Cash and cash equivalents:			
Cash in banks	16	977 607	787 907
Bank overdrafts	18	-	-
Balance as at 1 January		**977 607**	**787 907**
Cash in banks	16	518 338	977 607
Bank overdrafts	18	-	-
Balance as at 31 December		**518 338**	**977 607**

The notes on pages 5 to 33 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 2018 and for the year then ended and were prepared and authorized for issue by the Company's directors on 24 January 2019.

The Company's bodies:

Directors	Kinam Lee Yoon Soon Ahn (until 31 May 2018) 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 2018 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 2018 to 31 December 2018.

Approval of the 2017 Financial Statements

The financial statements of SAMSUNG Electronics Slovakia s.r.o. for the year ended 31 December 2017, prepared in accordance with IFRS as adopted by the European Union, were approved by the ordinary General Meeting held on 31 May 2018. In 2017, the net profit for the year amounted to EUR 79 512 thousand. In 2018, general assembly decided on the transfer of 2017 profit to the retained earnings in the amount of EUR 79 512 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 determined 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 estimates of projected net discounted cash flows expected to result from that asset, including eventual disposition. Estimated impairment could prove insufficient if 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, except changes in accounting policies applied in the financial year beginning on 1 January 2018, (Note 4m), described below.

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

Trade and other accounts receivable and loan receivable
Trade, other receivables, and loans provided are recognized initially at fair value. Subsequently they are measured at their amortized cost using the effective interest rate method, less impairment losses. Trade receivable is offset with trade liability and presented on the net basis in financial position when, and only when, there is currently a legal enforceable right to set off and there is an intention to settle the receivables and liabilities on the net basis or to realize them simultaneously.

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.

i. 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.

ii. 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

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised costs. Under IFRS 9 credit losses are recognized earlier than under IAS 39.

The financial assets at amortised cost consist of trade and other receivables, cash and cash equivalents, and loans provided. Majority of trade receivables are due from Samsung group companies.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from all possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial asset.

The company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.
Impairment losses related to trade and other receivables are recognized in profit and loss.

In accordance with transitional provision IFRS9, comparative figures has not been restated. Management of the Company assessed the impact on financial statements as not significant (see Note 4m).

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 is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognized when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

A significant element of the Company's revenue is with related parties (see Note 25).

Sale of finished goods
The Company recognizes the revenue from sale of goods (TVSs), when the control passes to its customers, which is determined using INCOTERMS. The Company usually uses the INCOTERMS conditions, where the control passes at a point the goods are loaded to the first carrier. The Company invoice a full amount on TV delivery to the customer.

Sale of raw materials
The Company recognizes the revenue from sales of raw materials, when the control passes to its customers, which is determined using INCOTERMS. The Company usually uses INCOTERMS conditions, where the control passes at a point the goods are loaded to the first carrier.

Revenue from transportation of goods
The revenue from transportation services is part of the invoiced price for sale of the finished good (TV) to the customer and it is presented in the line "Revenue" (Sale of finished goods). The costs of transporting goods are recognized in cost of goods sold. The Company is fully exposed to the risks related with organization of transportation services on which basis management concluded the Company acts as a principal.

In accordance with transitional provision IFRS15, comparative figures has not been restated. Management of the Company assessed the impact on financial statements as not significant (see Note 4m).

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) Application of new standards and interpretations

Impact of the adoption of IFRS 9 and IFRS 15

The Company was required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. Respective accounting policies are described above, IFRS9 (Note 3f), IFRS15 (Note 3i). The actual impacts of adopting the standards at 1 January 2018 are summarized below.

Actual impact of adoption of IFRS 9 and IFRS 15

In thousands of euro	**As reported at 31 December 2017**	**Actual adjustments due to IFRS 9**	**Actual adjustments due to IFRS 15**	**Actual adjusted opening balance at 1 January 2018**
Reserves	4 310	-	-	4 310
Retained earnings	709 451	-	-	709 451

The total adjustment (net of tax) to the opening balance of the Company's equity at 1 January 2018 was nill. Also the actual impact to closing balance of the Company's equity at 31 December 2018 is nill.

Standards issued but not yet effective

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2018 and have not been applied in preparing these financial statements. The interpretation did not have any significant impact on the Company's financial statements.

IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity 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 does not expect that the new Standard, when initially applied, will have material impact on the financial statements because the Company has contractual arrangements in the scope of IFRS related to warehouses, vehicles and forklifts.

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of EUR 656 thousands as at 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Company does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Company does not operate in a complex multinational tax environment and does not have material uncertain tax positions.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Effective for annual periods beginning on or after 1 January 2019.

These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss.

The amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.

The Company does not expect that the amendments will have a material impact on the financial statements because the Company does not have prepayable financial assets with negative compensation.

Standards and interpretations not yet endorsed by the EU

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The European Commission decided to defer the endorsement indefinitely.

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.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no subsidiaries, associates or joint ventures.

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted. This pronouncement is not yet endorsed by the EU.

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Company does not operate in the insurance industry.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2019. These amendments are not yet endorsed by the EU.

The Amendments clarifies that the companies account for investments in associates or joint ventures, for which equity method is not applied, in accordance with provisions of IFRS 9 Financial Instruments.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Annual Improvements to IFRS 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2019. These annual improvements are not yet endorsed by the EU.

The Improvements to IFRSs (2015-2017) contains four amendments to standards. The main changes were to:

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;
- clarify that the entity should always accounts for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and
- clarify that the entity should exclude from the funds that the entity borrows generally borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete as borrowings made specifically for the purpose of obtaining a qualifying asset should not apply to a borrowing originally made specifically to obtain a qualifying asset if that asset is ready for its intended use or sale.

None of these changes are expected to have a material impact on the financial statements of the Company.

Amendments to IAS 19: Employee Benefits

Effective for annual periods beginning on or after 1 January 2019. These amendments are not yet endorsed by the EU.

The Amendments require that the Entity uses current and updated assumptions when a change to a plan, and amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2020. These amendments are not yet endorsed by the EU.

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2020. These amendments are not yet endorsed by the EU.

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Entity does not expect the Amendments to have a material impact on its financial statements when initially applied.

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2018 and have not been applied in preparing these financial statements.

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 90 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:

In thousands of euro	**31 December 2018**	**31 December 2017**
Group 1	151	44
Group 2	168 609	203 196
Group 3	-	-
	168 760	**203 240**

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 2018 would change the Company's profit before tax by approximately EUR 131 thousand (31 December 2017: EUR 163 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 2018 and 31 December 2017.

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 2018**	**Year ended 31 December 2017**
LCD TV – LED, LED module	1 652 156	2 031 400
LCM panels	21 029	166 582
LCD Large Format Displays	86 133	172 356
Subtotal – Sale of finished goods	**1 759 318**	**2 370 338**
Sale of raw material	97 310	158 718
Semi-finished goods	233	7 252
Total	**1 856 861**	**2 536 308**

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 2018**	**Year ended 31 December 2017**
Material	1 626 219	2 272 980
Depreciation and amortization	43 023	56 682
Personnel expenses	35 717	35 543
Other	37 760	44 703
Total	**1 742 719**	**2 409 908**

The average number of employees for the year ended 31 December 2018 was 1 697 out of that 2 employees at managerial positions (year ended 31 December 2017: 1 861 out of that 2 employees at managerial positions).

8. Administrative and selling expenses

In thousands of euro	Year ended 31 December 2018	Year ended 31 December 2017
Personnel expenses	7 395	8 029
Service charges	7 335	5 012
Transportation	2 439	5 938
Depreciation and amortization	1 196	1 208
Other	6 737	8 100
	25 102	**28 287**

9. Finance and other income, expense

In thousands of euro	Year ended 31 December 2018	Year ended 31 December 2017
Finance income / (expense)		
Interest income	130	77
Interest expense	-	-
Net interest income	130	77
Foreign exchange gains	4 989	11 088
Foreign exchange losses	(6 928)	(4 909)
Net foreign exchange gains / (losses)	(1 939)	6 179
Gains from forex forward transactions	5 637	2 020
Losses from forex forward transactions	(2 938)	(6 580)
Net gains / (losses) from forex forward transactions	2 699	(4 560)
Finance income / (expense), net	890	1 696
Presented as:		
Finance income	**10 756**	**13 185**
Finance costs	**(9 866)**	**(11 489)**
Other non-operating income / (expense)		
Impairment loss on property, plant and equipment	(11 901)	-
Other	1 189	1 397
Other non-operating income / (expense), net	**10 712**	**1 397**

10. Income tax expense

In thousands of euro	Year ended 31 December 2018	Year ended 31 December 2017
Current tax expense		
Current tax charge	18 627	19 203
Adjustment for prior years	334	466
Subtotal	**18 961**	**19 669**
Deferred tax expense		
Origination and reversal of temporary differences	(2 228)	2 025
Total income tax expense in statement of profit and loss and other comprehensive income	**16 733**	**21 694**

Reconciliation of the effective tax rate

In thousands of euro	2018	%	2017	%
Profit before tax	79 218		101 206	
Income tax using the domestic corporate tax rate	16 635	21.0%	21 153	20.9%
Permanent differences	538	0.7%	385	0.4%
Changes in estimates related to prior years	(440)	(0.6%)	156	0.1%
Total income tax expense in statement of profit and loss and other comprehensive income	**16 733**	**21.1%**	**21 694**	**21.4%**

11. Property, plant and equipment

In thousands of euro	Land and buildings	Plant and equipment	Information technology and other	Under construction	Total
Cost					
Balance as at 1 January 2017	66 301	206 988	6 581	8 838	288 708
Acquisitions	1 330	63 549	803	1 025	66 707
Transfers	6 168	2 670	-	(8 838)	-
Disposals	-	(26 905)	(222)	-	(27 127)
Balance as at 31 December 2017	**73 799**	**246 302**	**7 162**	**1 025**	**328 288**
Balance as at 1 January 2018	73 799	246 302	7 162	1 025	328 288
Acquisitions	4 694	27 361	220	3 453	35 728
Transfers	5	922	99	(1 026)	-
Disposals	-	(27 515)	(97)	-	(27 612)
Balance as at 31 December 2018	**78 498**	**247 070**	**7 384**	**3 452**	**336 404**
Depreciation and impairment losses					
Balance as at 1 January 2017	27 482	165 024	4 562	-	197 068
Depreciation charge for the period	3 466	53 237	835	-	57 538
Impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	(20 578)	(221)	-	(20 799)
Balance as at 31 December 2017	**30 948**	**197 683**	**5 176**	-	**233 807**
Balance as at 1 January 2018	30 948	197 683	5 176	-	233 807
Depreciation charge for the period	3 706	39 354	808	-	43 868
Impairment loss		11 901			11 901
Transfers	-	-	-	-	-
Disposals	-	(24 729)	(83)	-	(24 812)
Balance as at 31 December 2018	**34 654**	**224 209**	**5 901**	**-**	**264 764**
Carrying amounts					
As at 1 January 2017	38 819	41 964	2 019	8 838	91 640
As at 31 December 2017	**42 851**	**48 619**	**1 986**	**1 025**	**94 481**
As at 1 January 2018	42 851	48 619	1 986	1 025	94 481
As at 31 December 2018	**43 844**	**22 861**	**1 483**	**3 452**	**71 640**

Impairment loss

As of 31 December 2018, the Company identified items of machinery without sufficient future utilization plan and recorded respective impairment loss in the amount of EUR 11 901 thousand, Note 9.

Insurance

Property, plant and equipment is insured against damage caused by fire up to TEUR 249 155 and against mechanical and electric damage up to TEUR 109 707 (31 December 2017: TEUR 227 865 and TEUR 109 418 respectively).

Security

No property, plant and equipment is pledged or subject to any other form of security as at 31 December 2018 and 31 December 2017.

Ownership

Ownership of property, plant and equipment (production halls) with a net book value of EUR 265 thousand had not been registered in the land cadaster as at 31 December 2018 as Company property. The Company expects such record in the land cadaster during 2019.

12. Intangible assets

In thousands of euro	**Software**	**Total**
Cost		
Balance as at 1 January 2017	1 447	1 447
Acquisitions	135	135
Transfers	-	-
Disposals	-	-
Balance as at 31 December 2017	**1 582**	**1 582**
Balance as at 1 January 2018	1 582	1 582
Acquisitions	25	25
Transfers	-	-
Disposals	-	-
Balance as at 31 December 2018	**1 607**	**1 607**
Amortization and impairment losses		
Balance as at 1 January 2017	799	799
Amortization charge for the period	351	351
Transfers	-	-
Disposals	-	-
Balance as at 31 December 2017	**1 150**	**1 150**
Balance as at 1 January 2018	1 150	1 150
Amortization charge for the period	351	351
Transfers	-	-
Disposals	-	-
Balance as at 31 December 2018	**1 501**	**1 501**
Carrying amounts		
As at 1 January 2017	648	648
As at 31 December 2017	**432**	**432**
As at 1 January 2018	432	432
As at 31 December 2018	**106**	**106**

13. Deferred tax

Recognized deferred tax assets are attributable to the following:

In thousands of euro	31 December 2018	31 December 2017
Inventories	1 332	1 130
Property, plant and equipment	4 277	1 625
Other items	855	1 481
Total	**6 464**	**4 236**

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 2018 and 31 December 2017.

14. Inventories

In thousands of euro	31 December 2018	31 December 2017
Raw materials and consumables	241 943	293 809
Work in progress, semi-finished, finished goods and merchandise	11 083	4 911
Total	**253 026**	**298 720**

During the year ended 31 December 2018 raw materials, consumables and changes in finished good and work in progress recognised as cost of sales amounted to EUR 1 626 219 thousand (year ended 2017: EUR 2 272 980 thousand).

As at 31 December 2018 the Company has recorded an inventory obsolescence provision in the amount of EUR 6 345 thousand (31 December 2017: EUR 7 095 thousand). The Company has recorded an inventory obsolescence charge (inventory write off) during the year ended 31 December 2018 amounting to EUR 9 417 thousand (year ended 2017: EUR 20 757 thousand).

15. Trade and other receivables

In thousands of euro	31 December 2018	31 December 2017
Trade receivables (due from related parties)	132 130	164 561
VAT receivable	19 808	17 895
Income tax receivable	910	8 969
Other receivables	15 912	11 815
Subtotal	168 760	203 240
Less: Allowance for bad and doubtful debts	-	-
Total	**168 760**	**203 240**

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

In thousands of euro	31 December 2018 Balance recalculated to EUR thousand	%	31 December 2017 Balance recalculated to EUR thousand	%
EUR	167 583	99,3%	202 351	99.6%
USD	1 177	0,7%	889	0.4%
Total	**168 760**	**100%**	**203 240**	**100%**

The aging of receivables is provided in the table below:

In thousands of euro	31 December 2018			31 December 2017		
	Gross	%	Impairment	Gross	%	Impairment
Not past due	168 501	99.8%	-	203 011	99.9%	-
Past due 0-30 days	138	0.1%	-	221	0.1%	-
Past due 31-180 days	121	0.1%	-	8	0.0%	-
More than 180 days	-	-	-	-	-	-
Total	**168 760**	**100%**	-	**203 240**	**100%**	-

No bad debt provision was recorded as at 31 December 2018 and 31 December 2017.

The Company faces a customer concentration risk as 81% of trade and other receivables and 97% of revenues during the year ended 31 December 2018 (31 December 2017: 76% and 90% respectively) has been generated by one related party, Samsung Electronics Logistic Center B.V.

16. Cash and cash equivalents

In thousands of euro	31 December 2018	31 December 2017
Bank balances (held in EUR)	517 894	965 580
Bank balances (held in USD)	444	12 027
Cash and cash equivalents	**518 338**	**977 607**
Bank overdrafts used for cash management purposes (held in USD)	-	-
Cash and cash equivalents in the statement of cash flows	**518 338**	**977 607**

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 193 thousand (31 December 2017: EUR 8 thousand) held on the accounts open with bank SLSP Bratislava, Slovakia and EUR 518 145 thousand (31 December 2017: EUR 977 599 thousand) zero balance pooling to SEEH.

As of 31 December 2018 there were bank guarantees provided for the Company in favor of the Custom's office in amount of EUR 70 000 thousand (31 December 2017: EUR 21 000 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 2018 and 31 December 2017. 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%
Total	**43 098**	**100%**

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 2018 the legal reserve fund balance reached the amount of 10% of the share capital which is the minimum amount as required by law.

Retained earnings

In 2017 the Company declared a dividend payable to its equity shareholders in the total amount of EUR 595 188 thousand. The dividend was paid out in January 2018 proportionally, based on equity share owned by the respective shareholders.

18. Interest bearing loans and borrowings

In thousands	Year of maturity	Face value 31 December 2018 (in thousands of currency)	Carrying amount 31 December 2018 (in thousands of euro)	Face value 31 December 2017 (in thousands of currency)	Carrying amount 31 December 2017 (in thousands of euro)
Current liabilities					
Overdraft (held in USD)	n/a	-	-	-	-
Interest bearing loans and borrowings		**-**	**-**	**-**	**-**

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 2018 amounted to EUR 4 110 thousand (31 December 2017: EUR 5 936 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 2018	31 December 2017
Trade payables	183 359	207 058
Dividend payable	-	595 188
Other payables	15 631	19 611
Total	**198 990**	**821 857**

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.

For more information about the dividend payable, refer to note 17.

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 2018 Balance recalculated to EUR thousand	%	31 December 2017 Balance recalculated to EUR thousand	%
EUR	131 455	66%	771 474	93.9%
USD	67 635	34%	50 383	6.1%
Total	**198 990**	**100%**	**821 857**	**100%**

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 2018	31 December 2017
Payables overdue	429	11 160
Payables due within 1 year	198 562	810 697
Total trade and other payables	**198 990**	**821 857**

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 2018	Year ended 31 December 2017
Balance at beginning of the period	209	85
Recognized as expenses	237	289
Drawing	(183)	(165)
Balance at end of the period	**263**	**209**

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 2018	31 December 2017
Cash and cash equivalents	518 338	977 607
Receivables	168 723	203 237
Foreign exchange forward contracts	37	3
Total exposure	**687 098**	**1 180 847**

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
Non-derivative financial assets					
Cash and cash equivalents	518 338	518 338	518 338	-	-
Receivables	168 723	168 723	168 723	-	-
Derivative financial assets					
Foreign exchange forward contracts	37	37	37	-	-
Non-derivative financial liabilities					
Trade and other payables	(198 822)	(198 822)	(198 822)	-	-
Current tax payable	-	-	-	-	-
Derivative financial liabilities					
Foreign exchange forward contracts	(168)	(168)	(168)	-	-
Total	**488 108**	**488 108**	**488 108**	**-**	**-**

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 2018 and 31 December 2017 was as follows based on notional amounts:

In thousands of currency	31 December 2018 USD	31 December 2017 USD
Cash and cash equivalents	-	14 424
Receivables	1 347	1 050
Trade and other payables	(67 982)	(58 267)
Interest bearing loans and borrowings	-	-
Gross exposure	(66 635)	(42 793)
Foreign exchange forward contracts	54 769	22 998
Net exposure	**(11 866)**	**(19 795)**

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 2018 was a loss of EUR 131 thousand (31 December 2017: loss of EUR 278 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:

In thousands of euro	31 December 2018	31 December 2017
Less than one year	1 091	6 349
Between one and five years	4 362	5 911
More than five years	-	-
Total	**5 453**	**12 260**

Assets under operating leases are not subject to a sublease.

During the year ended 31 December 2018 an amount of EUR 1 091 thousand was recognised as an expense in profit or loss in respect of operating leases (year ended 31 December 2017: EUR 4 306 thousand).

23. Capital commitments

There are no significant capital commitments as at 31 December 2018.

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 803 thousand for the year ended 31 December 2018 (year ended 31 December 2017: EUR 406 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 2018**	**Year ended 31 December 2017**
Sales of own products and other assets	427	2 365
Sales of machinery and equipment	-	136
Purchase of raw materials	368 251	417 631
Purchase of machinery and equipment	23 127	41 270
Service and other expenses	2 097	3 183

Transactions with SAMSUNG Electronics Magyar Zártkörűen Működő Részvénytársaság (significant influence) *In thousands of euro*	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Sales of own products and other assets	11 568	125 927
Sales of machinery and equipment	1 472	5 993
Purchase of raw materials	8 378	56 293
Purchase of machinery and equipment	492	409
Service and other expenses	(1 103)	(164)

Transactions with other group companies *In thousands of euro*	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Sales of own products and other assets	1 842 437	2 403 791
Sales of machinery and equipment	519	604
Purchase of raw materials	758 193	1 237 417
Purchase of machinery and equipment	1 395	14 670
Service and other expenses	47 967	27 635

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 2018**	**31 December 2017**
Trade, other receivables and prepayments	66	322
Trade and other payables	113 436	371 887
Other accruals payable	533	807

Assets and liabilities arising from transactions with SAMSUNG Electronics Magyar Zártkörűen Működő Részvénytársaság (significant influence) *In thousands of euro*	**31 December 2018**	**31 December 2017**
Trade, other receivables and prepayments	44	2 067
Trade and other payables	181	289 969
Other accruals payable	-	-

Assets and liabilities arising from transactions with other group companies *In thousands of euro*	**31 December 2018**	**31 December 2017**
Trade, other receivables and prepayments	140 464	162 672
Trade and other payables	41 113	89 193
Other accruals payable	530	284

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 2018 that would require disclosure or amendment of these financial statements.

These financial statements were authorized for issue on 24 January 2019.

KINAM LEE
President

Stanislav Kopecký
Finance manager