

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

	<b>Page</b>
<b>Report on Review of Interim Financial Statements</b> .....	1 - 2
<b>Interim Consolidated Financial Statements</b>	
Interim Consolidated Statements of Financial Position.....	3 - 5
Interim Consolidated Statements of Profit or Loss.....	6
Interim Consolidated Statements of Comprehensive Income.....	7
Interim Consolidated Statements of Changes in Equity.....	8 - 11
Interim Consolidated Statements of Cash Flows.....	12 - 13
Notes to the Interim Consolidated Financial Statements.....	14 - 56



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

(English Translation of a Report Originally Issued in Korean)

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

### ***Reviewed Financial Statements***

We have reviewed the accompanying interim consolidated financial statements of Samsung Electronics Co., Ltd. and its subsidiaries (collectively referred to as the “Company”). These interim consolidated financial statements consist of the interim consolidated statements of financial position of the Company as of March 31, 2019, and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditor’s Responsibility***

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

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

***Conclusion***

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

***Other Matters***

We have audited the consolidated statement of financial position of the Company as of December 31, 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated February 27, 2019. The consolidated statement of financial position as of December 31, 2018, presented herein for comparative purposes, is consistent, in all material respects, with the above audited consolidated statement of financial position as of December 31, 2018.

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

May 14, 2019  
Seoul, Korea

This report is effective as of May 14, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	Notes	March 31, 2019 KRW	December 31, 2018 KRW	March 31, 2019 USD	December 31, 2018 USD
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3, 25	26,676,045	30,340,505	23,724,693	26,983,729
Short-term financial instruments	3, 25	65,065,632	65,893,797	57,866,980	58,603,519
Short-term financial assets at amortized cost	3, 25	3,217,503	2,703,693	2,861,529	2,404,565
Short-term financial assets at fair value through profit or loss	3, 4, 25	1,776,159	2,001,948	1,579,650	1,780,459
Trade receivables	3, 25	36,709,252	33,867,733	32,647,858	30,120,716
Non-trade receivables	3, 25	3,503,579	3,080,733	3,115,954	2,739,891
Advance payments		1,531,603	1,361,807	1,362,151	1,211,141
Prepaid expenses		4,465,260	4,136,167	3,971,238	3,678,555
Inventories	5	31,455,994	28,984,704	27,975,804	25,777,930
Other current assets	3, 25	2,987,497	2,326,337	2,656,971	2,068,958
<b>Total current assets</b>		<b>177,388,524</b>	<b>174,697,424</b>	<b>157,762,828</b>	<b>155,369,463</b>
<b>Non-current assets</b>					
Financial assets at amortized cost	3, 25	550,910	238,309	489,959	211,943
Financial assets at fair value through other comprehensive income	3, 4, 25	8,151,028	7,301,351	7,249,224	6,493,553
Financial assets at fair value through profit or loss	3, 4, 25	773,592	775,427	688,004	689,636
Investments in associates and joint ventures	6	7,315,948	7,313,206	6,506,535	6,504,096
Property, plant and equipment	7	116,392,356	115,416,724	103,515,080	102,647,389
Intangible assets	8	14,868,032	14,891,598	13,223,081	13,244,039
Long-term prepaid expenses		4,541,220	5,009,679	4,038,794	4,455,424
Net defined benefit assets	11	372,940	562,356	331,679	500,139
Deferred income tax assets		5,448,794	5,468,002	4,845,957	4,863,040
Other non-current assets	3	9,264,539	7,683,168	8,239,541	6,833,128
<b>Total assets</b>		<b>345,067,883</b>	<b>339,357,244</b>	<b>306,890,682</b>	<b>301,811,850</b>

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

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	Notes	March 31, 2019 KRW	December 31, 2018 KRW	March 31, 2019 USD	December 31, 2018 USD
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
Trade payables	3, 25	9,802,812	8,479,916	8,718,260	7,541,725
Short-term borrowings	3, 9, 25	9,663,128	13,586,660	8,594,031	12,083,476
Other payables	3, 25	13,110,221	10,711,536	11,659,748	9,526,446
Advances received	14	805,952	820,265	716,784	729,514
Withholdings	3	790,433	951,254	702,982	846,010
Accrued expenses	3, 14	16,187,104	20,339,687	14,396,215	18,089,369
Income tax payable		9,754,808	8,720,050	8,675,567	7,755,292
Current portion of long-term liabilities	2, 3, 9, 10, 25	706,652	33,386	628,470	29,692
Provisions	12	5,012,388	4,384,038	4,457,834	3,899,002
Other current liabilities	3, 14	1,520,593	1,054,718	1,352,360	938,028
<b>Total current liabilities</b>		<b>67,354,091</b>	<b>69,081,510</b>	<b>59,902,251</b>	<b>61,438,554</b>
<b>Non-current liabilities</b>					
Debentures	3, 10, 25	969,145	961,972	861,922	855,543
Long-term borrowings	2, 3, 9, 25	1,865,579	85,085	1,659,177	75,671
Long-term other payables	3, 25	2,639,769	3,194,043	2,347,713	2,840,664
Net defined benefit liabilities	11	581,084	504,064	516,795	448,296
Deferred income tax liabilities		15,404,584	15,162,523	13,700,270	13,484,990
Long-term provisions	12	912,848	663,619	811,853	590,198
Other non-current liabilities	3, 14	2,125,632	1,951,251	1,890,460	1,735,372
<b>Total liabilities</b>		<b>91,852,732</b>	<b>91,604,067</b>	<b>81,690,441</b>	<b>81,469,288</b>

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

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	Notes	March 31, 2019 KRW	December 31, 2018 KRW	March 31, 2019 USD	December 31, 2018 USD
<b>Equity attributable to owners of the parent</b>					
Preference shares	15	119,467	119,467	106,250	106,250
Ordinary shares	15	778,047	778,047	691,966	691,966
Share premium		4,403,893	4,403,893	3,916,660	3,916,660
Retained earnings	16	245,401,018	242,698,956	218,250,639	215,847,524
Other components of equity	17	(5,202,616)	(7,931,370)	(4,627,015)	(7,053,869)
		<b>245,499,809</b>	<b>240,068,993</b>	<b>218,338,500</b>	<b>213,508,531</b>
<b>Non-controlling interests</b>		7,715,342	7,684,184	6,861,741	6,834,031
<b>Total equity</b>		<b>253,215,151</b>	<b>247,753,177</b>	<b>225,200,241</b>	<b>220,342,562</b>
<b>Total liabilities and equity</b>		<b>345,067,883</b>	<b>339,357,244</b>	<b>306,890,682</b>	<b>301,811,850</b>

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

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

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

	Notes	For the three months ended March 31,			
		2019	2018	2019	2018
		KRW	KRW	USD	USD
<b>Revenue</b>		52,385,546	60,563,714	46,589,778	53,863,139
<b>Cost of sales</b>	18	32,746,452	31,909,472	29,123,490	28,379,110
<b>Gross profit</b>		<b>19,639,094</b>	<b>28,654,242</b>	<b>17,466,288</b>	<b>25,484,029</b>
Selling and administrative expenses	18, 19	13,405,812	13,012,072	11,922,636	11,572,458
<b>Operating profit</b>		<b>6,233,282</b>	<b>15,642,170</b>	<b>5,543,652</b>	<b>13,911,571</b>
Other non-operating income	20	321,782	370,976	286,181	329,932
Other non-operating expenses	20	257,131	245,263	228,683	218,128
Share of profit of associates and joint ventures	6	77,681	64,364	69,087	57,243
Financial income	21	1,916,536	2,283,200	1,704,497	2,030,594
Financial expenses	21	1,379,172	1,939,540	1,226,586	1,724,955
<b>Profit before income tax</b>		<b>6,912,978</b>	<b>16,175,907</b>	<b>6,148,148</b>	<b>14,386,257</b>
Income tax expense	22	1,869,393	4,487,363	1,662,569	3,990,896
<b>Profit for the period</b>		<b>5,043,585</b>	<b>11,688,544</b>	<b>4,485,579</b>	<b>10,395,361</b>
Profit attributable to owners of the parent		5,107,490	11,611,833	4,542,414	10,327,137
Profit (loss) attributable to non-controlling interests		(63,905)	76,711	(56,835)	68,224
Earnings per share (in Korean won, in US dollars)	23				
- Basic		752	1,709	0.67	1.52
- Diluted		752	1,709	0.67	1.52

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

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

	Notes	For the three months ended March 31,			
		2019	2018	2019	2018
		KRW	KRW	USD	USD
<b>Profit for the period</b>		5,043,585	11,688,544	4,485,579	10,395,361
<b>Other comprehensive income (loss)</b>					
<b>Items that will not to be reclassified to profit or loss subsequently:</b>					
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	17	608,081	(174,884)	540,805	(155,535)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	17	(2,120)	33,371	(1,885)	29,679
Remeasurement of net defined benefit liabilities (assets), net of tax	17	(37,234)	(35,881)	(33,115)	(31,911)
<b>Items to be reclassified to profit or loss subsequently:</b>					
Share of other comprehensive income of associates and joint ventures, net of tax	17	37,715	22,286	33,542	19,820
Foreign currency translation, net of tax	17	2,209,376	1,087,269	1,964,938	966,977
Gain (loss) on valuation of derivatives	17	9,542	(9,309)	8,486	(8,279)
<b>Other comprehensive income for the period, net of tax</b>		<b>2,825,360</b>	<b>922,852</b>	<b>2,512,771</b>	<b>820,751</b>
<b>Total comprehensive income for the period</b>		<b>7,868,945</b>	<b>12,611,396</b>	<b>6,998,350</b>	<b>11,216,112</b>
<b>Comprehensive income attributable to:</b>					
Owners of the parent		7,837,573	12,516,850	6,970,449	11,132,026
Non-controlling interests		31,372	94,546	27,901	84,086

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



Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2018 KRW	Notes	Preference shares	Ordinary shares	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total
<b>Balance as of January 1, 2018</b>		<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>215,811,200</b>	<b>(13,899,191)</b>	<b>207,213,416</b>	<b>7,278,012</b>	<b>214,491,428</b>
Cumulative effect of changes in accounting principles		-	-	-	220,176	(261,734)	(41,558)	-	(41,558)
<b>Restated total equity at the beginning of the financial period</b>		<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>216,031,376</b>	<b>(14,160,925)</b>	<b>207,171,858</b>	<b>7,278,012</b>	<b>214,449,870</b>
Profit for the period		-	-	-	11,611,833	-	11,611,833	76,711	11,688,544
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax		-	-	-	(146)	(142,495)	(142,641)	(32,243)	(174,884)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		-	-	-	-	55,600	55,600	57	55,657
Foreign currency translation, net of tax		-	-	-	-	1,037,246	1,037,246	50,023	1,087,269
Remeasurement of net defined benefit liabilities (assets), net of tax		-	-	-	-	(35,876)	(35,876)	(5)	(35,881)
Loss on valuation of derivatives		-	-	-	-	(9,309)	(9,309)	-	(9,309)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>11,611,687</b>	<b>905,166</b>	<b>12,516,853</b>	<b>94,543</b>	<b>12,611,396</b>
Dividends		-	-	-	(2,929,530)	-	(2,929,530)	(1,334)	(2,930,864)
Capital transaction under common control		-	-	-	-	-	-	4,031	4,031
Changes in consolidated entities		-	-	-	-	-	-	(39)	(39)
Acquisition of treasury shares		-	-	-	-	(875,111)	(875,111)	-	(875,111)
Retirement of treasury shares		-	-	-	(2,228,135)	2,228,135	-	-	-
Other		-	-	-	-	435	435	162	597
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,157,665)</b>	<b>1,353,459</b>	<b>(3,804,206)</b>	<b>2,820</b>	<b>(3,801,386)</b>
<b>Balance as of March 31, 2018</b>		<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>222,485,398</b>	<b>(11,902,300)</b>	<b>215,884,505</b>	<b>7,375,375</b>	<b>223,259,880</b>

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

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In thousands of US dollars (Note 2.4))

2018 USD	Notes	Preference shares	Ordinary shares	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
<b>Balance as of January 1, 2018</b>		<b>106,250</b>	<b>691,966</b>	<b>3,916,660</b>	<b>191,934,543</b>	<b>(12,361,429)</b>	<b>184,287,990</b>	<b>6,472,796</b>	<b>190,760,786</b>
Cumulative effect of changes in accounting principles		-	-	-	195,816	(232,776)	(36,960)	-	(36,960)
<b>Restated total equity at the beginning of the financial period</b>		<b>106,250</b>	<b>691,966</b>	<b>3,916,660</b>	<b>192,130,359</b>	<b>(12,594,205)</b>	<b>184,251,030</b>	<b>6,472,796</b>	<b>190,723,826</b>
Profit for the period		-	-	-	10,327,137	-	10,327,137	68,224	10,395,361
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax		-	-	-	(130)	(126,730)	(126,860)	(28,675)	(155,535)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		-	-	-	-	49,450	49,450	49	49,499
Foreign currency translation, net of tax		-	-	-	-	922,488	922,488	44,489	966,977
Remeasurement of net defined benefit liabilities (assets), net of tax		-	-	-	-	(31,907)	(31,907)	(4)	(31,911)
Loss on valuation of derivatives		-	-	-	-	(8,279)	(8,279)	-	(8,279)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>10,327,007</b>	<b>805,022</b>	<b>11,132,029</b>	<b>84,083</b>	<b>11,216,112</b>
Dividends		-	-	-	(2,605,416)	-	(2,605,416)	(1,186)	(2,606,602)
Capital transaction under common control		-	-	-	-	-	-	3,585	3,585
Changes in consolidated entities		-	-	-	-	-	-	(35)	(35)
Acquisition of treasury shares		-	-	-	-	(778,292)	(778,292)	-	(778,292)
Retirement of treasury shares		-	-	-	(1,981,621)	1,981,621	-	-	-
Other		-	-	-	-	387	387	144	531
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,587,037)</b>	<b>1,203,716</b>	<b>(3,383,321)</b>	<b>2,508</b>	<b>(3,380,813)</b>
<b>Balance as of March 31, 2018</b>		<b>106,250</b>	<b>691,966</b>	<b>3,916,660</b>	<b>197,870,329</b>	<b>(10,585,467)</b>	<b>191,999,738</b>	<b>6,559,387</b>	<b>198,559,125</b>

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

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of Korean won)

2019 KRW	Notes	Preference shares	Ordinary shares	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total
<b>Balance as of January 1, 2019</b>		<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>242,698,956</b>	<b>(7,931,370)</b>	<b>240,068,993</b>	<b>7,684,184</b>	<b>247,753,177</b>
Profit for the period		-	-	-	5,107,490	-	5,107,490	(63,905)	5,043,585
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	17	-	-	-	-	568,521	568,521	39,560	608,081
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	17	-	-	-	-	35,573	35,573	22	35,595
Foreign currency translation, net of tax	17	-	-	-	-	2,153,678	2,153,678	55,698	2,209,376
Remeasurement of net defined benefit liabilities (assets), net of tax	17	-	-	-	-	(37,231)	(37,231)	(3)	(37,234)
Gain on valuation of derivatives	17	-	-	-	-	9,542	9,542	-	9,542
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>5,107,490</b>	<b>2,730,083</b>	<b>7,837,573</b>	<b>31,372</b>	<b>7,868,945</b>
Dividends		-	-	-	(2,405,428)	-	(2,405,428)	(1,034)	(2,406,462)
Capital transaction under common control		-	-	-	-	-	-	595	595
Changes in consolidated entities		-	-	-	-	-	-	(27)	(27)
Other		-	-	-	-	(1,329)	(1,329)	252	(1,077)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,405,428)</b>	<b>(1,329)</b>	<b>(2,406,757)</b>	<b>(214)</b>	<b>(2,406,971)</b>
<b>Balance as of March 31, 2019</b>		<b>119,467</b>	<b>778,047</b>	<b>4,403,893</b>	<b>245,401,018</b>	<b>(5,202,616)</b>	<b>245,499,809</b>	<b>7,715,342</b>	<b>253,215,151</b>

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

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In thousands of US dollars (Note 2.4))

2019 USD	Notes	Preference shares	Ordinary shares	Share premium	Retained earnings	Other components of equity	Equity attributable to owners of the parent	Non- controlling interests	Total
<b>Balance as of January 1, 2019</b>		<b>106,250</b>	<b>691,966</b>	<b>3,916,660</b>	<b>215,847,524</b>	<b>(7,053,869)</b>	<b>213,508,531</b>	<b>6,834,031</b>	<b>220,342,562</b>
Profit for the period		-	-	-	4,542,414	-	4,542,414	(56,835)	4,485,579
Gain (loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	17	-	-	-	-	505,622	505,622	35,183	540,805
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	17	-	-	-	-	31,637	31,637	20	31,657
Foreign currency translation, net of tax	17	-	-	-	-	1,915,402	1,915,402	49,536	1,964,938
Remeasurement of net defined benefit liabilities (assets), net of tax	17	-	-	-	-	(33,112)	(33,112)	(3)	(33,115)
Gain on valuation of derivatives	17	-	-	-	-	8,486	8,486	-	8,486
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,542,414</b>	<b>2,428,035</b>	<b>6,970,449</b>	<b>27,901</b>	<b>6,998,350</b>
Dividends		-	-	-	(2,139,299)	-	(2,139,299)	(920)	(2,140,219)
Capital transaction under common control		-	-	-	-	-	-	529	529
Changes in consolidated entities		-	-	-	-	-	-	(24)	(24)
Other		-	-	-	-	(1,181)	(1,181)	224	(957)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,139,299)</b>	<b>(1,181)</b>	<b>(2,140,480)</b>	<b>(191)</b>	<b>(2,140,671)</b>
<b>Balance as of March 31, 2019</b>		<b>106,250</b>	<b>691,966</b>	<b>3,916,660</b>	<b>218,250,639</b>	<b>(4,627,015)</b>	<b>218,338,500</b>	<b>6,861,741</b>	<b>225,200,241</b>

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

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	Notes	For the three months ended March 31,			
		2019 KRW	2018 KRW	2019 USD	2018 USD
<b>Cash flows from operating activities</b>					
Profit for the period		5,043,585	11,688,544	4,485,579	10,395,361
Adjustments	24	9,244,062	11,140,508	8,221,328	9,907,958
Changes in assets and liabilities arising from operating activities	24	(8,744,115)	(6,802,521)	(7,776,694)	(6,049,912)
<b>Cash generated from operations</b>		<b>5,543,532</b>	<b>16,026,531</b>	<b>4,930,213</b>	<b>14,253,407</b>
Interest received		411,815	331,422	366,253	294,755
Interest paid		(130,960)	(89,829)	(116,471)	(79,891)
Dividends received		23,807	28,754	21,173	25,573
Income tax paid		(603,883)	(680,526)	(537,071)	(605,235)
<b>Net cash inflow from operating activities</b>		<b>5,244,311</b>	<b>15,616,352</b>	<b>4,664,097</b>	<b>13,888,609</b>
<b>Cash flows from investing activities</b>					
Net decrease in short-term financial instruments		2,941,570	3,472,296	2,616,124	3,088,132
Net increase in short-term financial assets at amortized cost		(405,403)	(411,752)	(360,551)	(366,197)
Net decrease in short-term financial assets at fair value through profit or loss		337,711	-	300,348	-
Disposal of long-term financial instruments		225,764	84,373	200,786	75,038
Acquisition of long-term financial instruments		(3,464,066)	(455,778)	(3,080,813)	(405,352)
Acquisition of financial assets at amortized cost		(314,048)	(158,716)	(279,303)	(141,156)
Disposal of financial assets at fair value through other comprehensive income		22	2,083	20	1,853
Acquisition of financial assets at fair value through other comprehensive income		(18,738)	(31,911)	(16,665)	(28,380)
Disposal of financial assets at fair value through profit or loss		23,910	9,968	21,265	8,865
Acquisition of financial assets at fair value through profit or loss		(57,060)	(34,587)	(50,747)	(30,760)
Disposal of investments in associates and joint ventures		-	148	-	132
Acquisition of investments in associates and joint ventures		(3,500)	(17,137)	(3,113)	(15,241)
Disposal of property, plant and equipment		119,296	200,057	106,097	177,923
Acquisition of property, plant and equipment		(4,197,261)	(9,818,105)	(3,732,890)	(8,731,861)
Disposal of intangible assets		1,591	5,272	1,415	4,689
Acquisition of intangible assets		(267,507)	(234,228)	(237,911)	(208,314)
Cash outflow from business combinations		(165,793)	(14,721)	(147,450)	(13,092)
Other cash inflows (outflows)		(1,058)	29,402	(939)	26,147
<b>Net cash outflow from investing activities</b>		<b>(5,244,570)</b>	<b>(7,373,336)</b>	<b>(4,664,327)</b>	<b>(6,557,574)</b>

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

Samsung Electronics Co., Ltd. and its subsidiaries

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	Notes	For the three months ended March 31,			
		2019 KRW	2018 KRW	2019 USD	2018 USD
<b>Cash flows from financing activities</b>					
Net decrease in short-term borrowings		(3,946,226)	(5,793,171)	(3,509,628)	(5,152,233)
Acquisition of treasury shares		-	(875,111)	-	(778,292)
Proceeds from long-term borrowings		-	3,157	-	2,808
Repayment of long-term borrowings		(151,435)	(264,947)	(134,681)	(235,634)
Dividends paid		(469)	(3,272)	(417)	(2,910)
Net increase in non-controlling interests		595	4,031	529	3,585
<b>Net cash outflow from financing activities</b>		<b>(4,097,535)</b>	<b>(6,929,313)</b>	<b>(3,644,197)</b>	<b>(6,162,676)</b>
Effect of exchange rate changes on cash and cash equivalents		433,334	444,919	385,391	395,695
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(3,664,460)</b>	<b>1,758,622</b>	<b>(3,259,036)</b>	<b>1,564,054</b>
<b>Cash and cash equivalents</b>					
<b>Beginning of the period</b>		<b>30,340,505</b>	<b>30,545,130</b>	<b>26,983,729</b>	<b>27,165,715</b>
<b>End of the period</b>		<b>26,676,045</b>	<b>32,303,752</b>	<b>23,724,693</b>	<b>28,729,769</b>

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 1. General Information

##### 1.1 Company Overview

Samsung Electronics Co., Ltd. (“SEC”) was incorporated under the laws of the Republic of Korea in 1969 and listed its shares on the Korea Stock Exchange in 1975. SEC and its subsidiaries (collectively referred to as the “Company”) operate four business divisions: Consumer Electronics (“CE”), Information technology & Mobile communications (“IM”), Device Solutions (“DS”) and Harman. The CE division includes digital TVs, monitors, air conditioners and refrigerators and the IM division includes mobile phones, communication systems, and computers. The DS division includes products such as Memory, Foundry and System LSI in the semiconductor business (“Semiconductor”), and LCD and OLED panels in the display business (“DP”). The Harman division includes connected car systems, audio and visual products, enterprise automation solutions and connected services. The Company is domiciled in the Republic of Korea and the address of its registered office is Suwon, the Republic of Korea.

These interim consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“*Korean IFRS*”) 1110, *Consolidated Financial Statements*. SEC, as the controlling company, consolidates its 252 subsidiaries including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting for its 46 associates and joint ventures, including Samsung Electro-Mechanics.

##### 1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as of March 31, 2019 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
Domestic	Samsung Display (SDC)	Manufacture and sale of display panels	84.8
	SU Materials	Manufacture of display components	50.0
	STECO	Manufacture of semiconductor components	70.0
	SEMES	Manufacture of semiconductor/FPD	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Service Customer Satisfaction	Call center of repair services for electronic devices	100.0
	Samsung Electronics Sales	Sale of electronic devices	100.0
	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Medison	Manufacture and sale of medical equipment	68.5
	Samsung Venture Capital Union #21	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #22	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #26	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #27	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #28	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #29	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #32	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #33	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #37	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #40	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #42	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #43	Technology business, Venture capital investments	99.0
	Mirero System	Development and supply of semiconductor process defect and quality control software	99.9
	Growth type private equity trust specialized in semiconductors	Investment on semiconductor industry	66.7
Harman International Korea	Software development and supply, etc.	100.0	
Red Bend Software Korea	Software development and supply	100.0	

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	NeuroLogica	Medical equipment	100.0
	Samsung Semiconductor (SSI)	Sale of semiconductor/display panels	100.0
	Samsung Electronics Canada (SECA)	Sale of electronic devices	100.0
	Samsung Research America (SRA)	R&D	100.0
	Samsung Mexicana (SAMEX)	Manufacture of electronic devices	100.0
	Samsung International (SII)	Manufacture of TV/monitors	100.0
	Samsung Austin Semiconductor (SAS)	Manufacture of semiconductor	100.0
	Samsung Electronics Mexico (SEM)	Sale of electronic devices	99.9
	SEMES America (SEMESA)	Semiconductor equipment	100.0
	Samsung Electronics Digital Appliance Mexico (SEDAM)	Manufacture of electronic devices	100.0
	Samsung Electronics Latinoamerica Miami (SEMI)	Sale of electronic devices	100.0
	Samsung Electronics Latinoamerica (SELA)	Sale of electronic devices	100.0
	Samsung Electronics Venezuela (SEVEN)	Marketing and services	100.0
	Samsung Electronica Colombia (SAMCOL)	Sale of electronic devices	100.0
	Samsung Electronics Panama (SEPA)	Consulting	100.0
	Samsung Electronica da Amazonia (SEDA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Argentina (SEASA)	Marketing and services	100.0
	Samsung Electronics Chile (SECH)	Sale of electronic devices	100.0
	Samsung Electronics Peru (SEPR)	Sale of electronic devices	100.0
	RT SV CO-INVEST (RT-SV)	Venture capital investments	99.9
	Samsung HVAC	Sale of heating and cooling products	100.0
America	SmartThings	Sale of smart home electronics	100.0
	Prismview	Manufacture and sale of LED displays	100.0
	Beijing Integrated Circuit Industry International Fund (Beijing Fund)	Venture capital investments	61.4
	Stellus Technologies	Manufacture and sale of server semiconductor storage system	100.0
	Samsung Oak Holdings (SHI)	Holding company	100.0
	AdGear Technologies	Digital advertising platforms	100.0
	Joyent	Cloud Services	100.0
	Samsung Next	Holding Company	100.0
	Samsung Next Fund	Technology business, Venture capital investments	100.0
	Dacor Holdings	Holding Company	100.0
	Dacor	Manufacture and sale of Home appliances	100.0
	Dacor Canada	Sale of Home appliances	100.0
	EverythingDacor.com	Sale of Home appliances	100.0
	Distinctive Appliances of California	Sale of Home appliances	100.0
	Viv Labs	Research of AI technology	100.0
	SigMast Communications	RCS (Rich Communication Service)	100.0
	Harman Becker Automotive Systems	Manufacture and sale of audio products, R&D	100.0
	Harman Connected Services Engineering	Connected Service Provider	100.0
	Harman Connected Services, Inc.	Connected Service Provider	100.0
	Harman Connected Services South America	Connected Service Provider	100.0
	Harman da Amazonia Industria Eletronica e Participacoes	Manufacture and sale of audio products	100.0
	Harman de Mexico S. de R.L. de C.V.	Manufacture of audio products	100.0

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



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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
America	Harman do Brasil Industria Eletronica e Participacoes	Sale of audio products, R&D	100.0
	Harman Financial Group	Management Company	100.0
	Harman International Industries Canada	Sale of audio products	100.0
	Harman International Industries, Inc.	Holding Company	100.0
	Harman International Mexico S de RL de CV	Sale of audio products	100.0
	Harman Investment Group, LLC	Financing Company	100.0
	Harman KG Holding, LLC	Holding Company	100.0
	Harman Professional	Sale of audio products, R&D	100.0
	Red Bend Software	Software design	100.0
	Samsung Electronics Home Appliances America (SEHA)	Manufacture of home appliances	100.0
	China Materialia	Venture capital investments	99.0
	Zhilabs Inc	Sale of network solution	100.0
	Europe/CIS	Samsung Electronics (UK) (SEUK)	Sale of electronic devices
Samsung Electronics Holding (SEHG)		Holding Company	100.0
Samsung Semiconductor Europe GmbH (SSEG)		Sale of semiconductor/display panels	100.0
Samsung Electronics GmbH (SEG)		Sale of electronic devices	100.0
Samsung Electronics Iberia (SESA)		Sale of electronic devices	100.0
Samsung Electronics France (SEF)		Sale of electronic devices	100.0
Samsung Electronics Hungarian (SEH)		Manufacture and sale of electronic devices	100.0
Samsung Electronics Czech and Slovak (SECZ)		Sale of electronic devices	100.0
Samsung Electronics Italia (SEI)		Sale of electronic devices	100.0
Samsung Electronics Europe Logistics (SELS)		Logistics	100.0
Samsung Electronics Benelux (SEBN)		Sale of electronic devices	100.0
Samsung Display Slovakia (SDSK)		Toll processing of display panels	100.0
Samsung Electronics Romania (SEROM)		Sale of electronic devices	100.0
Samsung Electronics Overseas (SEO)		Sale of electronic devices	100.0
Samsung Electronics Polska (SEPOL)		Sale of electronic devices	100.0
Samsung Electronics Portuguesa (SEP)		Sale of electronic devices	100.0
Samsung Electronics Nordic (SENA)		Sale of electronic devices	100.0
Samsung Semiconductor Europe (SSEL)		Sale of semiconductor/display panels	100.0
Samsung Electronics Austria (SEAG)		Sale of electronic devices	100.0
Samsung Electronics Slovakia (SESK)		Manufacture of TV/monitors	100.0
Samsung Electronics Europe Holding (SEEH)		Holding Company	100.0
Samsung Electronics Poland Manufacturing (SEPM)		Manufacture of home appliances	100.0
Samsung Electronics Greece (SEGR)		Sale of electronic devices	100.0
Samsung Nanoradio Design Center (SNDC)		R&D	100.0
Samsung Electronics Air Conditioner Europe B.V. (SEACE)		Sale of heating and cooling products	100.0
Samsung Electronics Rus Company (SERC)		Sale of electronic devices	100.0
Samsung Electronics Baltics (SEB)		Sale of electronic devices	100.0
Samsung Electronics Ukraine Company (SEUC)		Sale of electronic devices	100.0
Samsung R&D Institute Rus (SRR)		R&D	100.0
Samsung Electronics Central Eurasia (SECE)		Sale of electronic devices	100.0
Samsung Electronics Rus Kaluga (SERK)		Manufacture of TV	100.0
Samsung Electronics (London) Limited (SEL)		Holding Company	100.0
Samsung Denmark Research Center (SDRC)		R&D	100.0
Samsung France Research Center (SFRC)	R&D	100.0	

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Cambridge Solution Centre (SCSC)	R&D	100.0
	Samsung Electronics Switzerland GmbH (SESG)	Sale of electronic devices	100.0
	Samsung Electronics Caucasus (SECC)	Marketing	100.0
	Harman Connected Services OOO	Connected Service Provider	100.0
	Harman RUS CIS LLC	Sale of audio products	100.0
	AKG Acoustics	Manufacture and sale of audio products	100.0
	AMX UK	Sale of audio products	100.0
	Duran Audio B.V.	Sale of audio products, R&D	100.0
	Duran Audio Iberia Espana	Sale of audio products	100.0
	Harman Automotive UK	Manufacture of audio products	100.0
	Harman Becker Automotive Systems (Germany)	Manufacture and sale of audio products, R&D	100.0
	Harman Becker Automotive Systems Italy	Sale of audio products	100.0
	Harman Becker Automotive Systems Manufacturing Kft	Manufacture of audio products, R&D	100.0
	Harman Belgium	Sale of audio products	100.0
	Harman Connected Services AB.	Connected Service Provider	100.0
	Harman Finland OY	Connected Service Provider	100.0
	Harman Connected Services (Germany)	Connected Service Provider	100.0
	Harman Connected Services	Connected Service Provider	100.0
	Harman Connected Services Poland Sp.zoo	Connected Service Provider	100.0
	Harman Connected Services UK	Connected Service Provider	100.0
	Harman Consumer Nederland B.V.	Sale of audio products	100.0
	Harman Deutschland	Sale of audio products	100.0
Europe/CIS	Harman Finance International GP S.a.r.l	Holding Company	100.0
	Harman Finance International SCA	Financing Company	100.0
	Harman France SNC	Sale of audio products	100.0
	Harman Holding & Co. KG	Management Company	100.0
	Harman Hungary Financing	Financing Company	100.0
	Harman Inc. & Co. KG	Holding Company	100.0
	Harman International Estonia OU	R&D	100.0
	Harman International Industries (UK)	Sale of audio products, etc.	100.0
	Harman International Romania SRL	R&D	100.0
	Harman International s.r.o	Manufacture of audio products	100.0
	Harman International SNC	Sale of audio products	100.0
	Harman Management	Holding Company	100.0
	Harman Professional Kft	Manufacture of audio products, R&D	100.0
	Martin Manufacturing (UK)	Manufacture of audio products	100.0
	Harman Professional Denmark ApS	Sale of audio products, R&D	100.0
	Harman Professional France SAS	Sale of audio products	100.0
	Red Bend Software (UK)	Software design	100.0
	Red Bend Software SAS	Software design	100.0
	Studer Professional Audio	Sale of audio products, R&D	100.0
	Innoetics E.P.E.	Software development	100.0
	ARCAM	Holding Company	100.0
	A&R Cambridge	Sale of audio products	100.0
	Zhilabs S.L.	Development and sale of network solution	100.0
	FOODIENT	R&D	100.0

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
Middle East and Africa	Samsung Electronics West Africa (SEWA)	Marketing	100.0
	Samsung Electronics East Africa (SEEA)	Marketing	100.0
	Samsung Gulf Electronics (SGE)	Sale of electronic devices	100.0
	Samsung Electronics Egypt (SEEG)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Israel (SEIL)	Marketing	100.0
	Samsung Electronics Tunisia (SETN)	Marketing	100.0
	Samsung Electronics Pakistan (SEPAK)	Marketing	100.0
	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale of electronic devices	100.0
	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0
	Samsung Electronics Maghreb Arab (SEMAG)	Sale of electronic devices	100.0
	Samsung Electronics South Africa Production (SSAP)	Manufacture of TV/monitors	100.0
	Global Symphony Technology Group	Holding Company	100.0
	Harman Connected Services Morocco	Connected Service Provider	100.0
	Harman Industries Holdings Mauritius	Holding Company	100.0
	iOnRoad	R&D	100.0
	iOnRoad Technologies	R&D	100.0
	Red Bend	Manufacture of audio products	100.0
	TowerSec (Israel)	R&D	100.0
Corephotonics	R&D	100.0	
Asia (Except China)	Samsung Japan (SJC)	Sale of electronic devices	100.0
	Samsung R&D Institute Japan (SRJ)	R&D	100.0
	Samsung Electronics Japan (SEJ)	Sale of electronic devices	100.0
	Samsung Electronics Display (M) (SDMA)	Manufacture of electronic devices	100.0
	Samsung Electronics (M) (SEMA)	Manufacture of home appliances	100.0
	Samsung Vina Electronics (SAVINA)	Sale of electronic devices	100.0
	Samsung Asia Private (SAPL)	Sale of electronic devices	100.0
	Samsung India Electronics (SIEL)	Manufacture and sale of electronic devices	100.0
	Samsung R&D Institute India-Bangalore (SRI-B)	R&D	100.0
	Samsung Nepal Services (SNSL)	Service	100.0
	Samsung Electronics Australia (SEAU)	Sale of electronic devices	100.0
	Samsung Electronics Indonesia (SEIN)	Manufacture and sale of electronic devices	100.0
	Samsung Telecommunications Indonesia (STIN)	Sale and service of electronic devices	100.0
	Thai Samsung Electronics (TSE)	Manufacture and sale of electronic devices	91.8
	Samsung Electronics Philippines (SEPCO)	Sale of electronic devices	100.0
	Samsung Malaysia Electronics (SME)	Sale of electronic devices	100.0
	Samsung R&D Institute Bangladesh (SRBD)	R&D	100.0
	Samsung Electronics Vietnam (SEV)	Manufacture of electronic devices	100.0
	Samsung Electronics Vietnam THAINGUYEN (SEVT)	Manufacture and sale of communication equipment	100.0
	Samsung Medison India (SMIN)	Medical equipment	100.0
	Samsung Electronics New Zealand (SENZ)	Sale of electronic devices	100.0
	Samsung Display Vietnam (SDV)	Manufacture of display panels	100.0
	Samsung Electronics HCMC CE Complex (SEHC)	Manufacture and sale of electronic devices	100.0
	Laos Samsung Electronics Sole(LSE)	Marketing	100.0
	AMX Products and Solutions Private	Sale of audio products	100.0

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
Asia (Except China)	Harman Connected Services India	Connected Service Provider	100.0
	Harman International (India) Private	Sale of audio products, R&D	100.0
	Harman International Industries PTY	Holding Company	100.0
	Harman International Singapore	Sale of audio products	100.0
	Harman Professional Singapore Pte.	Sale of audio products	100.0
	Martin Professional Pte.	Sale of audio products	100.0
	Harman Connected Services Japan	Connected Service Provider	100.0
	Harman International Japan	Sale of audio products, R&D	100.0
	Red Bend Software Japan	Software design	100.0
	Studer Japan	Holding Company	100.0
China	Samsung Display Dongguan (SDD)	Manufacture of display panels	100.0
	Samsung Display Tianjin (SDT)	Manufacture of display panels	95.0
	Samsung Electronics Hong Kong (SEHK)	Sale of electronic devices	100.0
	Suzhou Samsung Electronics (SSEC)	Manufacture of home appliances	88.3
	Samsung Suzhou Electronics Export (SSEC-E)	Manufacture of home appliances	100.0
	Samsung (China) Investment (SCIC)	Sale of electronic devices	100.0
	Samsung Mobile R&D Center China-Guangzhou (SRC-Guangzhou)	R&D	100.0
	Samsung Tianjin Mobile Development Center (STMC)	R&D	100.0
	Samsung R&D Institute China-Shenzhen (SRC-Shenzhen)	R&D	100.0
	Samsung Electronics Suzhou Semiconductor (SESS)	Toll processing of semiconductor	100.0
	Samsung Electronics Huizhou (SEHZ)	Manufacture of electronic devices	99.9
	Tianjin Samsung Electronics (TSEC)	Manufacture of TV/monitors	91.2
	Samsung Electronics Taiwan (SET)	Sale of electronic devices	100.0
	Beijing Samsung Telecom R&D Center (BST)	R&D	100.0
	Tianjin Samsung Telecom Technology (TSTC)	Manufacture of communication equipment	90.0
	Shanghai Samsung Semiconductor (SSS)	Sale of semiconductor/display panels	100.0
	Samsung Electronics Suzhou Computer (SESC)	Manufacture of electronic devices	100.0
	Samsung Suzhou Module (SSM)	Toll processing of display panels	100.0
	Samsung Suzhou LCD (SSL)	Manufacture of display panels	60.0
	Shenzhen Samsung Electronics Telecommunication (SSET)	Manufacture of communication equipment	95.0
	Samsung Semiconductor (China) R&D (SSCR)	R&D	100.0
	Samsung Electronics China R&D Center (SCRC)	R&D	100.0
	Samsung (China) Semiconductor (SCS)	Manufacture of semiconductor	100.0
	Tianjin Samsung LED (TSLED)	Manufacture of LED	100.0
	SEMES (Xian)	Semiconductor equipment	100.0
	Samsung Semiconductor Xian (SSCX)	Sale of semiconductor/display panels	100.0
	Harman (China) Technologies	Manufacture of audio products	100.0
	Harman (Suzhou) Audio and Infotainment Systems	Sale of audio products	100.0
	Harman Automotive Electronic Systems (Suzhou)	Manufacture of audio products, R&D	100.0
	Harman Commercial (Shanghai)	Sale of audio products	100.0
	Harman Holding	Sale of audio products	100.0
	Harman International (China) Holdings	Sale of audio products, R&D	100.0
	Harman Technology (Shenzhen)	Sale of audio products, R&D	100.0
Harman Connected Services Solutions (Beijing)	Connected Service Provider	100.0	
Harman Connected Services Solutions (Chengdu)	Connected Service Provider	100.0	

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(1) 2019

<i>(In millions of Korean won)</i>	<b>As of March 31, 2019</b>		<b>For the three months ended March 31, 2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Profit (loss) for the period</b>
<b>Major subsidiaries<sup>1</sup></b>				
Samsung Display	₩ 44,244,614	₩ 4,787,827	₩ 5,055,988	₩ (472,682)
Samsung Electronics America (SEA)	33,577,831	14,085,193	8,491,807	229,749
Samsung (China) Investment (SCIC)	17,949,387	15,508,135	975,498	29,675
Harman and its subsidiaries <sup>2</sup>	15,244,946	5,648,360	2,193,427	(20,430)
Samsung Electronics Vietnam THAINGUYEN (SEVT)	13,546,532	3,465,268	8,573,178	760,102
Samsung Electronics Vietnam (SEV)	12,826,815	2,212,568	6,011,872	539,835
Samsung (China) Semiconductor (SCS)	10,696,596	1,920,192	973,966	133,786
Samsung Semiconductor (SSI)	8,705,616	3,667,560	3,009,239	(67,699)
Samsung Electronics Europe Holding (SEEH)	8,508,103	6,101,518	-	2,486
Samsung Asia Private (SAPL)	7,960,603	756,100	380,011	41,988
Samsung India Electronics (SIEL)	7,543,985	4,355,782	2,861,929	129,788
Samsung Display Vietnam (SDV)	7,378,561	5,374,783	3,080,517	(58,009)
Samsung Electronics Huizhou (SEHZ)	7,170,200	841,475	2,196,982	149,062
Samsung Electronica da Amazonia (SEDA)	6,271,457	1,419,395	1,686,763	202,785
Samsung Austin Semiconductor (SAS)	5,849,951	487,291	898,842	140,034
Shanghai Samsung Semiconductor (SSS)	5,538,654	4,259,187	5,162,500	46,807
Thai Samsung Electronics (TSE)	2,745,563	584,099	1,028,582	9,611
Samsung Electronics (UK) (SEUK)	2,406,830	1,778,712	1,098,665	(7,455)
Samsung Electronics GmbH (SEG)	2,246,913	2,260,442	1,424,996	(71,203)
Samsung Electronics Europe Logistics (SELS)	2,196,832	1,900,923	3,303,456	170,514
Samsung Electronics HCMC CE Complex (SEHC)	2,072,391	1,060,629	1,266,704	127,328
Samsung Electronics Hungarian (SEH)	1,993,836	346,736	653,860	28,758
Samsung Electronics France (SEF)	1,891,995	1,563,138	899,162	(18,736)
Samsung Suzhou LCD (SSL)	1,863,698	639,855	363,103	14,867
Samsung Electronics Benelux (SEBN)	1,815,246	678,142	653,539	1,443

<sup>1</sup> Above summary of condensed financial information is based on separate financial statements of each subsidiary.

<sup>2</sup> Consolidated financial data of an intermediate company that includes Harman International Industries, Inc. and its subsidiaries.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) 2018

<i>(In millions of Korean won)</i>	As of December 31, 2018		For the three months ended March 31, 2018	
	Assets	Liabilities	Sales	Profit (loss) for the period
<b>Major subsidiaries<sup>1</sup></b>				
Samsung Display	₩ 47,162,963	₩ 7,509,766	₩ 6,207,424	₩ (20,169)
Samsung Electronics America (SEA)	30,681,097	11,862,223	7,446,907	209,237
Samsung (China) Investment (SCIC)	16,090,629	13,858,532	1,154,847	(820)
Harman and its subsidiaries <sup>2</sup>	15,059,925	5,550,558	1,940,637	(97,895)
Samsung Electronics Vietnam (SEV)	11,501,682	1,607,991	6,100,102	695,479
Samsung Electronics Vietnam THAINGUYEN (SEVT)	11,360,811	2,209,962	7,513,603	803,502
Samsung (China) Semiconductor (SCS)	10,254,900	1,920,000	1,160,539	355,958
Samsung Semiconductor (SSI)	9,306,621	4,288,544	7,303,837	18,307
Samsung Electronics Europe Holding (SEEH)	8,586,022	6,388,302	-	1,155
Samsung Display Vietnam (SDV)	8,222,472	6,195,635	4,567,042	352,553
Samsung Asia Private (SAPL)	7,630,154	592,916	398,347	784,283
Samsung Electronics Huizhou (SEHZ)	6,539,392	586,349	3,412,921	119,236
Samsung India Electronics (SIEL)	6,410,825	3,438,807	2,682,830	191,966
Samsung Electronica da Amazonia (SEDA)	6,207,458	1,610,607	1,840,182	198,196
Samsung Austin Semiconductor (SAS)	5,642,117	511,596	857,659	80,528
Shanghai Samsung Semiconductor (SSS)	5,400,549	4,227,922	5,963,323	55,244
Thai Samsung Electronics (TSE)	2,465,999	397,248	1,101,144	68,321
Samsung Electronics (UK) (SEUK)	2,203,583	1,588,007	1,163,194	9,849
Samsung Electronics GmbH (SEG)	2,202,610	2,144,728	1,627,986	(48,967)
Samsung Electronics HCMC CE Complex (SEHC)	2,042,669	1,174,936	933,937	88,460
Samsung Electronics Europe Logistics (SELS)	1,904,358	1,778,710	3,839,749	332,078
Samsung Electronics Hungarian (SEH)	1,894,922	280,245	609,152	46,053
Samsung Suzhou LCD (SSL)	1,845,330	679,207	414,448	9,376
Samsung Electronics France (SEF)	1,761,117	1,412,971	970,978	(23,806)
Samsung Electronics Benelux (SEBN)	1,673,470	552,994	643,445	8,145

<sup>1</sup> Above summary of condensed financial information is based on separate financial statements of each subsidiary.

<sup>2</sup> Consolidated financial data of an intermediate company that includes Harman International Industries, Inc. and its subsidiaries.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (C) Changes in the scope of consolidation

##### (1) Subsidiaries newly excluded from the consolidation for the three months ended March 31, 2019:

Area	Subsidiary	Description
Middle East	Broadsense	Liquidation
China	Samsung Electronics (Beijing) Service(SBSC)	Merger <sup>1</sup>

<sup>1</sup> During January 2019, Samsung Electronics (Beijing) Service (SBSC) was merged into Samsung (China) Investment (SCIC), a subsidiary of the Company.

##### (2) Subsidiaries newly included in the consolidation for the three months ended March 31, 2019:

Area	Subsidiary	Description
Middle East	Corephotonics	Acquisition of shares
Europe	FOODIENT	Acquisition of shares

## 2. Significant Accounting Policies

### 2.1 Basis of Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying interim consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The interim consolidated financial statements for the three months ended March 31, 2019, have been prepared in accordance with *Korean IFRS 1034, Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with the Korean IFRS which is effective as of March 31, 2019.

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

The Company applied the following amended and enacted standards for the first time for their annual period commencing on January 1, 2019:

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

The Company has applied *Korean IFRS 1116 Leases* on January 1, 2019, the date of initial application. In accordance with the transitional provisions in *Korean IFRS 1116*, comparative figures have not been restated.

##### *Amendments to Korean IFRS 1019, Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the consolidated financial statements.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### *Amendments to Korean IFRS 1028, Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply *Korean IFRS 1109* to financial instruments in an associate or joint venture to which the equity method is not applied. These include impairment of long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture for which Korean IFRS 1109 should take precedence. The amendment does not have a significant impact on the consolidated financial statements.

#### *Enactment to Interpretation of Korean IFRS 2123 Uncertainty over Income Tax Treatments*

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the consolidated financial statements.

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

There are no major new accounting standards or amendments issued that are effective for the annual reporting period commencing January 1, 2019, and have not been early adopted by the Company.

## 2.2 Accounting Policies

Significant accounting policies and method of computation used in the preparation of the interim consolidated financial statements are consistent with those of the annual financial statements for the year ended December 31, 2018, except for the changes due to the application of amendments and enactments of standards described in Note 2.1 and as described below.

#### (A) Income tax expense

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

#### (B) Leases

A lease is a contract, whereby the lessor conveys to the lessee, the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. However, the Company did not reassess all contracts at initial application because the Company applied the practical expedient to contracts entered into before the date of initial application.

For a contract that is, or contains, a lease, both lessee and lessor account for each lease component within the contract as a lease separately from non-lease components of the contract. In lessee accounting, however, the Company does not account them separately but instead applies the practical expedient to account for each lease component and any associated non-lease components as a single lease component.



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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### a) Lessee Accounting

The Company recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments at the commencement date of the lease.

The right-of-use asset is measured at its cost less subsequent accumulated depreciation and accumulated impairment loss with adjustments reflected arising from remeasurements of the lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis from the commencement date of the lease and is classified as 'property, plant and equipment' in the financial statements.

At the commencement date, the lease liability is measured at present value of the lease payments that are not paid at that date. When measuring the present value, the lease payments are discounted using the interest rate implicit in the lease. If such implicit rate cannot be readily determined, the Company uses the Company's incremental borrowing rate. The lease liability is subsequently increased by the amount of interest expenses recognized on the lease liability and reduced by the lease payments made. Lease liabilities are remeasured when the future lease payments are changed due to the following:

- Changes in an index or a rate;
- Changes in amounts expected to be payable by the lessee under residual value guarantees;
- Changes in the assessment of whether a purchase option or an option to renew is reasonably certain to be exercised;  
or
- Changes in the assessment of whether it is reasonably certain that an option to terminate the lease will not be exercised.

Lease liabilities are classified as 'current portion of long-term liabilities' or 'long-term borrowings' in the financial statements.

The Company elected not to apply the requirements to the short-term leases (i.e., a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). In these cases, lease payments are charged to profit or loss on a straight-line basis over the period of lease.

#### b) Lessor Accounting

The accounting treatment as a lessor did not change significantly from the accounting policies applied for the preparation of the annual financial statements for the year ended December 31, 2018.

The Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 2.3 Change in Accounting Policies

##### (A) *Korean IFRS 1116, Leases*

The Company has applied *Korean IFRS 1116 Leases* on January 1, 2019, the date of initial application. In accordance with the transitional provisions in *Korean IFRS 1116*, comparative figures have not been restated. The impacts of the application of *Korean IFRS 1116* on the financial statements are as follows.

On January 1, 2019, the date of initial application, right-of-use assets and lease liabilities increased by ₩ 2,774,982 million and ₩ 2,344,756 million, respectively, and details of lease liabilities are as follows:

<i>(In millions of Korean won)</i>	<b>Amount</b>
<b>Financial lease liabilities as of December 31, 2018</b>	₩ 61,189
<b>Adjustments in operating lease agreements as of January 1, 2019</b>	2,344,756
Operating lease agreements as of December 31, 2018	2,785,140
Discounted operating agreements as of January 1, 2019	2,528,731
(Adjustments) Short-term lease and low value assets over which application exemption is applied	(183,975)
<b>Lease liabilities as of January 1, 2019</b>	₩ 2,412,154

#### 2.4 Convenience Translation into United States Dollar Amounts

The Company operates primarily in Korean won and its official accounting records are maintained in Korean won. The US dollar amounts provided in the consolidated financial statements represent supplementary information solely for the convenience of the reader. All Korean won amounts are expressed in US dollars at the rate of ₩ 1,124.4 to US \$1, the average exchange rate for the three month period ended March 31, 2019. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

#### 2.5 Critical Accounting Estimates and Assumptions

In preparing the interim consolidated financial statements, the management of the Company makes judgements, estimates and assumptions on matters which affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates, by definition, seldom equal the related actual results.

Critical accounting estimates and assumptions made in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2018, except for the estimates used to determine the income tax expense, and accounting estimates and assumptions for implementation of *Korean IFRS 1116*.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**3. Financial Instruments by Category**

Categorizations of financial assets and liabilities as of March 31, 2019 and December 31, 2018 are as follows:

(A) As of March 31, 2019

<i>(In millions of Korean won)</i>	<b>Financial assets measured at amortized cost</b>		<b>Financial assets measured at fair value through other comprehensive income</b>		<b>Financial assets measured at fair value through profit or loss</b>		<b>Other financial assets<sup>1</sup></b>		<b>Total</b>	
<b>Financial assets</b>										
Cash and cash equivalents	₩	26,676,045	₩	-	₩	-	₩	-	₩	26,676,045
Short-term financial instruments		65,065,632		-		-		-		65,065,632
Trade receivables		36,709,252		-		-		-		36,709,252
Financial assets at amortized cost		3,768,413		-		-		-		3,768,413
Financial assets at fair value through other comprehensive income		-		8,151,028		-		-		8,151,028
Financial assets at fair value through profit or loss		-		-		2,549,751		-		2,549,751
Other		11,647,165		-		57,551		33,373		11,738,089
<b>Total</b>	₩	143,866,507	₩	8,151,028	₩	2,607,302	₩	33,373	₩	154,658,210

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

<i>(In millions of Korean won)</i>	<b>Financial liabilities measured at amortized cost</b>		<b>Financial liabilities measured at fair value through profit or loss</b>		<b>Other financial liabilities<sup>1</sup></b>		<b>Total</b>	
<b>Financial liabilities</b>								
Trade payables	₩	9,802,812	₩	-	₩	-	₩	9,802,812
Short-term borrowings		1,882,371		-		7,780,757		9,663,128
Other payables		11,781,911		-		-		11,781,911
Current portion of long-term liabilities		47,427		-		659,225		706,652
Debentures		969,145		-		-		969,145
Long-term borrowings		9,800		-		1,855,779		1,865,579
Long-term other payables		2,302,011		2,276		-		2,304,287
Other		8,214,690		32,183		4,906		8,251,779
<b>Total</b>	₩	35,010,167	₩	34,459	₩	10,300,667	₩	45,345,293

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(B) As of December 31, 2018

<i>(In millions of Korean won)</i>	<b>Financial assets measured at amortized cost</b>	<b>Financial assets measured at fair value through other comprehensive income</b>	<b>Financial assets measured at fair value through profit or loss</b>	<b>Other financial assets<sup>1</sup></b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents	₩ 30,340,505	₩ -	₩ -	₩ -	₩ 30,340,505
Short-term financial instruments	65,893,797	-	-	-	65,893,797
Trade receivables	33,867,733	-	-	-	33,867,733
Financial assets at amortized cost	2,942,002	-	-	-	2,942,002
Financial assets at fair value through other comprehensive income	-	7,301,351	-	-	7,301,351
Financial assets at fair value through profit or loss	-	-	2,777,375	-	2,777,375
Other	9,229,044	-	58,127	25,962	9,313,133
<b>Total</b>	<b>₩ 142,273,081</b>	<b>₩ 7,301,351</b>	<b>₩ 2,835,502</b>	<b>₩ 25,962</b>	<b>₩ 152,435,896</b>

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

<i>(In millions of Korean won)</i>	<b>Financial liabilities measured at amortized cost</b>	<b>Financial liabilities measured at fair value through profit or loss</b>	<b>Other financial liabilities<sup>1</sup></b>	<b>Total</b>
<b>Financial liabilities</b>				
Trade payables	₩ 8,479,916	₩ -	₩ -	₩ 8,479,916
Short-term borrowings	1,456,201	-	12,130,459	13,586,660
Other payables	9,779,287	-	-	9,779,287
Current portion of long-term liabilities	33,386	-	-	33,386
Debentures	961,972	-	-	961,972
Long-term borrowings	85,085	-	-	85,085
Long-term other payables	2,846,585	13,417	-	2,860,002
Others	8,789,800	32,284	10,439	8,832,523
<b>Total</b>	<b>₩ 32,432,232</b>	<b>₩ 45,701</b>	<b>₩ 12,140,898</b>	<b>₩ 44,618,831</b>

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**4. Financial Assets at Fair Value**

(A) Details of financial assets at fair value as of March 31, 2019 and December 31, 2018 are as follows:

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

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Non-current portion		
Equity instruments	₩ 8,151,028	₩ 7,301,351

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

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Current portion		
Debt instruments	₩ 1,776,159	₩ 2,001,948
Non-current portion		
Equity instruments	487,060	453,642
Debt instruments	286,532	321,785
Subtotal	773,592	775,427
<b>Total</b>	<b>₩ 2,549,751</b>	<b>₩ 2,777,375</b>

Details of listed equity securities of financial assets at fair value as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won, number of shares and percentage)</i>	<b>March 31, 2019</b>			<b>December 31, 2018</b>	
	<b>Number of shares owned</b>	<b>Percentage of ownership<sup>1</sup> (%)</b>	<b>Acquisition cost</b>	<b>Carrying amount (Market value)</b>	<b>Carrying amount (Market value)</b>
Samsung Heavy Industries	100,693,398	16.0	₩ 735,488	₩ 831,727	₩ 746,138
Hotel Shilla	2,004,717	5.1	13,957	191,250	153,361
iMarket Korea	647,320	1.8	324	6,221	4,479
SFA	3,644,000	10.2	38,262	157,785	126,082
Wonik Holdings	3,518,342	4.6	30,821	17,029	12,349
Wonik IPS	3,701,872	7.5	32,428	86,624	74,408
ASML	6,297,787	1.5	363,012	1,345,153	1,104,944
Wacom	8,398,400	5.0	62,013	40,255	38,795
BYD	52,264,808	1.9	528,665	471,737	433,838
Other			273,991	227,161	200,363
<b>Total</b>			<b>₩ 2,078,961</b>	<b>₩ 3,374,942</b>	<b>₩ 2,894,757</b>

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**5. Inventories**

Inventories as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>			<b>December 31, 2018</b>		
	<b>Gross amount</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>	<b>Gross amount</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Finished goods	₩ 8,804,356	₩ (513,545)	₩ 8,290,811	₩ 9,206,754	₩ (370,656)	₩ 8,836,098
Work in process	14,680,832	(1,308,555)	13,372,277	11,862,033	(795,522)	11,066,511
Raw materials and supplies	9,037,964	(389,760)	8,648,204	8,658,212	(610,073)	8,048,139
Materials in transit	1,144,702	-	1,144,702	1,033,956	-	1,033,956
<b>Total</b>	₩ 33,667,854	₩ (2,211,860)	₩ 31,455,994	₩ 30,760,955	₩ (1,776,251)	₩ 28,984,704

**6. Investments in Associates and Joint Ventures**

(A) Changes in investments in associates and joint ventures for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Balance as of January 1	₩ 7,313,206	₩ 6,802,351
Acquisition	3,544	17,137
Disposal	-	(148)
Share of profit	77,681	64,364
Other <sup>1</sup>	(78,483)	(73,059)
<b>Balance as of March 31</b>	₩ 7,315,948	₩ 6,810,645

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

(B) Major investments in associates and joint ventures as of March 31, 2019 are as follows:

(1) Investments in associates

<b>Investee</b>	<b>Nature of relationship with associate</b>	<b>Percentage of ownership<sup>1</sup> (%)</b>	<b>Principal business location</b>	<b>The end of reporting period</b>
Samsung Electro-Mechanics	Manufacture and supply electronic components including passive components, circuit boards, and modules	23.7	Korea	December
Samsung SDS	Provide IT services including computer programming, system integration and management and logistical services	22.6	Korea	December
Samsung Biologics	New business investment	31.5	Korea	December
Samsung SDI <sup>2</sup>	Manufacture and supply electronics including secondary cell batteries	19.6	Korea	December
Cheil Worldwide	Advertising agency	25.2	Korea	December

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

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in joint ventures

Investee	Nature of relationship with joint venture	Percentage of ownership <sup>1</sup> (%)	Principal business location	The end of reporting period
Samsung Corning Advanced Glass	Manufacture and supply industrial glass devices	50.0	Korea	December

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

(C) Details of investments in associates and joint ventures as of March 31, 2019 and December 31, 2018 are as follows:

(1) Investments in associates

*(In millions of Korean won)*

**March 31, 2019**

Investee	Acquisition cost	Net asset value of equity shares <sup>1</sup>	Carrying amount
Samsung Electro-Mechanics	₩ 359,237	₩ 1,151,899	₩ 1,138,599
Samsung SDS	147,963	1,353,864	1,379,364
Samsung Biologics	443,193	1,296,364	1,300,009
Samsung SDI	1,242,605	2,418,979	2,212,821
Cheil Worldwide	506,162	241,175	539,916
Other	623,042	322,339	513,682
<b>Total</b>	₩ 3,322,202	₩ 6,784,620	₩ 7,084,391

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

*(In millions of Korean won)*

**December 31, 2018**

Investee	Acquisition cost	Net asset value of equity shares <sup>1</sup>	Carrying amount
Samsung Electro-Mechanics	₩ 359,237	₩ 1,127,805	₩ 1,126,043
Samsung SDS	147,963	1,350,838	1,376,321
Samsung Biologics	443,193	1,308,650	1,308,546
Samsung SDI	1,242,605	2,402,697	2,197,335
Cheil Worldwide	506,162	253,062	549,165
Other	625,922	310,909	525,259
<b>Total</b>	₩ 3,325,082	₩ 6,753,961	₩ 7,082,669

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) Investments in joint ventures

(In millions of Korean won)

March 31, 2019

Investee	Acquisition cost	Net asset value of equity shares <sup>1</sup>	Carrying amount
Samsung Corning Advanced Glass	₩ 215,000	₩ 173,721	₩ 173,716
Other	259,994	65,628	57,841
<b>Total</b>	<b>₩ 474,994</b>	<b>₩ 239,349</b>	<b>₩ 231,557</b>

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

(In millions of Korean won)

December 31, 2018

Investee	Acquisition cost	Net asset value of equity shares <sup>1</sup>	Carrying amount
Samsung Corning Advanced Glass	₩ 215,000	₩ 173,503	₩ 173,499
Other	259,994	65,443	57,038
<b>Total</b>	<b>₩ 474,994</b>	<b>₩ 238,946</b>	<b>₩ 230,537</b>

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

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

(1) For the three months ended March 31, 2019

(In millions of Korean won)	Balance as of January 1	Share of profit (loss)	Share of other comprehensive income	Other <sup>1</sup>	Balance as of March 31
Samsung Electro-Mechanics	₩ 1,126,043	₩ 18,827	₩ 11,422	₩ (17,693)	₩ 1,138,599
Samsung SDS	1,376,321	31,642	6,345	(34,944)	1,379,364
Samsung Biologics	1,308,546	(12,742)	4,205	-	1,300,009
Samsung SDI	2,197,335	23,004	5,945	(13,463)	2,212,821
Cheil Worldwide	549,165	9,562	3,549	(22,360)	539,916
Samsung Corning Advanced Glass	173,499	217	-	-	173,716
Other	582,297	7,171	4,248	(22,193)	571,523
<b>Total</b>	<b>₩ 7,313,206</b>	<b>₩ 77,681</b>	<b>₩ 35,714</b>	<b>₩ (110,653)</b>	<b>₩ 7,315,948</b>

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



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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) For the three months ended March 31, 2018

<i>(In millions of Korean won)</i>	<b>Balance as of January 1</b>	<b>Share of profit (loss)</b>	<b>Share of other comprehensive income</b>	<b>Other<sup>1</sup></b>	<b>Balance as of March 31</b>
Samsung Electro-Mechanics	₩ 991,579	₩ 17,728	₩ 23,467	₩ (14,013)	₩ 1,018,761
Samsung SDS	1,282,205	30,465	1,607	(34,945)	1,279,332
Samsung Biologics	1,254,937	(17,056)	(1,508)	(40,834)	1,195,539
Samsung SDI	2,126,244	15,751	21,655	(13,462)	2,150,188
Cheil Worldwide	540,114	5,555	2,148	(22,069)	525,748
Samsung Corning Advanced Glass	170,425	1,030	-	-	171,455
Other	436,847	10,891	8,255	13,629	469,622
<b>Total</b>	₩ 6,802,351	₩ 64,364	₩ 55,624	₩ (111,694)	₩ 6,810,645

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

(E) Summary of the condensed financial information of major associates and joint ventures

(1) A summary of condensed financial information of major associates and dividends received from associates as of March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018, is as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>				
	<b>Samsung Electro- Mechanics</b>	<b>Samsung SDS</b>	<b>Samsung Biologics</b>	<b>Samsung SDI</b>	<b>Cheil Worldwide</b>
<b>1. Condensed financial information</b>					
<b>Condensed statements of financial position :</b>					
Current assets	₩ 3,687,097	₩ 6,028,609	₩1,480,260	₩ 5,411,888	₩ 1,830,927
Non-current assets	5,313,376	2,605,134	4,407,703	14,142,382	527,592
Current liabilities	2,626,913	1,829,235	659,705	3,831,926	1,279,289
Non-current liabilities	1,316,212	641,052	1,111,801	3,512,795	229,410
Non-controlling interests	133,308	167,602	-	294,655	8,652
<b>Condensed statements of comprehensive income:</b>					
Revenue	₩ 2,130,552	₩ 2,502,458	₩ 125,365	₩ 2,304,064	₩ 811,993
Profit or loss from continuing operations <sup>1</sup>	129,799	140,001	(38,450)	50,180	22,860
Other comprehensive income <sup>1</sup>	49,761	28,271	(561)	97,636	10,989
Total comprehensive income <sup>1</sup>	179,560	168,272	(39,011)	147,816	33,849
<b>2. Dividends from associates</b>					
Dividends	₩ 17,693	₩ 34,944	₩ -	₩ 13,463	₩ 22,359

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

<i>(In millions of Korean won)</i>	2018				
	Samsung Electro- Mechanics	Samsung SDS	Samsung Biologics	Samsung SDI	Cheil Worldwide
<b>1. Condensed financial information</b>					
<b>Condensed statements of financial position:</b>					
Current assets	₩ 3,525,293	₩ 5,881,776	₩ 1,577,684	₩ 5,519,342	₩ 1,889,015
Non-current assets	5,119,621	2,132,073	4,402,725	13,830,379	378,586
Current liabilities	2,509,584	1,574,797	710,530	4,012,822	1,251,332
Non-current liabilities	1,188,833	290,501	1,114,410	3,111,680	123,476
Non-controlling interests	125,450	166,097	-	291,196	10,164
<b>Condensed statements of comprehensive income:</b>					
Revenue	₩ 2,018,774	₩ 2,356,889	₩ 131,035	₩ 1,908,874	₩ 811,938
Profit or loss from continuing operations <sup>1</sup>	111,203	134,670	(57,220)	125,317	19,360
Other comprehensive income <sup>1</sup>	80,944	15,352	(172)	95,173	5,054
Total comprehensive income <sup>1</sup>	192,147	150,022	(57,392)	220,490	24,414
<b>2. Dividends from associates</b>					
Dividends	₩ 13,270	₩ 34,944	₩ -	₩ 13,463	₩ 22,069

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

- (2) A summary of condensed financial information of major joint ventures and dividends received from joint ventures as of March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018, is as follows:

<i>(In millions of Korean won)</i>	Samsung Corning Advanced Glass	
	2019	2018
<b>1. Condensed financial information</b>		
<b>Condensed statements of financial position:</b>		
Current assets	₩ 155,302	₩ 145,733
- Cash and cash equivalent	12,973	19,047
Non-current assets	234,476	234,666
Current liabilities	38,070	33,393
- Financial liabilities <sup>1</sup>	17,322	17,710
Non-current liabilities	4,267	-
<b>Condensed statements of comprehensive income<sup>2</sup>:</b>		
Revenue	₩ 57,924	₩ 53,232
Depreciation and amortization	7,253	324
Interest income	122	118
Income tax expense	103	547
Profit from continuing operations	434	2,049
Other comprehensive income	-	-
Total comprehensive income	434	2,049
<b>2. Dividends from joint ventures</b>		
Dividends	₩ -	₩ -

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

<sup>2</sup> Amounts relate to the three months ended March 31, 2019 and 2018.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (3) Profit (loss) attributable to owners of the parent company from associates and joint ventures which are not individually material for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	2019		2018	
	Associates	Joint ventures	Associates	Joint ventures
Profit from continuing operations	₩ 6,930	₩ 241	₩ 10,686	₩ 205
Other comprehensive income	3,663	585	4,516	3,738
<b>Total comprehensive income</b>	<b>₩ 10,593</b>	<b>₩ 826</b>	<b>₩ 15,202</b>	<b>₩ 3,943</b>

- (F) Details of marketable investments in associates as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won and number of shares)</i>	March 31, 2019		December 31, 2018
	Number of shares held	Market value	Market value
Samsung Electro-Mechanics	17,693,084	₩ 1,848,927	₩ 1,831,234
Samsung SDS	17,472,110	4,105,946	3,564,310
Samsung Biologics	20,836,832	6,657,368	8,053,436
Samsung SDI	13,462,673	2,887,743	2,948,325
Cheil Worldwide	29,038,075	702,721	653,357

- (G) Other Matters

On July 12, 2018, the Korea Securities and Futures Commission determined a first measure following an investigation relating to Samsung Biologics Co., Ltd., an associate of the Company, and its accounting for its investment in Samsung Bioepis Co., Ltd, a joint venture between Biogen Therapeutics Inc. and Samsung Biologics Co., Ltd. The first measure included a recommendation to dismiss the director in charge, prosecution charges, and external auditor designation by the regulator, on the basis that the Joint Venture Agreement was not disclosed in the notes to the financial statements. On November 14, 2018, the Korea Securities and Futures Commission determined a second measure, which included a penalty of KRW 8 billion, a recommendation to dismiss the CEO, a requirement to restate its financial statements, and further prosecution charges.

Consequently, Samsung Biologics Co., Ltd. filed a suit for cancellation of the aforementioned measures to the Seoul Administrative Court to suspend the execution of these measures, and the respective court has pronounced a decision to suspend these measures until the final rulings on January 22, 2019 and February 19, 2019, relating to the second and first measures, respectively. The Korea Securities and Futures Commission immediately appealed against the decision to suspend execution but on May 13, 2019, the Court dismissed the Korea Securities and Futures Commission's appeal on the second measure.

Although the future outcome of the administrative litigation cannot be estimated, should Samsung Biologics Co., Ltd. be required to restate its financial statements to amend its historical accounting treatment relating to its investment in Samsung Bioepis Co., Ltd., the Company's share of profit or loss relating to its equity method investment, the amount of investment in associates, and retained earnings, for the years ended December 31, 2015 and onwards, and the profit on disposal of investment for the year ended December 31, 2016, may be impacted. Given the timing of completion and the final result of the administrative litigation between Samsung Biologics Co., Ltd. and the Korea Securities and Futures Commission is uncertain and cannot currently be estimated, it is not possible for the Company to recognize the effects of these proceedings in the current period financial statements.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 7. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Balance as of January 1	₩	115,416,724	₩	111,665,648
Acquisition and capital expenditures		4,709,517		8,645,701
Depreciation		(6,840,816)		(5,915,263)
Disposals/scrap/impairment		(216,973)		(137,211)
Other <sup>1</sup>		3,323,904		153,383
<b>Balance as of March 31</b>	<b>₩</b>	<b>116,392,356</b>	<b>₩</b>	<b>114,412,258</b>

<sup>1</sup> Other includes the cumulative effect of changes in accounting principles, effects of changes in foreign currency exchange rates and effects of the offset related to government grants.

(B) Details of depreciation of property, plant and equipment for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Cost of sales	₩	6,112,146	₩	5,364,243
Selling and administrative expenses and other		728,670		551,020
<b>Total</b>	<b>₩</b>	<b>6,840,816</b>	<b>₩</b>	<b>5,915,263</b>

(C) Right-of-use assets as of March 31, 2019 amounts to ₩ 2,898,142 million (January 1, 2019: ₩ 2,774,982 million). During the three months ended March 31, 2019, right-of-use assets of ₩ 235,721 million have been newly recognized, with related depreciation of ₩ 168,980 million.

#### 8. Intangible Assets

(A) Changes in intangible assets for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Balance as of January 1	₩	14,891,598	₩	14,760,483
Internally generated (development costs)		127,964		110,403
External acquisitions		139,543		123,825
Acquisitions through business combinations		185,719		-
Amortization		(254,728)		(351,073)
Disposals/scrap/impairment		(11,489)		(15,743)
Other <sup>1</sup>		(210,575)		177,512
<b>Balance as of March 31</b>	<b>₩</b>	<b>14,868,032</b>	<b>₩</b>	<b>14,805,407</b>

<sup>1</sup> Other includes the cumulative effect of changes in accounting principles and effects of changes in foreign currency exchange rates.

(B) Details of amortization of intangible assets for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Cost of sales	₩	88,155	₩	186,489
Selling and administrative expenses and other		166,573		164,584
<b>Total</b>	<b>₩</b>	<b>254,728</b>	<b>₩</b>	<b>351,073</b>

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Borrowings

Details of the carrying amounts of borrowings as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>Financial institutions</b>	<b>Annual interest rates (%) as of March 31, 2019</b>			<b>March 31, 2019</b>			<b>December 31, 2018<sup>3</sup></b>
<b>Short-term borrowings</b>								
Collateralized borrowings <sup>1</sup>	Woori Bank and others	0.1 ~ 9.9	₩	7,780,757	₩	12,130,459		
Non-collateralized borrowings	Citibank and others	0.1 ~ 24.3		1,882,371		1,456,201		
<b>Total</b>			₩	9,663,128	₩	13,586,660		
<b>Current portion of long-term borrowings</b>								
Bank borrowings	KEB Hana Bank	3.3	₩	41,884	₩	16,880		
Lease liabilities <sup>2</sup>	CSSD and others	3.8		659,225		11,067		
<b>Total</b>			₩	701,109	₩	27,947		
<b>Long-term borrowings</b>								
Bank borrowings	Woori Bank	3.5	₩	9,800	₩	34,963		
Lease liabilities <sup>2</sup>	CSSD and others	3.8		1,855,779		50,122		
<b>Total</b>			₩	1,865,579	₩	85,085		

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

<sup>2</sup> Interest expenses arising from the lease liabilities during the three months ended March 31, 2019 amounts to ₩ 23,636 million, which were determined using the weighted average incremental borrowing rate. The right-of-use assets are pledged as collateral to the lessor in the event of default.

<sup>3</sup> Lease liabilities as of December 31, 2018 represent financial lease liabilities in accordance with *Korean IFRS 1017* (Note 2).

#### 10. Debentures

Details of the carrying amounts of debentures as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>Issue date</b>	<b>Due date</b>	<b>Annual interest rates (%) as of March 31, 2019</b>			<b>March 31, 2019</b>			<b>December 31, 2018</b>
US dollar denominated straight bonds <sup>1</sup>	1997.10.2	2027.10.1	7.7	₩	51,201	₩	50,315		
					(US \$ 45 million)	(US \$ 45 million)			
US dollar denominated debenture bonds <sup>2</sup>	2015.5.6	2025.5.15	4.2		455,120		447,240		
					(US \$ 400 million)	(US \$ 400 million)			
EURO denominated debenture bonds <sup>3</sup>	2015.5.20	2022.5.27	2.0		447,113		447,352		
					(EUR € 350 million)	(EUR € 350 million)			
Less: Current Portion					(5,689)		(5,591)		
Less: Discounts					(1,173)		(1,208)		
Add: Premium					22,573		23,864		
<b>Total</b>				₩	969,145	₩	961,972		

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

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

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 11. Net Defined Benefit Liabilities (Assets)

(A) Details of net defined benefit liabilities (assets) recognized in the statements of financial position as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
Present value of funded defined benefit obligations	₩	8,665,061	₩	8,443,465
Present value of unfunded defined benefit obligations		266,675		250,577
<b>Subtotal</b>		<b>8,931,736</b>		<b>8,694,042</b>
Fair value of plan assets		(8,723,592)		(8,752,334)
<b>Total</b>	₩	<b>208,144</b>	₩	<b>(58,292)</b>

(B) The amounts recognized in the statements of profit or loss for the three months ended March 31, 2019 and 2018 relating to defined benefit plans are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Current service cost	₩	231,925	₩	208,965
Net interest income		(780)		(5,584)
Past service cost		861		-
Other		2,216		(1,782)
<b>Total</b>	₩	<b>234,222</b>	₩	<b>201,599</b>

(C) The expenses related to defined benefit plans recognized in the statements of profit or loss for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Cost of sales	₩	105,409	₩	83,714
Selling and administrative expenses and other		128,813		117,885
<b>Total</b>	₩	<b>234,222</b>	₩	<b>201,599</b>

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**12. Provisions**

Changes in the provisions for the three months ended March 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	<b>Warranty (A)</b>	<b>Royalty expenses (B)</b>	<b>Long-term incentives (C)</b>	<b>Bonus (D)</b>	<b>Other (E, F)</b>	<b>Total</b>
Balance as of January 1,	₩ 1,873,869	₩ 1,134,379	₩ 777,073	₩ -	₩ 1,262,336	₩ 5,047,657
Charged to the statement of profit or loss	359,874	195,028	78,120	1,189,500	193,665	2,016,187
Payment	(387,743)	(351,591)	(266,682)	-	(168,562)	(1,174,578)
Other <sup>1</sup>	30,816	4,475	2,093	27,510	(28,924)	35,970
<b>Balance as of March 31</b>	<b>₩ 1,876,816</b>	<b>₩ 982,291</b>	<b>₩ 590,604</b>	<b>₩ 1,217,010</b>	<b>₩ 1,258,515</b>	<b>₩ 5,925,236</b>

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

- (A) The Company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs.
- (B) The Company recognizes provisions for the estimated royalty expenses that are under negotiation with counterparties. The timing and amount of payment depends on the settlement of the negotiation.
- (C) The Company has a long-term incentive plan for its executives based on a three-year management performance criteria and recognizes a provision for the estimated incentive cost for the accrued period.
- (D) The Company provides bonuses for its executives and employees, which are determined based on current-period performance. The estimated bonus cost for the accrued period has been recognized as a provision.
- (E) The Company records provisions for the estimated expenses occurring from discontinuing production, sale of products and other activities.
- (F) The Company makes provisions for the carrying amounts of emission rights held by the Company and the emission in excess of the emission rights for the applicable years. Details of emission rights and liabilities as of March 31, 2019 are as follows:

- (1) Allocated amount of emission permits and the estimated amount of emission as of March 31, 2019 are as follows:

<i>(In ten thousand metric tons)</i>	<b>March 31, 2019</b>
Allocated emission permits	1,408
Estimated volume of emission	1,821

- (2) Changes in the emission permits rights for the three months ended March 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>	
Balance as of January 1	₩	31,647
Acquisition		-
Used		-
<b>Balance as of March 31</b>	<b>₩</b>	<b>31,647</b>

- (3) Changes in the provisions for emissions liabilities for the three months ended March 31, 2019 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>	
Balance as of January 1	₩	99,960
Charged to the statement of profit or loss		35,968
Submission		-
<b>Balance as of March 31</b>	<b>₩</b>	<b>135,928</b>

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 13. Commitments and Contingencies

##### (A) Guarantees

Details of guarantees of debt provided by the Company as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
Guarantees of debt for housing rental <sup>1</sup>	₩	12,410	₩	32,511

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

##### (B) Litigation

- (1) As of March 31, 2019, the Company is involved in claims, disputes, and investigations conducted by regulatory bodies, including civil claims from some overseas buyers for price-fixing related to the sale of TFT-LCD. Although the outflow of resources and timing of these matters are uncertain, the Company believes the outcome will not have a material impact on the financial condition of the Company.
- (2) In addition, the Company is involved in various claims, disputes, and investigations conducted by regulatory bodies, which arose during the normal course of business with numerous companies and other entities. Although the outflow of resources and timing of these matters are uncertain, as of the reporting date, the Company believes the outcome will not have a material impact on the financial position of the Company.

#### 14. Contract liabilities

The Company has recognized the following contract liabilities related to contracts with customers as follow:

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
Contract liabilities <sup>1</sup>	₩	8,721,311	₩	9,021,400

<sup>1</sup> Contract liabilities are included in advances received, accrued expenses, other current liabilities and others.

#### 15. Share Capital

As of March 31, 2019, the Company's total number of authorized shares is 25,000,000,000 shares (₩ 100 per share). The Company has issued 5,969,782,550 shares of ordinary shares and 822,886,700 shares of preference shares as of March 31, 2019, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩ 679,267 million (ordinary shares of ₩ 596,978 million and preference shares of ₩ 82,289 million), which does not agree with paid-in capital of ₩ 897,514 million.



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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 16. Retained Earnings

(A) Retained earnings as of March 31, 2019 and December 31, 2018 consist of the following:

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
Discretionary reserve, etc.	₩	151,539,446	₩	151,519,651
Unappropriated		93,861,572		91,179,305
<b>Total</b>	₩	245,401,018	₩	242,698,956

(B) On April 30, 2019, the Company declared cash dividends to shareholders of ordinary shares and preference shares as interim dividends for the three months ended March 31, 2019.

Details of interim dividends for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>		<b>2019</b>		<b>2018</b>	
Number of shares eligible for dividends <sup>1</sup>	Ordinary shares		5,969,782,550		119,395,651
	Preference share		822,886,700		16,457,734
Dividend rate (based on par value)			354%		354%
Dividend amount	Ordinary shares	₩	2,113,303	₩	2,113,303
	Preference share		291,302		291,302
<b>Total</b>		₩	2,404,605	₩	2,404,605

<sup>1</sup> For the year ended December 31, 2018, the Company's number of shares has been changed by the share split.

#### 17. Other Components of Equity

(A) Other components of equity as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩	2,030,787	₩	1,462,266
Share of other comprehensive income of associates and joint ventures		(8,639)		(44,212)
Foreign currency translation		(6,459,064)		(8,612,742)
Remeasurement of net defined benefit liabilities (assets)		(833,794)		(796,563)
Other		68,094		59,881
<b>Total</b>	₩	(5,202,616)	₩	(7,931,370)

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 18. Expenses by Nature

Expenses by nature for the three months ended March 31, 2019 and 2018 consist of the following:

<i>(In millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Changes in finished goods and work in process	₩ (1,760,479)	₩ (1,306,234)
Raw materials used and merchandise purchased	19,329,539	19,238,798
Wages and salaries	5,925,979	5,497,869
Post-employment benefit	280,234	234,381
Depreciation	6,840,816	5,915,263
Amortization	254,728	351,073
Welfare	1,161,852	1,024,489
Utilities	1,102,031	1,057,124
Outsourcing	1,186,687	1,202,525
Advertising	965,523	914,523
Sales promotion expenses	1,732,965	1,800,031
Other	9,132,389	8,991,702
<b>Total<sup>1</sup></b>	₩ 46,152,264	₩ 44,921,544

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

#### 19. Selling and Administrative Expenses

Selling and administrative expenses for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>1) Selling and Administrative Expenses</b>		
Wages and salaries	₩ 1,576,131	₩ 1,582,945
Post-employment benefit	73,713	64,920
Commissions and service charges	1,324,015	1,606,075
Depreciation	383,984	245,882
Amortization	104,477	106,444
Advertising	965,523	914,523
Sales promotion expenses	1,732,965	1,800,031
Transportation	504,235	579,251
Warranty	701,878	769,109
Other	1,136,309	1,118,250
<b>2) Research and development expenses</b>		
Total expenses	5,030,546	4,335,045
Capitalized expenses	(127,964)	(110,403)
<b>Total</b>	₩ 13,405,812	₩ 13,012,072

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

Details of other non-operating income and expenses for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
<b>Non-operating income</b>				
Dividend income	₩	34,711	₩	34,327
Rental income		39,170		37,007
Gain on disposal of investments		11,363		1,558
Gain on disposal of property, plant and equipment		89,679		93,026
Other		146,859		205,058
<b>Total</b>	₩	<b>321,782</b>	₩	<b>370,976</b>

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
<b>Non-operating expenses</b>				
Loss on disposal of property, plant and equipment	₩	43,948	₩	30,406
Donations		45,606		23,379
Other		167,577		191,478
<b>Total</b>	₩	<b>257,131</b>	₩	<b>245,263</b>

**21. Financial Income and Expenses**

(A) Details of financial income and expenses for the three months ended March 31, 2019 and 2018 are as follows:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
<b>Financial income</b>				
Interest income:	₩	662,010	₩	451,305
Interest income from financial assets measured at amortized cost		661,897		451,237
Interest income from financial assets measured at fair value through profit or loss		113		68
Foreign exchange differences		1,039,362		1,471,871
Gains from derivatives		215,164		360,024
<b>Total</b>	₩	<b>1,916,536</b>	₩	<b>2,283,200</b>

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
<b>Financial expenses</b>				
Interest expenses:	₩	174,061	₩	136,223
Interest expense from financial liabilities measured at amortized cost		71,373		71,742
Other financial liabilities		102,688		64,481
Foreign exchange differences		1,007,044		1,603,939
Losses from derivatives		198,067		199,378
<b>Total</b>	₩	<b>1,379,172</b>	₩	<b>1,939,540</b>

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 22. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The average annual tax rate expected as of March 31, 2019 to be effective for the year ended December 31, 2019 is 27.0%.

#### 23. Earnings per Share

##### (A) Basic earnings per share

Basic earnings per share for the three months ended March 31, 2019 and 2018 are calculated as follows:

##### (1) Ordinary Shares

<i>(In millions of Korean won, thousands of number of shares)</i>	<b>2019</b>	<b>2018</b>
Profit for the period attributable to owners of the parent company	₩ 5,107,490	₩ 11,611,833
Profit for the period available for ordinary shares	4,488,752	10,205,137
Weighted-average number of ordinary shares outstanding	5,969,783	5,972,482
<b>Basic earnings per ordinary share (in Korean won)</b>	<b>₩ 752</b>	<b>₩ 1,709</b>

##### (2) Preference Shares

<i>(In millions of Korean won, thousands of number of shares)</i>	<b>2019</b>	<b>2018</b>
Profit for the period attributable to owners of the parent company	₩ 5,107,490	₩ 11,611,833
Profit for the period available for preference shares	618,738	1,406,696
Weighted-average number of preference shares outstanding	822,887	823,515
<b>Basic earnings per preference share (in Korean won)</b>	<b>₩ 752</b>	<b>₩ 1,708</b>

##### (B) Diluted earnings per share

The Company does not have dilutive potential ordinary shares and as a result, basic earnings per share and diluted earnings per share are the same for the three months ended March 31, 2019 and 2018.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 24. Cash Flows

Adjustments and changes in assets and liabilities arising from operating activities for the three months ended March 31, 2019 and 2018 are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Adjustments for:		
Income tax expense	₩ 1,869,393	₩ 4,487,363
Financial income	(1,284,064)	(1,360,610)
Financial expenses	753,498	996,852
Post-employment benefits	280,234	234,381
Depreciation	6,840,816	5,915,263
Amortization	254,728	351,073
Bad debt expenses (reversal)	15,518	(41,591)
Dividend income	(34,711)	(34,327)
Share of profit of associates and joint ventures	(77,681)	(64,364)
Gain on disposal of property, plant and equipment	(89,679)	(93,026)
Loss on disposal of property, plant and equipment	43,948	30,406
Loss on valuation of inventories	684,245	699,995
Gain on disposal of investments	(11,363)	(1,558)
Others	(820)	20,651
<b>Total</b>	₩ 9,244,062	₩ 11,140,508

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Changes in assets and liabilities :		
Increase in trade receivables	₩ (1,603,834)	₩ (662,078)
Decrease (increase) in other receivables	(237,431)	939,281
Increase in advance payments	(134,806)	(125,494)
Decrease (increase) in prepaid expenses	119,105	(846,478)
Increase in inventories	(2,786,782)	(2,193,860)
Increase in trade payables	822,177	142,328
Decrease in other payables	(948,085)	(664,587)
Increase (decrease) in advances received	65,936	(123,362)
Decrease in withholdings	(178,942)	(29,016)
Decrease in accrued expenses	(4,509,347)	(4,011,462)
Increase in provisions	841,609	908,753
Payment of post-employment benefits	(97,553)	(110,481)
Other	(96,162)	(26,065)
<b>Total</b>	₩ (8,744,115)	₩ (6,802,521)

For the three months ended March 31, 2019, cash outflows from repayment of the principal (financial activities) and cash outflows due to interest expenses (operating activities) in relation to the lease liabilities amount to ₩ 149,229 million and ₩ 23,636 million, respectively.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 25. Financial Risk Management

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

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

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

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

##### (A) Market risk

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

Revenues and expenses arise from foreign currency transactions and exchange positions, and the most widely used currencies are the US Dollar, EU's Euro, Japanese Yen and Indian Rupee.

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

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

###### (2) Price risk

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

As of March 31, 2019 and December 31, 2018, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩ 33,749 million and ₩ 28,947 million, respectively.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (3) Interest rate risk

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

In order to minimize interest rate risk, the Company maintains minimum external borrowings by facilitating cash pooling systems on a regional and global basis. The Company manages exposed interest rate risk via periodic monitoring and handling risk factors on a timely basis.

#### (B) Credit risk

Credit risk arises during the normal course of transactions and investing activities where clients or other parties fail to discharge an obligation. The Company monitors and sets the client's and counterparty's credit limit on a periodic basis based on the client's and counterparty's financial conditions, default history and other important factors. Adequate insurance coverage is maintained for trade receivables related to trading partners situated in higher risk countries.

Credit risk can arise from transactions with financial institutions which include financial instrument transactions such as cash and cash equivalents, deposits, and derivative instruments. To minimize such risk, the Company transacts only with banks which have strong international credit rating (S&P A and above), and all new transactions with financial institutions with no prior transaction history are approved, managed and monitored by the Company's finance team and the local finance center. The Company generally enters into a financial agreement with no restrictions, such as debt ratio covenants, provision of collateral and/or repayment of loans/ borrowings. The Company requires separate approval for contracts with restrictions.

As of March 31, 2019 and December 31, 2018, the Company estimates that its maximum exposure to credit risk is the carrying amount of its financial assets, net of impairment losses.

#### (C) Liquidity risk

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

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

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (D) Capital risk management

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

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

The total liabilities to equity ratios as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	March 31, 2019		December 31, 2018	
Total liabilities	₩	91,852,732	₩	91,604,067
Total equity		253,215,151		247,753,177
<b>Total liabilities to equity ratio</b>		36.3%		37.0%

#### (E) Fair value estimation

- (1) Carrying amounts and fair values of financial instruments by category as of March 31, 2019 and December 31, 2018 are as follows:

<i>(In millions of Korean won)</i>	March 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	₩ 26,676,045	<sup>1</sup>	₩ 30,340,505	<sup>1</sup>
Short-term financial instruments	65,065,632	<sup>1</sup>	65,893,797	<sup>1</sup>
Short-term financial assets at amortized cost	3,217,503	<sup>1</sup>	2,703,693	<sup>1</sup>
Short-term financial assets at fair value through profit or loss	1,776,159	1,776,159	2,001,948	2,001,948
Trade receivables	36,709,252	<sup>1</sup>	33,867,733	<sup>1</sup>
Financial assets at amortized cost	550,910	<sup>1</sup>	238,309	<sup>1</sup>
Financial assets at fair value through other comprehensive income	8,151,028	8,151,028	7,301,351	7,301,351
Financial assets at fair value through profit or loss	773,592	773,592	775,427	775,427
Other <sup>2</sup>	11,738,089	90,924	9,313,133	84,089
<b>Total financial assets</b>	₩ 154,658,210		₩ 152,435,896	
<b>Financial liabilities</b>				
Trade payables	₩ 9,802,812	<sup>1</sup>	₩ 8,479,916	<sup>1</sup>
Short-term borrowings	9,663,128	<sup>1</sup>	13,586,660	<sup>1</sup>
Other payables	11,781,911	<sup>1</sup>	9,779,287	<sup>1</sup>
Current portion of long-term liabilities <sup>3</sup>	706,652	<sup>1</sup>	33,386	<sup>1</sup>
Debentures	969,145	996,351	961,972	964,182
Long-term borrowings <sup>3</sup>	1,865,579	<sup>1</sup>	85,085	<sup>1</sup>
Long-term other payables <sup>2</sup>	2,304,287	2,276	2,860,002	13,417
Other <sup>2</sup>	8,251,779	37,089	8,832,523	42,723
<b>Total financial liabilities</b>	₩ 45,345,293		₩ 44,618,831	

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

<sup>2</sup> Assets measured at cost of ₩ 11,647,165 million (December 31, 2018: ₩ 9,229,044 million) and liabilities measured at cost of ₩ 10,516,701 million (December 31, 2018: ₩ 11,636,385 million) are excluded as the carrying amount is a reasonable approximation of fair value.

<sup>3</sup> Lease liabilities, classified under the current portion of long-term liabilities and long-term borrowings, are excluded from the fair value disclosures in accordance with *Korean IFRS 1107*.



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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (2) Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as of March 31, 2019 and December 31, 2018 are as follows:

March 31, 2019				
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
<b>1) Assets</b>				
Financial assets at fair value through other comprehensive income	₩ 3,349,899	₩ -	₩ 4,801,129	₩ 8,151,028
Financial assets at fair value through profit or loss	25,043	14,236	2,510,472	2,549,751
Other	-	90,924	-	90,924
<b>2) Liabilities</b>				
Debentures	₩ -	₩ 996,351	₩ -	₩ 996,351
Long-term other payables	-	-	2,276	2,276
Other	-	35,985	1,104	37,089

December 31, 2018				
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
<b>1) Assets</b>				
Financial assets at fair value through other comprehensive income	₩ 2,884,633	₩ -	₩ 4,416,718	₩ 7,301,351
Financial assets at fair value through profit or loss	10,124	18,503	2,748,747	2,777,375
Other	-	84,089	-	84,089
<b>2) Liabilities</b>				
Debentures	₩ -	₩ 964,182	₩ -	₩ 964,182
Long-term other payables	-	-	13,417	13,417
Other	-	41,639	1,085	42,723

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

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

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

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

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Company performs the fair value measurements required for financial reporting purposes, including Level 3 fair values and discusses valuation processes and results at least once every quarter in line with the Company's quarterly reporting dates. The Company's policy is to recognize transfers between levels at the end of the reporting period, if corresponding events or changes in circumstances have occurred.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. For trade and other receivables that are classified as current assets, the book value approximates a reasonable estimate of fair value.

#### (3) Valuation technique and the inputs

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

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

(In millions of Korean won)

Classification	Fair value	Valuation technique	Level 3 inputs	Input range (Weighted average)
<b>Financial assets at fair value through other comprehensive income</b>				
Maltani	₩ 12,186	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 8.23%-10.23% (9.23%)
Samsung Venture Investment	7,313	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00%~1.00% (0%) 20.78%~22.78% (21.78%)
Corning Incorporated convertible preference shares	4,030,857	Trinomial model	Risk adjusted discount rate Price volatility	5.5% ~ 7.5% (6.5%) 23.0% ~ 29.0% (26.0%)
<b>Long-term other payables</b>				
Contingent financial liability	2,276	Probability-weighted discounted cash flow	Applicable probability rate	50%
<b>Other</b>				
Contingent financial liability	1,104	Monte Carlo simulation	Discount rate Asset volatility Credit spread	8.23% 33% 0.79%

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(4) Changes in Level 3 instruments:

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
<b>Financial Assets</b>				
Balance as of January 1	₩	7,165,466	₩	3,652,574
Acquisitions		1,060,277		-
Disposals		(1,330,213)		-
Amount recognized in profit or loss		2,877		(4,565)
Amount recognized in other comprehensive income		341,144		(275,224)
Others <sup>1</sup>		72,050		1,201,472
Balance as of March 31	₩	7,311,601	₩	4,574,257

<sup>1</sup> Others include the effect of changes in accounting policy.

<i>(In millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
<b>Financial Liabilities</b>				
Balance as of January 1	₩	14,502	₩	351,918
Amount recognized in profit or loss		(11,244)		3,367
Others		122		(1,629)
Balance as of March 31	₩	3,380	₩	353,656

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

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

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

<i>(In millions of Korean won)</i>	<b>Classification</b>	<b>Favorable changes</b>		<b>Unfavorable changes</b>					
		<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>				
	Financial assets at fair value through other comprehensive income <sup>1</sup>	₩	-	₩	100,025	₩	-	₩	(105,504)

<sup>1</sup> For equity securities, changes in fair value are calculated with the correlation between growth rate (-1%~1%), volatility (23.0%~29.0%) and discount rate, which are significant unobservable inputs.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 26. Segment Information

##### (A) Operating segment information

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

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

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

##### (1) For the three months ended March 31, 2019

<i>(In millions of Korean won)</i>	DS						Total <sup>1</sup>	Intercompany elimination within the Company	Consolidated
	CE	IM	Total <sup>1</sup>	Semi-conductor	DP	Harman			
Total segment revenue	₩ 23,003,131	₩ 58,772,191	₩ 39,490,740	₩ 26,122,067	₩ 12,666,239	₩ 2,610,769	₩ 124,429,243	₩ (72,043,697)	₩ 52,385,546
Intercompany revenue	(12,962,216)	(31,571,920)	(18,875,370)	(11,649,659)	(6,541,836)	(416,033)	(72,043,697)	72,043,697	-
Net revenue <sup>2</sup>	10,040,915	27,200,271	20,615,370	14,472,408	6,124,403	2,194,736	52,385,546	-	52,385,546
Depreciation	134,915	312,732	6,124,908	4,457,826	1,657,730	76,212	6,840,816	-	6,840,816
Amortization	8,438	25,139	116,865	88,215	26,873	54,830	254,728	-	254,728
Operating profit	541,041	2,274,288	3,536,143	4,122,391	(560,742)	7,997	6,233,282	-	6,233,282

<sup>1</sup> Includes amounts which does not specifically fall into specific operating segments presented above.

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

##### (2) For the three months ended March 31, 2018

<i>(In millions of Korean won)</i>	DS						Total <sup>1</sup>	Intercompany elimination within the Company	Consolidated
	CE	IM	Total <sup>1</sup>	Semi-conductor	DP	Harman			
Total segment revenue	₩ 21,396,841	₩ 60,312,806	₩ 56,023,663	₩ 39,514,424	₩ 15,180,352	₩ 2,545,062	₩ 140,607,363	₩ (80,043,649)	₩ 60,563,714
Intercompany revenue	(11,655,167)	(31,862,693)	(27,677,560)	(18,731,238)	(7,643,766)	(604,223)	(80,043,649)	80,043,649	-
Net revenue <sup>2</sup>	9,741,674	28,450,113	28,346,103	20,783,186	7,536,586	1,940,839	60,563,714	-	60,563,714
Depreciation	139,294	292,535	5,338,964	3,680,464	1,622,565	56,426	5,915,263	-	5,915,263
Amortization	14,158	34,177	202,278	168,189	30,602	54,391	351,073	-	351,073
Operating profit	275,153	3,769,623	11,763,656	11,550,359	408,263	(36,740)	15,642,170	-	15,642,170

<sup>1</sup> Includes amounts which does not specifically fall into specific operating segments presented above.

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as of and for the three months ended March 31, 2019 and 2018 is as follows:

##### (1) As of and for the three months ended March 31, 2019

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the Company	Consolidated
Net segment revenue	₩ 7,317,068	₩16,714,108	₩10,238,013	₩10,243,197	₩ 7,873,160	₩ -	₩ 52,385,546
Non-current assets <sup>1</sup>	93,176,763	10,502,443	6,441,171	11,997,509	9,520,207	(377,705)	131,260,388

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

##### (2) As of and for the three months ended March 31, 2018

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the Company	Consolidated
Net segment revenue	₩ 8,520,783	₩19,799,354	₩11,023,997	₩11,612,285	₩ 9,607,295	₩ -	₩ 60,563,714
Non-current assets <sup>1</sup>	92,231,385	10,325,354	6,197,668	11,781,471	9,479,128	(797,341)	129,217,665

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

## 27. Related Party Transactions

#### (A) Sale and purchase transactions

Sale and purchase transactions with related parties for the three months ended March 31, 2019 and 2018, are as follows:

<i>(In millions of Korean won)</i>	Name of company <sup>1</sup>	2019			
		Sales	Disposal of non-current assets	Purchases	Purchase of non-current assets
Associates and Joint ventures	Samsung SDS	₩ 43,102	₩ -	₩ 526,607	₩ 81,606
	Samsung Electro-Mechanics	28,107	-	633,508	-
	Samsung SDI	40,913	16,061	158,504	1,624
	Cheil Worldwide	23,240	-	207,185	-
	Other	265,001	-	2,631,483	52,768
	<b>Total (Associates and Joint ventures)</b>	₩ 400,363	₩ 16,061	₩ 4,157,287	₩ 135,998
Other related parties	Samsung C&T	₩ 28,455	₩ -	₩ 73,908	₩ 1,007,056
	Other	44,752	-	276,973	44,210
	<b>Total (Other related parties)</b>	₩ 73,207	₩ -	₩ 350,881	₩ 1,051,266
Other <sup>2</sup>	Samsung Engineering	₩ 1,083	-	2,162	473,918
	S-1	6,852	-	97,022	823
	Other	38,062	-	42,005	27,870
	<b>Total (Other)</b>	₩ 45,997	₩ -	₩ 141,189	₩ 502,611

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

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**2018**

<i>(In millions of Korean won)</i>	Name of company <sup>1</sup>	Sales		Disposal of non-current assets		Purchases		Purchase of non-current assets	
	Samsung SDS	₩	40,759	₩	-	₩	545,409	₩	65,109
	Samsung Electro-Mechanics		25,519		-		709,091		-
Associates and Joint ventures	Samsung SDI		25,077		-		213,099		14,813
	Cheil Worldwide		23,196		-		217,172		1,029
	Other		322,777		-		2,271,480		45,333
	<b>Total (Associates and Joint ventures)</b>	₩	437,328	₩	-	₩	3,956,251	₩	126,284
	Samsung C&T	₩	39,553	₩	-	₩	96,256	₩	761,324
Other related parties	Other		40,978		-		227,270		178,605
	<b>Total (Other related parties)</b>	₩	80,531	₩	-	₩	323,526	₩	939,929
	Samsung Engineering	₩	1,264	₩	-	₩	1,451	₩	284,177
Other <sup>2</sup>	S-1		8,340		-		90,563		12,130
	Other		19,560		-		49,720		16,669
	<b>Total (Other)</b>	₩	29,164	₩	-	₩	141,734	₩	312,976

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

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

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

Balances of receivables and payables arising from sales and purchases of goods and services as of March 31, 2019 and December 31, 2018 are as follows:

**March 31, 2019**

<i>(In millions of Korean won)</i>	Name of company <sup>1</sup>	Receivables		Payables	
	Samsung SDS	₩	5,314	₩	504,462
	Samsung Electro-Mechanics		1,302		311,717
Associates and Joint ventures	Samsung SDI		103,023		68,899
	Cheil Worldwide		360		318,334
	Other		321,412		1,133,994
	<b>Total (Associates and Joint ventures)</b>	₩	431,411	₩	2,337,406
	Samsung C&T	₩	242,382	₩	1,982,687
Other related parties	Other		27,766		196,468
	<b>Total (Other related parties)</b>	₩	270,148	₩	2,179,155
	Samsung Engineering	₩	1,132	₩	553,626
Other <sup>2</sup>	S-1		4,686		40,247
	Other		8,187		40,783
	<b>Total (Other)</b>	₩	14,005	₩	634,656

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

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

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Korean won)	Name of company <sup>1</sup>	December 31, 2018			
		Receivables		Payables	
	Samsung SDS	₩	5,294	₩	490,611
	Samsung Electro-Mechanics		3,518		163,668
Associates and Joint ventures	Samsung SDI		102,641		73,398
	Cheil Worldwide		241		465,517
	Other		282,849		1,067,439
	<b>Total (Associates and Joint ventures)</b>	₩	394,543	₩	2,260,633
		Samsung C&T	₩	225,606	₩
Other related parties	Other <sup>2</sup>		19,676		183,395
	<b>Total (Other related parties)</b>	₩	245,282	₩	1,908,942
Other <sup>3</sup>	Samsung Engineering	₩	1,078	₩	581,153
	S-1		3,149		37,785
	Other		4,696		47,502
	<b>Total (Other)</b>	₩	8,923	₩	666,440

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

<sup>2</sup> As of December 31, 2018, there are no payables to Samsung Card relating to unsettled amounts from purchasing cards. The Company has a purchasing card agreement with Samsung Card with a limit of ₩ 2,543,000 million as of December 31, 2018. For the year ended December 31, 2018, the amounts used and reimbursed were ₩ 3,724,851 million and ₩ 4,846,182 million, respectively.

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

- (C) For the three months ended March 31, 2019, the Company invested ₩ 3,544 million in associates and joint ventures (for the three months ended March 31, 2018: ₩ 17,137 million). For the three months ended March 31, 2019, there was no recovered amount, but for the three month ended March 31, 2018, the Company recovered ₩ 148 million from associates and joint ventures.
- (D) For the three months ended March 31, 2019, the Company declared ₩ 415,512 million of dividends (for the three months ended March 31, 2018: ₩ 516,419 million) to related parties. As of March 31, 2019, ₩ 415,512 million of dividends are remained as unpaid. Also, for the three months ended March 31, 2019, the Company declared ₩ 31,436 million of dividends (for the three months ended March 31, 2018: ₩ 39,912 million) to the entities that are not related parties of the Company in accordance with *Korean IFRS 1024*, but belong to the same conglomerate according to the Monopoly Regulation and Fair Trade Act. As of March 31, 2019, ₩ 31,436 million of dividends are remained as unpaid.
- (E) For the three months ended March 31, 2019, the Company has not entered into any lease agreement with its related parties, and lease payments to the related party amounts to ₩ 4,297 million.
- (F) Key management compensation

The compensation paid or payable to key management (executive directors) for their services for the three months ended March 31, 2019 and 2018 consists of:

(In millions of Korean won)	2019		2018	
Short-term employee benefits	₩	1,673	₩	3,724
Post-employment benefits		351		436
Other long-term employee benefits		1,612		2,724

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 28. Business Combination

Significant business combination for the three months ended March 31, 2019 are as follows:

Samsung Electronics Benelux (SEBN), the Company's subsidiary, acquired 83.9% of the equity shares of Corephotonics Ltd. on January 28, 2019 and an additional 8.5% on March 4, 2019 to secure CIS optical technology and talent.

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

Name of the acquired company	Corephotonics Ltd.
Headquarters location	Tel Aviv, Israel
Representative director	David Mendlovic
Industry	Development of camera solutions

##### (B) Purchase price allocation

<i>(In millions of Korean won)</i>	<b>Amount</b>
I. Consideration transferred	
Fair value of share equity prior to the merger <sup>1</sup>	₩ 13,326
Fair value of additional consideration transferred	160,214
Total Transfer	173,450
II. Identifiable assets and liabilities	
Cash and cash equivalents	6,069
Short-term financial assets	19,354
Trade and other receivables	1,199
Property, plant and equipment	339
Intangible assets	100,598
Other assets	82
Other payables	236
Deferred tax liabilities	23,138
Other liabilities	3,475
Total net identifiable assets	100,792
III. Total identifiable assets recognized as non-controlling interest <sup>2</sup>	77
IV. Goodwill (I – II+ III)	72,735

<sup>1</sup> As of January 28, 2019, other expenses of ₩ 500 million were recognized relating to the remeasurement of fair value of the 7.6% shares of Corephotonics Ltd. held by Samsung Venture Capital Union #28, the Company's subsidiary, prior to the business combination.

<sup>2</sup> Non-controlling interest from business combination is measured proportionately to the share of the fair valued Corephotonics Ltd.'s identifiable net assets.

Had Corephotonics Ltd., been consolidated from January 1, 2019, the revenue and net loss would be ₩ 319 million and ₩ 7,359 million, respectively. Corephotonics Ltd., has not recorded any revenue since the acquisition. Net loss for the period contributed by Corephotonics Ltd. since the acquisition amounts to ₩ 2,749 million.



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

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### **29. Events after the Reporting Period**

After the reporting date, in accordance to the resolution of the Board of Directors on April 30, 2019, the Company decided to acquire Samsung Electro-Mechanics Co., Ltd.'s PLP business at a price of ₩ 785 billion on June 1, 2019 to strengthen its semiconductor competitiveness through securing next-generation package technology.