

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

1.1 Company Overview

Samsung Electronics Co., Ltd. (“SEC”) was incorporated under the laws of the Republic of Korea in 1969 and listed its shares on the Korea Stock Exchange in 1975.

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

These interim consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“Korean IFRS”) 1110, *Consolidated Financial Statements*. SEC, as the controlling company, consolidates its 276 subsidiaries including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting for its 39 affiliates, including Samsung Electro-Mechanics.

1.2 Consolidated Subsidiaries

(A) The consolidated subsidiaries as at June 30, 2017 are as follows:

Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Display (SDC)	Manufacture and sale of display panels	84.8
	SU Materials	Manufacture of display components	50.0
	STECO	Manufacture of semiconductor components	70.0
	SEMES	Manufacture of semiconductor/FPD	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Medison	Medical equipment	68.5
	Samsung Venture Capital Union #20	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #21	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #22	Technology business, Venture capital investments	99.0
Domestic	Samsung Venture Capital Union #23	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
	Mirero System	Quality control system of semiconductor	81.0
	S-Printing Solution	Business of printing solutions	100.0
	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

¹ Ownership represents the Company’s ownership of voting rights in each entity.

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Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	NexusDX (Nexus)	Medical equipment	100.0
	Kngine	Software development	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	99.9
	Samsung Electronics Latinoamerica Miami (SEMI)	Sale of electronic devices	100.0
	Samsung Electronics Latinoamerica (SELA)	Sale of electronic devices	100.0
	Samsung Electronics Venezuela (SEVEN)	Marketing and services	100.0
	Samsung Electronica Colombia (SAMCOL)	Sale of electronic devices	100.0
	Samsung Electronics Panama (SEPA)	Consulting	100.0
	Samsung Electronica da Amazonia (SEDA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Argentina (SEASA)	Marketing and services	100.0
	Samsung Electronics Chile (SECH)	Sale of electronic devices	100.0
	Samsung Electronics Peru (SEPR)	Sale of electronic devices	100.0
America	RT SV CO-INVEST (RT-SV)	Technology business, Venture capital investments	99.9
	Quietside (Samsung HVAC)	Sale of heating and cooling products	100.0
	SmartThings	Sale of smart home electronics	100.0
	PrinterOn	Sale of printing solutions	100.0
	PrinterOn America	Sale of printing solutions	100.0
	Simpres	Sale of printing solutions	100.0
	Samsung Pay	Develop and provide mobile payment service	100.0
	Prismview (formerly YESCO Electronics)	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
	NewNet Communication Technologies Canada	RCS (Rich Communication Service)	100.0

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Area	Subsidiaries	Industry	Percentage of ownership ¹
	AMX Holding Corporation	Holding Company	100.0
	AMX LLC	Holding Company	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 Holding	Connected Service Provider	100.0
	Harman Connected Services	Connected Service Provider	100.0
	Harman Connected Services South America	Connected Service Provider	100.0
	Harman da Amazonia Industria Electronica e Participacoes	Manufacture and sale of audio products	100.0
	Harman de Mexico S. de R.L.	Manufacture of audio products	100.0
America	Harman do Brasil Industria Electronica e Participacoes.	Sale of audio products, R&D	100.0
	Harman Financial Group	Management Company	100.0
	Harman International Industries Canada	Sale of audio products	100.0
	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
	S1NN USA	R&D	100.0
	Southern Vision Systems	Development of image sensing device	100.0
	Triple Play Integration	Connected Service Provider	100.0

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Area	Subsidiaries	Industry	Percentage of ownership ¹
	Samsung Electronics (UK) (SEUK)	Sale of electronic devices	100.0
	Samsung Electronics Holding (SEHG)	Holding Company	100.0
	Samsung Semiconductor Europe GmbH (SSEG)	Sale of semiconductor/display panels	100.0
	Samsung Electronics GmbH (SEG)	Sale of electronic devices	100.0
	Samsung Electronics Iberia (SESA)	Sale of electronic devices	100.0
	Samsung Electronics France (SEF)	Sale of electronic devices	100.0
	Samsung Electronics Hungarian (SEH)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Czech and Slovak (SECZ)	Sale of electronic devices	100.0
	Samsung Electronics Italia (SEI)	Sale of electronic devices	100.0
	Samsung Electronics Europe Logistics (SELS)	Logistics	100.0
	Samsung Electronics Benelux (SEBN)	Sale of electronic devices	100.0
	Samsung Display Slovakia (SDSK)	Toll processing of display panels	100.0
	Samsung Electronics Romania (SEROM)	Sale of electronic devices	100.0
	Samsung Electronics Overseas (SEO)	Sale of electronic devices	100.0
	Samsung Electronics Polska (SEPOL)	Sale of electronic devices	100.0
	Samsung Electronics Portuguesa (SEP)	Sale of electronic devices	100.0
	Samsung Electronics Nordic (SENA)	Sale of electronic devices	100.0
	Samsung Semiconductor Europe (SSEL)	Sale of semiconductor/display panels	100.0
	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia (SESK)	Manufacture of TV/monitors	100.0
	Samsung Electronics Europe Holding (SEEH)	Holding Company	100.0
Europe/CIS	Samsung Electronics Poland Manufacturing (SEPM)	Manufacture of home appliances	100.0
	Samsung Electronics Greece (SEGR)	Sale of electronic devices	100.0
	Samsung Nanoradio Design Center (SNDC)	R&D	100.0
	Samsung Electronics Air Conditioner Europe B.V.(SEACE)	Sale of heating and cooling products	100.0
	Samsung Electronics Rus Company (SERC)	Sale of electronic devices	100.0
	Samsung Electronics Baltics (SEB)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine Company (SEUC)	Sale of electronic devices	100.0
	Samsung R&D Institute Rus (SRR)	R&D	100.0
	Samsung Electronics Central Eurasia (SECE)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga (SERK)	Manufacture of TV	100.0
	Samsung Electronics (London) Limited (SEL)	Holding Company	100.0
	Samsung Denmark Research Center (SDRC)	R&D	100.0
	Samsung France Research Center (SFRC)	R&D	100.0
	Samsung Cambridge Solution Centre (SCSC)	R&D	100.0
	Samsung Electronics Switzerland GmbH (SESG)	Sale of electronic devices	100.0
	PrinterOn Europe	Sale of printing solutions	100.0
	Samsung Electronics Caucasus (SECC)	Marketing	100.0
	Joyent(UK)	Cloud services	100.0
	Harman Connected Services OOO	Connected Service Provider	100.0
	Harman RUS CIS LLC	Sale of audio products	100.0
	Aditi Technologies Europe	Sale of audio products, etc.	100.0
	AKG Acoustics	Manufacture and sale of audio products	100.0

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

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

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	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 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
Asia (Except China)	Samsung Medison India (SMIN)	Medical equipment	100.0
	Samsung Electronics New Zealand (SENZ)	Sale of electronic devices	100.0
	Samsung Display Vietnam (SDV)	Manufacture of display panels	100.0
	Samsung Electronics HCMC CE Complex (SEHC)	Manufacture and sale of electronic devices	100.0
	Laos Samsung Electronics Sole(LSE)	Marketing	100.0
	AMX Products and Solutions Private	Sale of audio products	100.0
	Harman Connected Services India	Connected Service Provider	100.0
	Harman Connected Services Technologies	Connected Service Provider	100.0
	Harman International (India) Private	Sale of audio products, R&D	100.0
	Harman International Industries PTY	Holding Company	100.0
	Harman International Singapore	Sale of audio products	100.0
	Harman Malaysia Sdn. Bhd.	Sale of audio products	100.0
	Harman Professional Singapore Pte.	Sale of audio products	100.0
	I.P.S.G. International Product Solution Group PTY.	Sale of audio products, R&D	100.0
	INSP India Software Development Pvt.	Software development and supply	100.0
	Martin Professional Pte.	Sale of audio products	100.0
	VFX Systems PTY	Connected Service Provider	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 KK	Software design	100.0
	Studer Japan	Holding Company	100.0

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Area	Subsidiaries	Industry	Percentage of ownership ¹
	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 (Shandong) Digital Printing (SSDP)	Manufacture of printers	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
China	Samsung Suzhou LCD (SSL)	Manufacture of display panels	60.0
	Shenzhen Samsung Electronics Telecommunication (SSET)	Manufacture of communication equipment	95.0
	Samsung Semiconductor (China) R&D (SSCR)	R&D	100.0
	Samsung Electronics China R&D Center (SCRC)	R&D	100.0
	Samsung (China) Semiconductor (SCS)	Manufacture of semiconductor	100.0
	Samsung Electronics (Beijing) Service (SBSC)	Services	100.0
	Tianjin Samsung LED (TSLED)	Manufacture of LED	100.0
	Tianjin Samsung Opto-Electronics (TSOE)	Manufacture of cameras/camcorders	90.0
	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 Connected Services Taiwan	Connected Service Provider	100.0
	Harman Holding	Sale of audio products	100.0
	Harman International (China) Holdings	Sale of audio products, R&D	100.0
	Harman Neusoft Automotive Infotech (Dalian) Co.	Software development and supply	100.0
	Harman Technology (Shenzhen)	Sale of audio products, R&D	100.0
	Martin Trading Zhuhai	Sale of audio products	100.0
	Harman Connected Services (Beijing) Solutions	Connected Service Provider	100.0
	Harman Connected Services (Chengdu) Solutions	Connected Service Provider	100.0

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

(1) 2017

<i>(In millions of Korean won)</i>	As at June 30, 2017		For the three months ended June 30, 2017		For the six months ended June 30, 2017	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	45,584,473	8,373,785	6,451,196	1,002,128	12,911,982	2,019,898
Samsung Electronics America (SEA)	28,590,557	9,800,314	9,914,282	350,197	15,638,178	312,511
Harman and its subsidiaries ¹	15,421,852	5,971,779	2,154,442	2,082	2,692,191	26,531
Samsung (China) Investment(SCIC)	12,760,175	10,808,629	1,233,598	(55,172)	2,681,324	53,787
Samsung Semiconductor(SSI)	9,835,853	4,832,719	6,623,455	19,801	12,205,126	36,941
Samsung Electronics Vietnam(SEV)	9,774,021	1,757,875	5,591,772	617,853	9,167,646	1,022,395
Samsung (China) Semiconductor(SCS)	9,727,255	4,044,805	1,029,282	378,881	2,077,036	511,469
Samsung Electronics Vietnam THAINGUYEN(SEVT)	9,621,163	2,539,003	8,251,277	1,135,179	14,507,523	1,922,491
Samsung Electronics Europe Holding(SEEH)	8,651,443	6,555,439	-	11,128	-	13,879
Samsung Display Vietnam(SDV)	7,706,987	7,478,405	3,413,993	426,876	5,637,704	479,392
Samsung Electronics Huizhou(SEHZ)	6,534,826	1,347,246	3,772,299	120,143	6,481,127	277,237
Samsung India Electronics(SIEL)	6,037,155	3,344,758	2,913,895	198,335	5,751,705	402,358
Samsung Asia Private(SAPL)	5,802,099	638,169	480,184	487,487	937,081	500,397
Samsung Electronica da Amazonia(SEDA)	5,659,330	1,676,193	1,746,582	233,080	3,417,350	579,503
Samsung Austin Semiconductor(SAS)	5,158,419	525,391	864,920	25,227	1,678,062	54,203
Shanghai Samsung Semiconductor(SSS)	5,028,707	4,244,542	5,887,045	54,071	11,915,268	107,756
Samsung Electronics Europe Logistics(SELS)	2,282,374	1,966,167	3,102,374	6,368	6,424,127	191,881
Samsung Suzhou LCD(SSL)	2,277,770	1,116,237	435,697	42,698	880,850	72,638
Thai Samsung Electronics(TSE)	2,185,528	455,233	1,189,087	6,922	2,322,415	32,041
Samsung Electronics Slovakia(SESK)	2,096,578	371,871	716,780	28,592	1,593,935	61,607
Samsung Electronics HCMC CE Complex(SEHC)	1,941,854	1,608,045	997,333	68,094	1,774,095	105,989
Samsung Electronics GmbH(SEG)	1,802,261	1,776,995	1,646,514	55,498	3,164,299	20,531
Samsung Electronics (UK)(SEUK)	1,625,220	1,069,713	1,250,180	98,563	2,248,424	127,208
Samsung Electronics Hungarian(SEH)	1,556,890	352,445	658,808	37,550	1,321,074	55,870
Samsung Electronics Benelux(SEBN)	1,443,341	387,719	566,720	14,875	1,168,116	19,804

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

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(2) 2016

<i>(In millions of Korean won)</i>	As at December 31, 2016		For the three months ended June 30, 2016		For the six months ended June 30, 2016	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display (SDC)	43,305,405	8,361,256	5,807,777	153,288	11,420,937	572
Samsung Electronics America (SEA)	21,810,492	9,496,649	9,099,726	190,936	17,670,847	27,392
Samsung (China) Investment(SCIC)	13,632,938	11,672,755	2,522,321	(15,394)	5,301,429	88,538
Samsung (China) Semiconductor(SCS)	9,749,448	4,564,793	1,054,482	369,578	2,103,893	644,479
Samsung Electronics Vietnam(SEV)	9,134,023	1,258,948	5,482,505	771,399	10,662,841	1,385,902
Samsung Electronics Europe Holding(SEEH)	8,643,308	6,661,092	-	16,453	-	22,191
Samsung Semiconductor(SSI)	7,804,698	3,746,687	4,849,323	2,601	9,021,494	11,168
Samsung Electronics Vietnam THANGUYEN(SEVT)	7,646,828	2,179,023	5,522,072	759,242	11,004,894	1,399,117
Samsung Electronics Huizhou(SEHZ)	6,174,579	1,106,633	3,205,157	226,278	7,033,925	467,933
Shanghai Samsung Semiconductor(SSS)	5,862,409	5,166,385	4,647,341	35,762	8,939,123	75,420
Samsung Asia Private(SAPL)	5,528,472	592,320	395,296	509,944	752,657	510,320
Samsung Electronica da Amazonia(SEDA)	5,200,799	1,510,972	1,507,404	192,378	2,879,384	352,458
Samsung Austin Semiconductor(SAS)	4,940,748	1,293,458	966,551	31,251	2,086,872	60,702
Samsung India Electronics(SIEL)	4,563,407	2,256,194	2,139,741	201,769	4,466,484	449,395
Samsung Display Vietnam(SDV)	3,165,239	3,437,791	1,267,303	(44,584)	2,224,732	(33,562)
Samsung Electronics Europe Logistics(SELS)	2,887,230	2,779,296	3,294,910	259,322	6,632,626	541,650
Samsung Suzhou LCD(SSL)	2,499,917	1,376,439	323,993	(35,919)	540,713	(86,577)
Thai Samsung Electronics(TSE)	2,079,865	364,518	1,083,132	48,735	2,194,690	108,880
Samsung Electronics Slovakia(SESK)	2,053,467	440,402	834,121	23,903	1,655,983	56,134
Samsung Electronics Taiwan(SET)	1,857,017	1,540,478	781,966	(13,582)	1,648,452	(1,720)
Samsung Electronics HCMC CE Complex(SEHC)	1,814,566	1,572,982	484,607	38,951	598,776	38,787
Samsung Electronics Hungarian(SEH)	1,743,979	633,975	558,887	38,000	1,192,919	77,297
Samsung Electronics GmbH(SEG)	1,621,827	1,618,305	1,596,360	(8,624)	3,260,378	17,447
Samsung Display Dongguan(SDD)	1,584,504	518,511	1,284,168	53,275	2,561,987	78,156
Samsung Electronics (UK)(SEUK)	1,526,879	1,103,579	1,207,332	36,667	2,426,266	77,758

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(C) Changes in scope for consolidation

(1) Subsidiaries excluded from the consolidation for the six months ended June 30, 2017:

Area	Subsidiary	Description
America	Samsung Receivables(SRC)	Liquidation
America	TowerSec	Merger ¹
Europe/CIS	Samsung Electronics Rus(SER)	Merger ²
Europe/CIS	Samsung Electronics Ukraine(SEU)	Liquidation
Europe/CIS	AMX LLC (Russia)	Liquidation
Europe/CIS	Surfkitchen	Liquidation

¹ TowerSec merged into Harman International Industries, Inc., a subsidiary of the Company, in May 2017.

² Samsung Electronics Rus (SER) merged into Samsung R&D Institute Rus (SRR), a subsidiary of the Company, in January 2017.

(2) Subsidiaries newly included in the consolidation for the six months ended June 30, 2017:

Area	Subsidiary	Description
	Growth type private equity trust specialized in semiconductors	Incorporation
Domestic	Harman International Korea	Acquisition of shares
	Red Bend Software Korea	Acquisition of shares
	Knigine	Acquisition of shares
	AMX Holding Corporation	Acquisition of shares
	AMX LLC	Acquisition of shares
	Harman Becker Automotive Systems	Acquisition of shares
	Harman Connected Services Engineering	Acquisition of shares
	Harman Connected Services Holding	Acquisition of shares
	Harman Connected Services	Acquisition of shares
	Harman Connected Services South America	Acquisition of shares
	Harman da Amazonia Industria Electronica e Participacoes	Acquisition of shares
	Harman de Mexico S. de R.L.	Acquisition of shares
	Harman do Brasil Industria Electronica e Participacoes.	Acquisition of shares
America	Harman Financial Group	Acquisition of shares
	Harman International Industries Canada	Acquisition of shares
	Harman International Industries, Inc.	Acquisition of shares
	Harman International Mexico S de RL de CV	Acquisition of shares
	Harman Investment Group, LLC	Acquisition of shares
	Harman KG Holding, LLC	Acquisition of shares
	Harman Professional	Acquisition of shares
	Red Bend Software	Acquisition of shares
	SINN USA	Acquisition of shares
	Southern Vision Systems	Acquisition of shares
	TowerSec	Acquisition of shares
	Triple Play Integration	Acquisition of shares

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Area	Subsidiary	Description
	AMX LLC (Russia)	Acquisition of shares
	Harman Connected Services OOO	Acquisition of shares
	Harman RUS CIS LLC	Acquisition of shares
	Aditi Technologies Europe	Acquisition of shares
	AKG Acoustics	Acquisition of shares
	AMX (Germany)	Acquisition of shares
	AMX UK	Acquisition of shares
	Duran Audio B.V.	Acquisition of shares
	Duran Audio Iberia Espana	Acquisition of shares
	Endeleo	Acquisition of shares
	Harman Automotive UK	Acquisition of shares
	Harman Becker Automotive Systems (Germany)	Acquisition of shares
	Harman Becker Automotive Systems Italy	Acquisition of shares
	Harman Becker Automotive Systems Manufacturing Kft	Acquisition of shares
	Harman Belgium	Acquisition of shares
	Harman Connected Services AB.	Acquisition of shares
	Harman Connected Services Finland OY	Acquisition of shares
	Harman Connected Services (Germany)	Acquisition of shares
	Harman Connected Services	Acquisition of shares
	Harman Connected Services Poland Sp.zoo	Acquisition of shares
	Harman Connected Services UK	Acquisition of shares
Europe/CIS	Harman Consumer Division Nordic A/S	Acquisition of shares
	Harman Consumer Finland OY	Acquisition of shares
	Harman Consumer Nederland B.V.	Acquisition of shares
	Harman Deutschland	Acquisition of shares
	Harman Finance International GP S.a.r.l	Acquisition of shares
	Harman Finance International SCA	Acquisition of shares
	Harman France SNC	Acquisition of shares
	Harman Holding & Co. KG	Acquisition of shares
	Harman Hungary Financing	Acquisition of shares
	Harman Inc. & Co. KG	Acquisition of shares
	Harman International Estonia OU	Acquisition of shares
	Harman International Industries (UK)	Acquisition of shares
	Harman International Romania SRL	Acquisition of shares
	Harman International s.r.o	Acquisition of shares
	Harman International SNC	Acquisition of shares
	Harman Management	Acquisition of shares
	Harman Professional Kft	Acquisition of shares
	Inspiration Matters	Acquisition of shares
	Knight Image	Acquisition of shares
	Martin Manufacturing (UK)	Acquisition of shares
	Harman Professional ApS (formerly Martin Professional ApS)	Acquisition of shares
	Harman Professional France SAS (formerly Martin Professional France)	Acquisition of shares

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Area	Subsidiary	Description
Europe/CIS	Martin Professional GmbH	Acquisition of shares
	Martin Professional	Acquisition of shares
	R&D International	Acquisition of shares
	Red Bend Software (UK)	Acquisition of shares
	Red Bend Software SAS France	Acquisition of shares
	Samsung Electronics Air Conditioner Europe B.V.(SEACE)	Incorporation
	Studer Professional Audio	Acquisition of shares
	Surfkitchen	Acquisition of shares
Middle East and Africa	Broadsense	Acquisition of shares
	Global Symphony Technology Group	Acquisition of shares
	Harman Connected Services Morocco	Acquisition of shares
	Harman Industries Holdings Mauritius	Acquisition of shares
	iOnRoad	Acquisition of shares
	iOnRoad Technologies	Acquisition of shares
	Red Bend	Acquisition of shares
	TowerSec (Israel)	Acquisition of shares
Asia (Except China)	AMX Products and Solutions Private	Acquisition of shares
	Harman Connected Services India	Acquisition of shares
	Harman Connected Services Technologies	Acquisition of shares
	Harman International (India) Private	Acquisition of shares
	Harman International Industries PTY	Acquisition of shares
	Harman International Singapore	Acquisition of shares
	Harman Malaysia Sdn. Bhd.	Acquisition of shares
	Harman Professional Singapore Pte.	Acquisition of shares
	I.P.S.G. International Product Solution Group PTY.	Acquisition of shares
	INSP India Software Development Pvt.	Acquisition of shares
	Martin Professional Pte.	Acquisition of shares
	VFX Systems PTY	Acquisition of shares
	Harman Connected Services Japan	Acquisition of shares
	Harman International Japan	Acquisition of shares
Red Bend Software KK	Acquisition of shares	
Studer Japan	Acquisition of shares	
China	Harman (China) Technologies	Acquisition of shares
	Harman (Suzhou) Audio and Infotainment Systems	Acquisition of shares
	Harman Automotive Electronic Systems (Suzhou)	Acquisition of shares
	Harman Commercial (Shanghai)	Acquisition of shares
	Harman Connected Services Taiwan	Acquisition of shares
	Harman Holding	Acquisition of shares
	Harman International (China) Holdings	Acquisition of shares
	Harman Neusoft Automotive Infotech (Dalian) Co.	Acquisition of shares
	Harman Technology (Shenzhen)	Acquisition of shares
	Martin Trading Zhuhai	Acquisition of shares
	Harman Connected Services (Beijing) Solutions	Acquisition of shares
Harman Connected Services (Chengdu) Solutions	Acquisition of shares	

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2. Summary of Significant Accounting Policies

2.1 Basis of Presentation

The interim consolidated financial statements for the six months ended June 30, 2017, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with the K-IFRS standards and interpretations effective at the reporting date.

(A) New and amended standards adopted by the Company

The Company applied the following amended and enacted standards for the annual period beginning on January 1, 2017:

Amendment to Korean IFRS 1007, Statement of Cash Flows

Amendments to *Korean IFRS 1007 Statement of Cash flows* requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no material impact of the application of this amendment on the consolidated financial statements.

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

New standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2017, and not early adopted by the Company, are as follows:

Korean IFRIC 2122, Foreign Currency Transaction and Advance Consideration

According to these enactments, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. These enactments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the enactments to have a significant impact on the consolidated financial statements.

Korean IFRS 1109, Financial Instruments

The new standard for financial instruments issued on September 25, 2015 is effective for annual period beginning on or after January 1, 2018 with early application permitted. This standard will replace *Korean IFRS 1039 Financial Instruments: Recognition and Measurement*. The Company will apply the standard for the annual period beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. For example, the entity is not required to restate prior periods in relation to classification, measurement and impairment of financial instruments. The standard requires prospective application of its hedge accounting requirements for all hedging relationships except the accounting for time value of options and other exceptions.

Korean IFRS 1109 Financial Instruments requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the

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financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

An effective implementation of *Korean IFRS 1109* requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and system stabilization. The impact on the Company's financial statements due to the application of the standard is dependent on judgements made in applying the standard, financial instruments held by the Company and macroeconomic variables.

The Company has performed a preliminary assessment of the financial impacts of the implementation of *Korean IFRS 1109* to the 2017 financial statements based on the current situation and available information as at June 30, 2017. The expected impact of application of the standard on the Company's financial statements are set out below. The Company will conduct further analysis of detailed financial impacts based on additional information in the future, and the result of the preliminary assessment may change depending on additional information available to the Company.

(a) Classification and Measurement of Financial Assets

When implementing *Korean IFRS 1109*, the classification of financial assets will be driven by the Company's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. For hybrid (combined) instruments, if the Company is unable to measure an embedded derivative separately from its host contract, financial assets with embedded derivatives are classified in their entirety.

Business model for the contractual cash flows characteristics	Solely represent payments of principal and interest	All other
Hold the financial asset for the collection of the contractual cash flows	Measured at amortized cost ¹	
Hold the financial asset for the collection of the contractual cash flows and trading	Recognized at fair value through other comprehensive income ¹	Recognized at fair value through profit or loss ²
Hold for trading	Recognized at fair value through profit or loss	

¹ A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

² A designation at fair value through other comprehensive income is allowed only if the financial instrument is the equity investment that are not held for trading (irrevocable).

With the implementation of *Korean IFRS 1109*, the criteria to classify the financial assets at amortized cost or at fair value through other comprehensive income are more strictly applied than the criteria applied under *Korean IFRS 1039*. Accordingly, the financial assets at fair value through profit or loss may increase by implementing *Korean IFRS 1109* and may result in an increased fluctuation in profit or loss.

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As at June 30, 2017, the Company owns loan and trade receivables amounting to ₩100,532,244 million, financial assets available-for-sale amounting to ₩11,264,559 million.

According to *Korean IFRS 1109*, debt investments are measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual terms of cash flows solely represent payments of principal and interest. As at June 30, 2017, the Company measured loan and trade receivables amounting to ₩100,532,244 million held at amortized cost.

According to the results of our preliminary impact assessment, when applying *Korean IFRS 1109* to the financial assets as at June 30, 2017, under the terms and conditions of the contracts, most financial assets consist of cash flows solely representing payments of principal and interest on a due date. Where the Company holds the financial assets for the collection of the contractual cash flows, the financial assets are classified as accounts subsequently measured at amortized cost. In conclusion, it is expected that the financial impact on the financial statements will be immaterial.

Korean IFRS 1109 measures debt investments at fair value through other comprehensive income of which terms of cash flows solely represent payment of the principal and interest on a due date, where the purpose of holding the debt investment is to collect contractual cash flows and trade. As at June 30, 2017, the Company has debt investments classified as available-for-sale financial assets amounting to ₩3,872,910 million.

According to the results of our preliminary impact assessment, when applying *Korean IFRS 1109* to the debt investments classified as available-for-sale as at June 30, 2017, most of the investments will be classified as financial instruments measured at fair value through other comprehensive income.

According to *Korean IFRS 1109*, equity investments not being held for trading may be given an irrevocable election to be classified as financial instruments measured at fair value through other comprehensive income at initial recognition and the cumulative gain or loss previously recognized in other comprehensive income is not subsequently recycled from equity to profit or loss as a reclassification adjustment. As at June 30, 2017, the Company's equity investments classified as available-for-sale financial assets amount to ₩7,391,649 million and the cumulative unrealized profit or loss on available-for-sale equity investments amounting to ₩10,617 million was recycled from equity to profit or loss as a reclassification adjustment for the six months ended June 30, 2017.

According to the preliminary impact assessment, the Company will designate long-term equity investments, which account for most of the available-for-sale equity instruments, as financial instruments measured at fair value through other comprehensive income. Therefore, the financial impact to the financial statements is expected to be immaterial. As at June 30, 2017, the remaining cumulative profit or loss which is comprehensive income not subject to subsequent recycle from equity to profit or loss is ₩1,855,647 million.

According to *Korean IFRS 1109*, debt investments of which the contractual terms of cash flows are not solely representing payments of principal and interest or which are held for trading are classified as fair value through profit or loss. Equity investments not designated at fair value through comprehensive income are also measured at fair value through profit or loss. As at June 30, 2017, the Company did not have debt or equity investments classified as financial instruments at fair value through profit or loss.

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(b) Classification and Measurement of Financial Liabilities

Korean IFRS 1109 requires the change in the liability's fair value attributable to changes in the credit risk to be recognized in other comprehensive income, unless this treatment of the credit risk component creates or enlarges a measurement mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Under *Korean IFRS 1039*, all financial liabilities designated at fair value through profit or loss recognized their fair value movements in profit or loss. However, under *Korean IFRS 1109*, certain fair value movements will be recognized in other comprehensive income thus profit or loss from fair value movements may decrease.

As at June 30, 2017, total financial liabilities account for ₩48,023,639 million of which ₩423,162 million are designated to be measured at fair value through profit or loss.

According to the result of the preliminary impact assessment, financial liabilities measured at fair value through profit and loss for the current terms as at June 30, 2017 have mostly short maturities and the credit risk fluctuation of financial liabilities is insignificant. Therefore, it is expected that the impact of adopting *Korean IFRS 1109* will not be significant.

(c) Impairment: Financial Assets and Contract Assets

Korean IFRS 1109 sets out a new forward looking 'expected loss' impairment model which replaces the incurred loss model in *Korean IFRS 1039* if there is objective evidence and applies to:

- Financial assets measured at amortized cost
- Debt investments measured at fair value through other comprehensive income, and
- Certain loan commitments and financial guaranteed contracts.

Under *Korean IFRS 1109*, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. The Company will always recognize (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

Stage ¹	Loss allowance
1 No significant increase in credit risk after initial recognition ²	12-month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after the reporting date)
2 Significant increase in credit risk after initial recognition	Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instruments)
3 Objective evidence of credit-impaired	

¹ The Company shall measure the loss allowance at an amount equal to Lifetime expected credit losses for contract assets or trade receivables under the standard, *Korean IFRS 1115 Revenue from Contracts with Customers*, which do not contain a significant financing component. However, the Company can elect to measure the loss allowance at an amount equal to Lifetime expected credit losses for all contract assets or all trade receivables which contain a significant financing component in accordance with *Korean IFRS 1115*. The Company can also elect to measure the loss allowance at an amount equal to Lifetime expected credit losses for lease receivables.

² If the financial instrument has low credit risk at the reporting date, the Company may assume that the credit risk has not increased significantly since initial recognition.

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Under Korean *IFRS 1109*, an asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance with any changes recognized in profit or loss.

The Company owns loan and trade receivables amounting to ₩101,159,792 million and debt investments classified as available-for-sale financial assets measured at fair value through other comprehensive income amounting to ₩3,872,910 million. The related loss allowance is ₩627,548 million as at June 30, 2017.

(d) Hedge Accounting

Hedge accounting mechanics (fair value hedges, cash flow hedge and hedge of net investments in foreign operations) required by *Korean IFRS 1039* remains unchanged in *Korean IFRS 1109*, however, the new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships may be eligible for hedge accounting, as the standard introduces a more principles-based approach. *Korean IFRS 1109* allows more hedging instruments and hedged items to qualify for hedge accounting, and relaxes the hedge accounting requirement by removing two hedge effectiveness tests: the prospective test to ensure that the hedging relationship is expected to be highly effective and the quantitative retrospective test (within range of 80~125%) to ensure that the hedging relationship has been highly effective throughout the reporting period.

With the implementation of *Korean IFRS 1109*, volatility in profit or loss may be reduced as some items that were not eligible as hedged items or hedging instruments under *Korean IFRS 1039* are now eligible under *Korean IFRS 1109*.

When the Company first applies *Korean IFRS 1109*, it may choose its accounting policy to continue to apply all of the hedge accounting requirements of *Korean IFRS 1039* instead of the requirements of *Korean IFRS 1109*.

The Company has performed a preliminary assessment based on the assumption that the Company will apply hedge accounting in accordance with *Korean IFRS 1109*, although the Company has not decided whether to elect to apply *Korean IFRS 1109* or *Korean IFRS 1039* when first adopting *Korean IFRS 1109*. The Company applies hedge accounting for risks of changes in cash flows from various transactions including inventory purchases. As most of the hedge transactions meet the retrospective qualification of high effectiveness (80~125%) for hedge accounting in accordance with *Korean IFRS 1039*, there would be no material impact of adopting *Korean IFRS 1109*.

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Korean IFRS 1115, Revenue from Contracts with Customers

Korean IFRS 1115, Revenue from Contracts with Customers issued on November 6, 2015 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. This standard replaces *Korean IFRS 1018 Revenue*, *Korean IFRS 1011 Construction Contracts*, *Interpretation 2031 Revenue-Barter Transactions Involving Advertising Services*, *Interpretation 2113 Customer Loyalty Programs*, *Interpretation 2115 Agreements for the Construction of Real Estate* and *Interpretation 2118 Transfers of assets from customers*.

The Company will apply *Korean IFRS 1115 Revenue from Contracts with Customers* for annual reporting periods beginning on or after January 1, 2018. Accumulated effects of the adoption of *Korean IFRS 1115* would be reflected in beginning retained earnings or other equity components, if applicable. Based on the transition rule in *Korean IFRS 1115*, the Company will apply the standard retrospectively to prior periods only for the ongoing contracts at the first adoption date, with no restatement for completed contracts.

The new standard is based on the principle that revenue is recognized when control of goods or services transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contracts with customers can be recognized:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

In the course of preparing to apply *Korean IFRS 1115*, the Company has organized a task force team which consists of finance and IT personnel, if necessary, as at June 30, 2017. The Company is in the process of analyzing the financial impact of adopting *Korean IFRS 1115* and will disclose the results in the notes to the financial statements in 2017.

Based on the information available at the end of the reporting period, the Company performed a preliminary assessment of the potential impact on the financial statements for the financial year 2017 when applying *Korean IFRS 1115*, and the interim results of potential impact of adopting the standard are set out below. This preliminary analysis is subject to change as the Company considers additional information.

(a) Identification of performance obligations

The Company's IM (information technology & mobile communications) business consists of mobile phones, communication systems and computers. The Company manufactures, sells and installs network communication systems for customers. In 2017, the related revenue from such activities did not account for a large portion of total revenue. When applying *Korean IFRS 1115*, an integrated contract may include multiple performance obligations, such as (1) product sales, (2) installation service, and (3) maintenance, which includes technical support. The timing of revenue recognition may change depending on whether each performance obligation is fulfilled at a point in time or over a period of time.

The Company is in the process of analyzing the financial impact of separating performance obligations. However, based on the results of our preliminary assessment for the six months ended June 30, 2017, the impact on the Company's revenue will not be material.

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(b) Variable consideration

As the Company allows returns when selling products and merchandise, contracts are subject to variable consideration. When applying Korean IFRS 1115, the Company plans to estimate the variable consideration using an expectation-value method that is expected to better anticipate the consideration to which the Company is entitled, and recognizes revenue by including variable consideration in the transaction price only to the amount that it is highly unlikely to reverse a significant portion of the cumulative revenue amount that has already been recognized, at the end of the return period. Amounts not expected to be consideration received or receivable are recognized as a refund liability.

The Company is in the process of analyzing the financial impact of variable consideration. However, based on the results of our preliminary assessment for the six months ended June 30, 2017, the impact on the Company's revenue will not be material.

(c) Allocation of transaction price

When applying Korean IFRS 1115, the Company allocates transaction prices based on the relative individual selling prices to the various performance obligations identified in a single contract. The Company will use the 'Market Valuation Adjustment Approach' to estimate the individual selling prices of each performance obligation and will use the 'Estimated Cost Plus Margin Approach', which predicts the expected costs and adds the appropriate profit margin to the transactions.

The Company is in the process of analyzing the financial impact of allocating transaction prices based on relative individual selling prices. However, based on the results of our preliminary assessment for the six months ended June 30, 2017, the impact on the Company's revenue will not be material.

(d) Warranties

The Company provides a warranty over the period required by the Consumer Protection Law, in connection with the sale of a product. As a customer has an option to purchase an extended warranty, the extended warranty is a distinct service per Korean IFRS 1115.

The Company is in the process of analyzing the financial impact of separating the warranty obligation as the Company will account for the warranties as a separate performance obligation and allocate a portion of the transaction price to that performance obligation. However, based on the results of our preliminary assessment for the six months ended June 30, 2017, the impact on the Company's revenue will not be material.

(e) Licensing – a right to use

In certain contracts with customers, the Company grants patent licenses without the obligation to transfer other goods or services to the customer.

According to Korean IFRS 1115, a right to use license is a contract to use the Company's intellectual property as it exists at the point in time at which the license is granted, as the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset at the time of transferring the license. The Company is in the process of analyzing the financial impact of the revenue recognition for licensing a right to use intellectual property. However, based on the results of our preliminary assessment for the six months ended June 30, 2017, the impact on the Company's revenue will not be material.

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2.2 Accounting Policies

Significant accounting policies and estimates adopted in the preparation of the interim consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2016, except changes in accounting policies applied in the financial year beginning on January 1, 2017 (Note 2.1) and as described below.

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

2.3 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 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 ₩1141.76 to US \$1, the average exchange rate for the six month period ended in June 30, 2017. 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.

2.4 Critical Accounting Estimates and Assumptions

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

Critical accounting estimates and assumptions made in the preparation of the interim consolidated financial statements are consistent with those made in the preparation of the annual consolidated financial statements for the year ended December 31, 2016, except for the estimation methodologies applied in deriving corporate income tax.

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Financial Instruments by Category

Categorizations of financial assets and liabilities as at June 30, 2017 and December 31, 2016, are as follows:

(1) As at June 30, 2017

<i>(In millions of Korean won)</i>	Assets at fair value through profit and loss		Loans and receivables		Available-for-sale financial assets		Other financial assets¹		Total
Assets									
Cash and cash equivalents	₩	-	₩	29,007,086	₩	-	₩	-	₩ 29,007,086
Short-term financial instruments		-		37,796,229		-		-	37,796,229
Short-term available-for-sale financial assets		-		-		3,698,772		-	3,698,772
Trade receivables		-		27,585,923		-		-	27,585,923
Long-term available-for-sale financial assets		-		-		7,565,787		-	7,565,787
Others		58,332		6,143,006		-		80,231	6,281,569
Total	₩	58,332	₩	100,532,244	₩	11,264,559	₩	80,231	₩ 111,935,366

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

<i>(In millions of Korean won)</i>	Liabilities at fair value through profit and loss		Financial liabilities measured at amortized cost		Other financial liabilities¹		Total	
Liabilities								
Trade payables		₩	-	₩	9,075,774	₩	-	₩ 9,075,774
Short-term borrowings			-		1,605,723		12,161,417	13,767,140
Other payables			330,059		10,951,412		-	11,281,471
Current portion of long-term liabilities			-		26,585		-	26,585
Debentures			-		1,000,508		-	1,000,508
Long-term borrowings			-		1,917,571		-	1,917,571
Long-term other payables			-		1,613,911		-	1,613,911
Others			93,103		9,223,137		24,440	9,340,680
Total		₩	423,162	₩	35,414,621	₩	12,185,857	₩ 48,023,640

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

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) As at December 31, 2016

<i>(In millions of Korean won)</i>	Assets at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total
Assets							
Cash and cash equivalents	₩	-	₩	32,111,442	₩	-	₩ 32,111,442
Short-term financial instruments		-		52,432,411		-	52,432,411
Short-term available-for- sale financial assets		-		-		3,638,460	3,638,460
Trade receivables		-		24,279,211		-	24,279,211
Long-term available-for- sale financial assets		-		-		6,804,276	6,804,276
Others		63,208		3,396,655		-	3,459,863
Total	₩	63,208	₩	112,219,719	₩	10,442,736	₩ 122,725,663

<i>(In millions of Korean won)</i>	Liabilities at fair value through profit and loss		Financial liabilities measured at amortized cost		Other financial liabilities¹		Total
Liabilities							
Trade payables	₩	-	₩	6,485,039	₩	-	₩ 6,485,039
Short-term borrowings		-		1,817,021		10,929,768	12,746,789
Other payables		-		10,225,271		-	10,225,271
Current portion of long-term liabilities		-		1,232,817		-	1,232,817
Debentures		-		58,542		-	58,542
Long-term borrowings		-		1,244,238		-	1,244,238
Long-term other payables		342,702		2,666,957		-	3,009,659
Others		74,697		11,867,772		-	11,942,469
Total	₩	417,399	₩	35,597,657	₩	10,929,768	₩ 46,944,824

¹ Other financial liabilities include collateralized borrowings, which are not subject to categorizations.

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. Long-Term Available-for-Sale Financial Assets

(A) Details of long-term available-for-sale financial assets as at June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017	December 31, 2016
Equity securities - Listed	₩ 2,711,346	₩ 2,362,235
Equity securities - Non-listed	4,680,303	4,337,328
Debt securities ¹	174,138	104,713
Total	₩ 7,565,787	₩ 6,804,276

¹ The maximum exposure to credit risk of available-for-sale debt securities is the carrying value at the reporting date.

(B) Details of listed equity securities as at June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won, number of shares and percentage)</i>	June 30, 2017			December 31, 2016	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Book Amount (Market Value)	Book Amount (Market Value)
Samsung Heavy Industries	65,930,982	16.9	473,727	820,841	609,862
Hotel Shilla	2,004,717	5.1	13,957	114,469	96,527
iMarket Korea	647,320	1.8	324	8,804	6,732
SFA ¹	3,644,000	10.2	38,262	163,798	117,519
Wonik Holdings	3,518,342	4.6	30,821	29,378	23,714
Wonik IPS	3,701,872	9.0	32,428	109,761	96,989
ASML	6,297,787	1.5	363,012	937,018	851,395
Wacom	8,398,400	4.9	62,013	30,768	26,647
BYD	52,264,808	1.9	528,665	438,037	449,872
Others			53,632	58,472	82,978
Total			₩ 1,596,841	₩ 2,711,346	₩ 2,362,235

¹ As SFA executed a capital increase without consideration, the Company's number of SFA shares owned increased.

Acquisition cost includes impairment loss on available-for-sale financial assets recognized due to the decline in realizable value below acquisition cost. The difference between the acquisition cost, net of impairment loss and the current fair value is recorded within other components of equity, net of tax effects (unrealized gains or losses on available-for-sale financial assets).

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. Inventories

Inventories as at June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017			December 31, 2016		
	Gross Amount	Valuation Allowance ¹	Book Amount	Gross Amount	Valuation Allowance ¹	Book Amount
Finished goods	₩ 8,608,363	₩ (1,771,251)	₩ 6,837,112	₩ 7,982,850	₩ (2,077,511)	₩ 5,905,339
Work in process	6,218,971	(365,216)	5,853,755	5,334,607	(317,223)	5,017,384
Raw materials and supplies	10,552,843	(1,076,303)	9,476,540	7,526,608	(1,032,442)	6,494,166
Materials in transit	853,505	-	853,505	936,614	-	936,614
Total	₩26,233,682	₩ (3,212,770)	₩23,020,912	₩21,780,679	₩ (3,427,176)	₩18,353,503

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

6. Investments in Associates and Joint Ventures

(A) Changes in investments in associates and joint ventures for the six months ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017	June 30, 2016
Balance as at January 1	₩ 5,837,884	₩ 5,276,348
Acquisition	12,850	24,104
Disposal ¹	(52,204)	(1,341,108)
Share of profit	41,691	13,423
Others ²	(25,341)	(30,242)
Balance as at June 30	₩ 5,814,880	₩ 3,942,525

¹ The Company sold its entire stake in Samsung Card for the six months ended June 30, 2016.

² Others consist of dividends, impairment and reclassification.

(B) Major investments in associates and joint ventures as at June 30, 2017, are as follows:

(1) Investments in associates

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

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

² The Company's ownership of ordinary shares outstanding is 20.6%.

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in joint ventures

Investee	Nature of Relationship with Joint Venture	Percentage of Ownership ¹ (%)	Principal Business Location
Samsung Corning Advanced Glass	Manufacture and supply industrial glass devices	50.0	Korea

¹ Ownership represents the Company's ownership ordinary shares issued in each entity.

(C) Details of investments in associates and joint ventures as at June 30, 2017 and December 31, 2016, are as follows:

(1) Investments in associates

(In millions of Korean won)

Investee	June 30, 2017	
	Acquisition cost	Net asset value of equity shares ¹
Samsung Electro-Mechanics	₩ 359,237	₩ 1,009,144
Samsung SDS	147,963	1,189,910
Samsung Biologics	443,193	1,266,861
Samsung SDI	1,242,605	2,200,272
Cheil Worldwide	506,162	222,197
Other	593,814	194,956
Total	₩ 3,292,974	₩ 6,083,340

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

(In millions of Korean won)

Investee	December 31, 2016	
	Acquisition cost	Net asset value of equity shares ¹
Samsung Electro-Mechanics	₩ 359,237	₩ 993,031
Samsung SDS	147,963	1,161,197
Samsung Biologics	443,193	1,285,706
Samsung SDI	1,242,605	2,131,718
Cheil Worldwide	506,162	192,594
Other	642,536	182,279
Total	₩ 3,341,696	₩ 5,946,525

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

(2) Investments in joint ventures

(In millions of Korean won)

Investee	June 30, 2017	
	Acquisition cost	Net asset value of equity shares ¹
Samsung Corning Advanced Glass	₩ 215,000	₩ 169,300
Others	259,994	65,558
Total	₩ 474,994	₩ 234,858

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

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

<i>(In millions of Korean won)</i>		December 31, 2016			
Investee	Acquisition cost		Net asset value of equity shares¹		Book amount
Samsung Corning Advanced Glass	₩	215,000	₩	169,521	₩ 169,485
Others		259,977		59,342	55,014
Total	₩	474,977	₩	228,863	₩ 224,499

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

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

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

<i>(In millions of Korean won)</i>	Balance as at January 1		Gain/loss on valuation		Other comprehensive income/loss		Others¹		Balance as at June 30	
Samsung Electro-Mechanics	₩	997,022	₩	1,122	₩	17,795	₩	(8,847)	₩	1,007,092
Samsung SDS		1,185,703		52,078		(9,596)		(13,103)		1,215,082
Samsung Biologics		1,289,351		(17,419)		(1,425)		(1)		1,270,506
Samsung SDI		1,232,986		(18,236)		13,306		(13,462)		1,214,594
Cheil Worldwide		517,885		14,474		(2,671)		(8,711)		520,977
Samsung Corning Advanced Glass		169,485		(210)		-		-		169,275
Others		445,452		9,882		(3,320)		(34,660)		417,354
Total	₩	5,837,884	₩	41,691	₩	14,089	₩	(78,784)	₩	5,814,880

¹ Others consist of acquisitions, disposals, dividends, impairment and reclassification.

(2) For the six months ended June 30, 2016

<i>(In millions of Korean won)</i>	Balance as at January 1		Gain/loss on valuation		Other comprehensive income/loss		Others¹		Balance as at June 30	
Samsung Card	₩	1,338,679	₩	-	₩	-	₩	(1,338,679)	₩	-
Samsung Electro-Mechanics		994,489		4,884		(22,085)		(8,846)		968,442
Samsung SDS		1,060,396		56,852		(2,960)		(8,737)		1,105,551
Samsung Biologics		1,310,202		(27,817)		(252)		12,682		1,294,815
Samsung Corning Advanced Glass		188,371		(10,317)		-		-		178,054
Others		384,211		(10,179)		3,553		18,078		395,663
Total	₩	5,276,348	₩	13,423	₩	(21,744)	₩	(1,325,502)	₩	3,942,525

¹ Others consist of acquisitions, disposals, dividends, impairment and reclassification.

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(1) A summary of condensed financial information of major associates and dividends received from associates as at June 30, 2017 and December 31, 2016, and for the six months ended June 30, 2017 and 2016, is as follows:

(In millions of Korean won)

Investee	2017				
	Samsung Electro-Mechanics	Samsung SDS	Samsung Biologics	Samsung SDI	Cheil Worldwide
1. Condensed financial information					
Condensed statements of financial position:					
Current assets	₩ 2,789,832	₩ 4,903,641	₩ 685,968	₩ 3,490,835	₩ 1,732,094
Non-current assets	5,262,562	2,177,788	6,429,076	11,753,252	291,774
Current liabilities	2,819,341	1,401,512	2,199,634	2,353,420	1,184,509
Non-current liabilities	825,299	257,200	892,635	1,732,101	55,412
Non-controlling interests	93,947	152,965	-	229,976	8,291
Condensed statements of comprehensive income:					
Revenue	₩ 3,280,346	₩ 4,523,661	₩ 170,865	₩ 2,759,090	₩ 1,499,685
Profit(Loss) from continuing operations ¹	35,537	229,566	(55,172)	273,935	54,388
Other comprehensive income (loss) ¹	76,067	(42,496)	(4,432)	93,755	(8,209)
Total comprehensive income (loss) ¹	111,604	187,070	(59,604)	367,690	46,179
2. Dividends from associates					
Dividends	₩ 8,847	₩ 13,104	₩ -	₩ 13,463	₩ 8,711

¹ Income (Loss) attributable to owners of the parent.

(In millions of Korean won)

Investee	2016				
	Samsung Electro-Mechanics	Samsung SDS	Samsung Biologics	Samsung SDI	Cheil Worldwide
1. Condensed financial information					
Condensed statements of financial position:					
Current assets	₩ 2,812,409	₩ 4,548,448	₩ 1,461,425	₩ 3,958,266	₩ 1,794,812
Non-current assets	4,850,220	2,293,556	6,071,580	10,942,046	356,619
Current liabilities	2,043,155	1,347,385	2,476,545	2,212,796	1,244,899
Non-current liabilities	1,281,889	203,495	974,089	1,723,405	130,248
Non-controlling interests	97,467	150,429	-	241,980	13,277
Condensed statements of comprehensive income:					
Revenue	₩ 3,220,720	₩ 3,797,127	₩ 136,289	₩ -	₩ -
Profit(Loss) from continuing operations ¹	47,790	250,067	(75,401)	-	-
Other comprehensive income (loss) ¹	(94,408)	(13,111)	(2,888)	-	-
Total comprehensive income (loss) ¹	(46,618)	236,956	(78,289)	-	-
2. Dividends from associates					
Dividends	₩ 8,847	₩ 8,736	₩ -	₩ -	₩ -

¹ Income (Loss) attributable to owners of the parent

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (2) A summary of the condensed financial information of major joint ventures and dividends received from joint ventures as at June 30, 2017 and December 31, 2016, and for the six months ended June 30, 2017 and 2016, is as follows:

<i>(In millions of Korean won)</i>	Samsung Corning Advanced Glass	
	2017	2016
1. Condensed financial information		
Condensed statements of financial position:		
Current assets	₩ 147,027	₩ 170,614
- Cash and cash equivalent	15,645	16,021
Non-current assets	228,742	209,881
Current liabilities	36,252	41,076
- Current financial liabilities ¹	18,652	14,779
Non-current liabilities	916	377
Condensed statements of comprehensive income²:		
Revenue	₩ 122,873	₩ 131,501
Depreciation and amortization	709	864
Interest income	413	571
Income tax expense	(462)	(952)
Net loss from continuing operations ³	(441)	(9,266)
Other comprehensive income (loss) ³	-	47
Total comprehensive loss ³	(441)	(9,219)
2. Dividends from joint ventures		
Dividends	₩ -	₩ -

¹ Trade payables, other payables, and provisions are excluded.

² Amounts relate to the six months ended June 30, 2017 and 2016.

³ Profit (Loss) attributable to owners of the parent.

- (3) Profit (loss) amounts attributable to owners of the parent from associates and joint ventures which are not individually material for the six months ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	2017		2016	
Investee	Associates	Joint ventures	Associates	Joint ventures
Income (loss) from continuing operations ¹	₩ 4,556	₩ 5,326	₩ (12,002)	₩ 1,822
Other comprehensive income (loss) ¹	(5,784)	2,464	1,476	6,987
Total comprehensive income (loss) ¹	₩ (1,228)	₩ 7,790	₩ (10,526)	₩ 8,809

¹ Income (Loss) attributable to owners of the parent.

- (F) Fair value of marketable investments in associates as at June 30, 2017 and December 31, 2016, is as follows:

<i>(In millions of Korean won and number of shares)</i>	June 30, 2017		December 31, 2016	
	Number of shares held	Market value	Market value	
Samsung Electro-Mechanics	17,693,084	₩ 1,804,695	₩	898,809
Samsung SDS	17,472,110	3,223,604		2,437,359
Samsung Biologics	20,836,832	6,084,355		3,146,362
Samsung SDI	13,462,673	2,308,848		1,467,431
Cheil Worldwide	29,038,075	534,301		457,350

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Property, Plant and Equipment

(A) Changes in property, plant and equipment for the six months ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	2017		2016	
Balance as at January 1	₩	91,473,041	₩	86,477,110
Acquisition and capital expenditures		22,493,100		8,751,936
Business combinations ¹		858,796		6,079
Depreciation		(9,615,760)		(9,951,595)
Disposals/scrap/impairment		(92,372)		(71,131)
Other ²		(1,421,565)		(577,436)
Balance as at June 30	₩	103,695,240	₩	84,634,963

¹ Samsung Electronics America, the Company's subsidiary, acquired 100% of the equity shares of Harman International Industries and its subsidiaries (Refer to Note 27).

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

(B) Details of depreciation of property, plant and equipment for the six months ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	2017		2016	
Cost of sales	₩	8,557,135	₩	8,980,250
Selling and administrative expenses and others		1,058,625		971,345
Total	₩	9,615,760	₩	9,951,595

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible Assets

(A) Changes in intangible assets for the six months ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	2017		2016	
Balance as at January 1	₩	5,344,020	₩	5,396,311
Internally generated (development costs)		195,911		442,062
External acquisitions		214,847		175,411
Business combinations ¹		10,013,241		192,022
Amortization		(771,910)		(686,242)
Disposals/scrap/impairment		(4,548)		(380,109)
Other ²		229,747		108,342
Balance as at June 30	₩	15,221,308	₩	5,247,797

¹ Samsung Electronics America, the Company's subsidiary, acquired 100% of the equity shares of Harman International Industries and its subsidiaries (Refer to Note 27).

² Other includes effects of changes in foreign currency exchange rates and others.

(B) Details of amortization of intangible assets for the six months ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	2017		2016	
Cost of sales	₩	479,912	₩	465,770
Selling and administrative expenses and others		291,998		220,472
Total	₩	771,910	₩	686,242

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Borrowings

Details of the carrying amounts of borrowings as at June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean won)</i>	Financial Institutions	Annual Interest Rates (%) as at June 30, 2017	June 30, 2017	December 31, 2016
Short-term borrowings				
Collateralized borrowings ¹	Woori Bank and others	0.1 ~ 10.0	₩ 12,161,417	₩ 10,929,768
Non-collateralized borrowings	Citibank and others	0.3 ~ 17.2	1,605,723	1,817,021
Total			₩ 13,767,140	₩ 12,746,789
Current portion of long-term borrowings				
Bank borrowings	-	-	-	₩ 684
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	21,052	18,599
Total			₩ 21,052	₩ 19,283
Long-term borrowings				
Bank borrowings	Citibank and others	LIBOR+0.4 ~ 19.8	₩ 1,852,540	₩ 1,179,111
Financial lease liabilities ²	CSSD and others	1.1 ~ 15.7	65,031	65,127
Total			₩ 1,917,571	₩ 1,244,238

¹ Collateralized borrowings are secured by trade receivables.

² Leased property, plant and equipment were pledged as collateral.

10. Debentures

Details of foreign currency denominated debentures as at June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean Won)</i>	Issue Date	Due Date	Annual Interest Rates (%) as of June 30, 2017	June 30, 2017	December 31, 2016
US dollar denominated straight bonds ¹	1997.10.2	2027.10.1	7.7	₩ 62,678 (US\$55 million)	₩ 66,468 (US\$55 million)
US dollar denominated unsecured bonds ²	2012.4.10	2017.4.10	-	-	1,208,500 (US\$1,000 million)
US dollar denominated debenture bonds ³	2015.5.6	2025.5.15	4.2	455,840 (US\$400 million)	-
EURO denominated debenture bonds ⁴	2015.5.20	2022.5.27	2.0	456,398 (EUR€350 million)	-
Less: Current Portion				(5,698)	(1,214,543)
Less: Discounts				(1,642)	(1,883)
More: Premium				32,932	-
Total				₩ 1,000,508	₩ 58,542

¹ 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.

² Samsung Electronics America issued dollar denominated unsecured bonds. The amount was repaid during 2017.

³ 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.

⁴ 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.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. Net Defined Benefit Liabilities (Assets)

(A) Details of net defined benefit liabilities (assets) recognized on the statements of financial position as at June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017	December 31, 2016
Present value of funded defined benefit obligations	₩ 7,426,399	₩ 7,167,929
Present value of unfunded defined benefit obligations	418,985	110,885
Subtotal	7,845,384	7,278,814
Fair value of plan assets	(7,606,960)	(7,662,249)
Total	₩ 238,424	₩ (383,435)

(B) The amounts recognized in the statements of profit or loss for the six months ended June 30, 2017 and 2016 relating to defined benefit plans are as follows:

<i>(In millions of Korean won)</i>	2017	2016
Current service cost	₩ 443,381	₩ 540,179
Net interest cost(income)	(7,051)	5,520
Others	2,350	(3,833)
Total	₩ 438,680	₩ 541,866

(C) The pension expenses related to defined benefit plans by line item recognized on the statements of profit or loss for the six months ended June 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>	2017	2016
Cost of sales	₩ 174,795	₩ 236,986
Selling and administrative expenses and others	263,885	304,880
Total	₩ 438,680	₩ 541,866

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12. Provisions

Changes in the provisions for the six months ended June 30, 2017 are as follows:

<i>(In millions of Korean won)</i>	Warranty (A)	Royalty expenses (B)	Long-term incentives (C)	Bonus (D)	Others (E, F)	Total
Balance as at January 1	₩ 1,747,857	₩ 1,588,037	₩ 716,252	₩ -	₩ 903,397	₩ 4,955,543
Charged (credited) to the statement of income	1,077,525	287,640	353,297	2,212,270	85,711	4,016,443
Payment	(1,003,186)	(8,635)	(504,018)	(45,447)	(660,422)	(2,221,708)
Others ¹	236,127	(50,909)	2,028	43,795	(4,435)	226,606
Balance as at June 30	₩ 2,058,323	₩ 1,816,133	₩ 567,559	₩ 2,210,618	₩ 324,251	₩ 6,976,884

¹ Other includes effects of changes in foreign currency exchange rates, business combination, and reclassification as assets held-for sale.

- (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 of payment depends on the settlement of the negotiation.
- (C) The Company has a long-term incentive plan for its executives based on a three-year management performance criteria and recognizes a provision for the estimated incentive cost for the accrued period.
- (D) The Company provides bonuses for its executives and employees, which are determined based on current-period performance. The estimated bonus cost for the accrued period has been recognized as a provision.
- (E) The Company records provisions for the estimated expenses occurring from discontinuing production and sale of products.
- (F) The Company makes provisions for the carrying amounts of emission rights held by the Company and the emission in excess of the emission rights for the applicable years. Details of emission rights and liabilities as at June 30, 2017 are as follows:

- (1) Allocated amount of emission permits and estimated amount of emission as at June 30, 2017 are as follows:

<i>(In ten thousand metric tons)</i>	2017
Allocated emission permits	1,137
Estimated volume of emission	1,260

- (2) Changes in the emission permits rights for the six months ended June 30, 2017 are as follows:

<i>(In millions of Korean won)</i>	2017
Balance as at January 1	₩ 15,067
Acquisition	5,626
Disposal	(5,934)
Balance as at June 30	₩ 14,759

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(3) Changes in the provisions for emissions liabilities for the six months ended June 30, 2017 are as follows:

<i>(In millions of Korean won)</i>	2017	
Balance as at January 1	₩	12,692
Charged to the statement of profit of loss		5,367
Balance as at June 30	₩	18,059

13. Commitments and Contingencies

(A) Guarantees

Details of guarantees of debt provided by the Company as at June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Guarantees of debt for housing rental ¹	₩	52,507	₩	56,752

¹ Represents the maximum amount of debt guarantee, which was provided for employees who took debt from financial institutions in order to finance employee housing rental.

In addition to the guarantees described above, the Company provides guarantees for borrowings by Medicapital from Dime Investment and other companies in the amount of ₩ 2,264 million.

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(B) Litigation

- (1) The litigation with Apple Inc. (“Apple”) is ongoing in the United States as at the reporting date. On August 24, 2012, the jury determined that the Company partially infringed Apple’s design and utility patent and should pay damages to Apple. However, on March 1, 2013, the Judge ordered a new trial for a certain portion of the damages, ruling that it was originally miscalculated. On November 21, 2013 a jury verdict was rendered on the recalculated damages amount, and on March 6, 2014, the Judge made a final judgement to confirm the total damages and deny Apple’s bid for a permanent injunction against the Company. The Company appealed the decision on the damages amount on March 7, 2014, and a hearing on the appeal was held on December 4, 2014. On May 18, 2015, the appeals court affirmed in part and reversed in part a previous decision, and remanded it. On June 17, 2015, the Company petitioned for an en banc rehearing regarding the design infringement, and on August 13, 2015, the federal court dismissed the Company’s request. After the remand procedure, the Court of First Trial announced a partial final judgment on the appeals on September 18, 2015. On October 13, 2015, the immediate appeal was dismissed and on November 19, 2015, the Federal Circuit Court denied an en banc rehearing request. On December 11, 2015, the Company made payment for the damages. On December 14, 2015, the Company filed an appeal to the Supreme Court regarding the design patent infringement ruling. Thereafter, the two parties have submitted in writing to the District court details of supplemental damages incurred in connection with the ruling. On March 21, 2016, the Supreme Court granted the design-related appeals filed by the Company and on March 22, 2016, the Court of First Trial ordered all proceedings for review of damages scheduled to commence March 28, 2016 suspended until the sentence rendered by the Supreme Court was confirmed. On June 1, 2016, the Company submitted the draft document in the design-related appeal, and on June 8, 2016, several companies and organizations presented the document in support of the Company. Apple filed a dissenting document on July 29, 2016, and on August 5, 2016, several companies and organizations presented an advocative document. On August, 29, 2016, the Company submitted a rebuttal letter. Oral statements for the appeal were held at the Supreme Court on October 11, 2016. On December 6, 2016, the Supreme Court issued a ruling citing the Company appeal and returned the case to the Court of Appeals. On February 7, 2017, the Court of Appeals reversed the case to the Court of First Trial.

Additionally, on May 5, 2014, the jury in another ongoing patent lawsuit determined that the Company partially infringed Apple’s utility patent and should pay damages to Apple. On November 25, 2014, the first trial judgment was pronounced to confirm the jury’s verdict. The Company appealed on November 25, 2014 and the rehearing was held on January 5, 2016. On August 27, 2014, the Judge denied Apple’s request for a permanent injunction on the Company’s product. However, on September 17, 2015, the appellate court reversed and remanded a previous decision and on December 16, 2015, the Federal Circuit Court denied an en banc hearing request of the Company. On January 18, 2016, the Court of First instance ordered a permanent injunction on the Company’s product. On February 26, 2016, a panel of appellate court reversed the first trial judgment of November 25, 2014 and ruled that the Company had not infringed Apple’s some patents and its remaining patents were invalid. On March 30, 2016, Apple filed a petition for an en banc rehearing about the rulings of the panel. On October 7, 2016, the en banc appellate court reversed the panel rulings, affirming the first trial judgment that the Company had infringed Apple’s patent. On March 10, 2017, the Company appealed to the Supreme Court against the rulings of the en banc appellate Court. The final conclusion and the effect of the patent lawsuits with Apple are uncertain as at the reporting date.

In August 2014, the Company and Apple reached an agreement to withdraw from ongoing litigation in all regions other than the United States, and the Company has withdrawn all non-United States based lawsuits.

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

(C) Other commitments

Samsung Display entered into a collaboration agreement with Corning Incorporated on October 23, 2013 that includes a condition relating to mutual loss preservation which can cause inflows or outflows of future economic benefits and the Company has recorded an estimated liability as a result of this commitment as at June 30, 2017.

14. Share Capital

The Company's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Company has issued 130,668,494 shares of ordinary shares and 18,643,580 shares of preference shares as at June 30, 2017, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩746,560 million (ordinary shares ₩653,342 million and preference shares ₩93,218 million), which does not agree with paid-in capital of ₩897,514 million.

15. Retained Earnings

(A) Retained earnings as at June 30, 2017 and December 31, 2016 consist of:

<i>(In millions of Korean won)</i>	June 30, 2017	December 31, 2016
Appropriated	₩ 139,286,062	₩ 143,007,192
Unappropriated	59,937,897	50,079,125
Total	₩ 199,223,959	₩ 193,086,317

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- (B) On April 27, 2017, and July 27, 2017, the Company declared cash dividends to shareholders of ordinary shares and preference shares as quarterly dividends for the three months ended March 31, 2017, and June 30, 2017.

Details of interim dividends for the six months ended June 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>		2017		2016		
1 st quarter	Number of shares eligible for dividends	Ordinary shares	121,840,851	-		
		Preferred shares	17,069,534	-		
	Dividend rate (based on par value)	140%		-		
	Dividend amount	Ordinary shares	₩ 852,886	-		
		Preferred shares	119,487	-		
		Total	₩ 972,373	-		
2 nd quarter	Number of shares eligible for dividends	Ordinary shares	121,038,051	123,958,561		
		Preferred shares	16,868,834	17,580,920		
	Dividend rate (based on par value)	140%		20%		
	Dividend amount	Ordinary shares	₩ 847,266	₩	123,958	
		Preferred shares	118,082	17,581		
		Total	₩ 965,348	₩	141,539	

16. Other Components of Equity

- (A) Other components of equity as at June 30, 2017 and December 31, 2016 consist of:

<i>(In millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Treasury stock	₩	(6,636,450)	₩	(9,750,326)
Unrealized gains on available-for-sale financial assets		1,855,647		1,390,624
Share of other comprehensive income of associates and joint ventures		108,703		94,694
Foreign currency translation		(5,332,390)		(2,902,076)
Remeasurements of net defined benefit liabilities (assets)		(865,638)		(811,529)
Others		(325)		44,027
Total	₩	(10,870,453)	₩	(11,934,586)

- (B) The Company repurchases registered ordinary shares and non-voting preference shares for the purpose of stock price stability and increase in shareholder value. The Company recognizes the repurchase amount in other components of equity. Treasury stock as at June 30, 2017 and December 31, 2016 consists of the following:

<i>(In millions of Korean won and number of shares)</i>	June 30, 2017		December 31, 2016	
	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares
Number of shares	9,630,443	1,774,746	17,981,686	3,229,693
Acquisition cost	₩ 5,907,485	₩ 728,965	₩ 8,871,509	₩ 878,817

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17. Expenses by Nature

Expenses by nature for the three and six months ended June 30, 2017 and 2016 consist of the following:

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
Changes in finished goods and work in process	₩ (756,111)	₩ (1,768,144)	₩ 544,893	₩ 430,461
Raw materials used and merchandise purchased and others	20,330,238	37,397,849	17,826,020	36,692,950
Wages and salaries	5,681,627	10,778,379	4,765,275	9,640,094
Pension	240,312	477,096	297,731	590,094
Depreciation	4,846,261	9,615,760	4,830,220	9,951,595
Amortization	399,951	771,910	339,298	686,242
Welfare	1,016,407	1,948,925	924,426	1,836,056
Commission and service charges	1,916,215	3,759,921	2,099,558	4,296,835
Other expenses	13,259,090	24,601,459	11,165,749	21,775,283
Total¹	₩ 46,933,990	₩ 87,583,155	₩ 42,793,170	₩ 85,899,610

¹ Equal to the sum of cost of sales and selling and administrative expenses on the interim consolidated statements of income.

18. Selling and Administrative Expenses

Selling and administrative expenses for the three and six months ended June 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
1) Selling and administrative expenses				
Wages and salaries	₩ 1,799,454	₩ 3,387,757	₩ 1,371,882	₩ 2,836,904
Pension	63,293	126,100	72,452	138,932
Commission and service charges	1,916,215	3,759,921	2,099,558	4,296,835
Depreciation	239,275	450,308	195,531	388,951
Amortization	107,795	175,284	54,245	112,585
Advertising	1,543,615	2,362,493	1,190,427	2,312,595
Sales promotion	1,816,476	3,190,681	1,719,811	3,380,323
Transportation	944,229	1,729,873	832,437	1,587,331
Warranty	714,822	1,566,925	792,637	1,557,509
Others	1,418,582	2,538,030	1,356,371	2,239,451
2) Research and development expenses				
Total expenses	4,077,480	7,936,268	3,695,571	7,507,280
Capitalized expenses	(107,075)	(195,911)	(196,870)	(442,062)
Total	₩ 14,534,161	₩ 27,027,729	₩ 13,184,052	₩ 25,916,634

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19. Other Non-Operating Income and Expense

Details of other non-operating income for the three and six months ended June 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
Non-operating income				
Dividend income	₩ 41,467	₩ 73,400	₩ 57,788	₩ 181,871
Rental income	34,713	68,078	23,104	46,496
Gain on disposal of investments	40,049	114,497	28,346	387,299
Gain on disposal of property, plant and equipment	21,743	37,358	27,341	43,462
Gain on disposal of assets classified as held-for-sale	-	-	-	69,924
Others	206,243	367,305	139,145	249,265
Total	₩ 344,215	₩ 660,638	₩ 275,724	₩ 978,317

Details of other non-operating expense for the three and six months ended June 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
Non-operating expense				
Loss on disposal of property, plant and equipment	₩ 27,775	₩ 65,060	₩ 31,929	₩ 45,000
Donations	112,460	139,714	43,224	175,393
Impairment losses on intangible assets	97	97	298,281	355,365
Others	83,073	295,768	142,019	278,331
Total	₩ 223,405	₩ 500,639	₩ 515,453	₩ 854,089

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20. Financial Income and Costs

(A) Details of financial income and costs for the three and six months ended June 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
Financial income				
Interest income:	₩ 361,125	₩ 761,731	₩ 331,749	₩ 724,730
Interest income from loans and receivables	360,964	761,093	322,286	696,791
Interest income from available-for-sale financial assets	161	638	9,463	27,939
Foreign exchange differences	1,230,068	2,715,125	1,452,304	3,881,744
Gains from derivatives	135,981	347,470	202,010	459,518
Total	₩ 1,727,174	₩ 3,824,326	₩ 1,986,063	₩ 5,065,992

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
Financial costs				
Interest expense:	₩ 160,816	₩ 309,206	₩ 117,922	₩ 284,403
Interest expense from financial liabilities measured at amortized cost	85,407	175,705	62,041	175,631
Other financial liabilities	75,409	133,501	55,881	108,772
Foreign exchange differences	1,185,693	2,678,217	1,519,523	4,078,150
Losses from derivatives	178,110	426,660	185,156	466,408
Total	₩ 1,524,619	₩ 3,414,083	₩ 1,822,601	₩ 4,828,961

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

21. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual effective income tax rate expected for the full financial year. The average annual tax rate expected as at June 30, 2017 to be effective for the year ended December 31, 2017 is 23.8%.

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22. Earnings per Share

(A) Basic earnings per share

Basic earnings per share for the three and six months ended June 30, 2017 and 2016 are calculated as follows:

(1) Common stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
Profit attributable to owners of the Parent company	₩ 10,799,942	₩ 18,288,474	₩ 5,826,178	₩ 11,089,684
Profit available for common stock	9,478,704	16,050,504	5,102,304	9,711,826
Weighted-average number of common shares outstanding	121,494	121,951	124,739	125,693
Basic earnings per share (in Korean won)	₩ 78,018	₩ 131,615	₩ 40,904	₩ 77,266

(2) Preferred stock

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	June 30, 2017		June 30, 2016	
	3 Months	6 Months	3 Months	6 Months
Profit attributable to owners of the Parent company	₩ 10,799,942	₩ 18,288,474	₩ 5,826,178	₩ 11,089,684
Profit available for preferred stock	1,321,238	2,237,970	723,874	1,377,858
Weighted-average number of preferred shares outstanding	16,983	17,097	17,773	18,016
Basic earnings per preferred share (in Korean won)	₩ 77,798	₩ 130,898	₩ 40,728	₩ 76,479

(B) Diluted earnings per share

The Company does not have potential ordinary shares and as a result, basic earnings per share and diluted earnings per share are the same for the three and six months ended June 30, 2017 and 2016.

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23. Cash Generated from Operation

Adjustments and changes in assets and liabilities arising from operating activities for the six months ended June 30, 2017 and 2016 are as follows:

- Adjustments

<i>(In millions of Korean won)</i>	2017	2016
Adjustments for:		
Income tax expense	₩ 5,838,636	₩ 4,094,248
Finance income	(1,834,235)	(1,707,389)
Finance costs	1,242,698	1,440,314
Severance and retirement benefits	477,096	590,094
Depreciation	9,615,760	9,951,595
Amortization	771,910	686,242
Bad debt expenses	394,482	364,587
Gain on valuation of equity method	(41,691)	(13,423)
Gain on disposal of property, plant and equipment	(37,358)	(43,462)
Loss on disposal of property, plant and equipment	65,060	45,000
Impairment losses on intangible assets	97	355,365
Obsolescence and scrapping of inventories	769,841	727,437
Gain on disposal of investments	(114,497)	(387,299)
Gain on disposal of assets classified as held-for-sale	-	(69,924)
Dividend income	(73,400)	(181,871)
Other income/expense	(225,181)	(245,438)
Total	₩ 16,849,218	₩ 15,606,076

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	2017	2016
Changes in assets and liabilities :		
Increase in trade receivables	₩ (2,378,447)	₩ (605,860)
Decrease in other receivables	112,720	330,764
(Increase) decrease in advances	(183,539)	44,095
Decrease (increase) in prepaid expenses	763,798	(469,240)
(Increase) decrease in inventories	(4,880,235)	278,205
Increase in trade payables	2,033,038	973,643
Decrease in other payables	(1,398,283)	(1,320,082)
Decrease in advances received	(112,978)	(65,749)
Increase in withholdings	110,462	244,035
Decrease in accrued expenses	(3,053,028)	(1,379,940)
Increase in provisions	1,753,676	65,109
Payment of severance benefits	(281,697)	(256,200)
Others	(1,337,604)	867,059
Total	₩ (8,852,117)	₩ (1,294,161)

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24. 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 derivative financial instruments 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, available-for-sale financial assets, trade and other receivables and other financial assets. The Company's financial liabilities under financial risk management are comprised of trade and other payables, borrowings, debentures, and other financial liabilities.

(A) Market risk

(1) Foreign exchange risk

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

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

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

(2) Price risk

The Company's investment portfolio consists of direct and indirect investments in equity securities classified as available-for-sale, which is in line with the Company's strategy.

As at June 30, 2017 and December 31, 2016, a price fluctuation in relation to marketable equity securities by 1% would result in changes in other comprehensive income (before income tax) of ₩27,113 million and ₩23,622 million, respectively.

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(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 is exposed to interest rate risk mainly through interest bearing liabilities and assets. 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 finance costs.

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

(B) Credit risk

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

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

The Company estimates that its maximum exposure to credit risk is the carrying value 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 finance costs.

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

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(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 consolidated financial statements.

The Company's capital risk management policy has not changed since the previous fiscal year. The Company has maintained an A+ and A1 credit rating from S&P and Moody's, respectively, on its long term debt.

The total liabilities to equity ratios as of June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017	December 31, 2016
Total liabilities	₩ 76,883,688	₩ 69,211,291
Total equity	200,705,748	192,963,033
Total liabilities to equity ratio	38.3%	35.9%

(E) Fair value estimation

(1) Carrying amounts and fair values of financial instruments by category as at June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 29,007,086	₩ 1	₩ 32,111,442	₩ 1
Short-term financial instruments	37,796,229	1	52,432,411	1
Short-term available-for-sale financial assets	3,698,772	3,698,772	3,638,460	3,638,460
Trade receivables	27,585,923	1	24,279,211	1
Long-term available-for-sale financial assets ²	7,565,787	6,449,482	6,804,276	5,826,507
Others ⁴	6,281,569	1,289,350	3,459,863	919,071
Total financial assets	₩ 111,935,366		₩ 122,725,663	
Financial liabilities				
Trade payables	₩ 9,075,774	₩ 1	₩ 6,485,039	₩ 1
Short-term borrowings	13,767,140	1	12,746,789	1
Other payables ³	11,281,471	330,059	10,225,271	1
Current portion of long-term liabilities	26,585	1	1,232,817	1
Debentures	1,000,508	1,017,611	58,542	76,129
Long-term borrowings	1,917,571	1,925,261	1,244,238	1,225,455
Long-term other payables	1,613,911	1,611,595	3,009,659	3,022,821
Others ⁴	9,340,680	117,543	11,942,469	74,697
Total financial liabilities	₩ 48,023,640		₩ 46,944,824	

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

² Amounts measured at cost of ₩ 1,116,305 million (December 31, 2016: ₩977,769 million) are excluded as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

³ Amounts measured at cost of ₩10,951,412 million (December 31, 2016: ₩10,225,271 million) are excluded as the carrying amount is a reasonable approximation of fair value.

⁴ Assets measured at cost of ₩ 4,947,467million (December 31, 2016: ₩2,452,118 million) and liabilities measured at cost of ₩ 9,223,137 million (December 31, 2016: ₩11,867,772) are excluded as the carrying amount is a reasonable approximation of fair value.

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

June 30, 2017				
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
1) Assets				
Short-term available-for-sale financial assets	₩ -	₩ 3,698,772	₩ -	₩ 3,698,772
Long-term available-for-sale financial assets	2,711,346	-	3,738,136	6,449,482
Others	-	1,289,350	-	1,289,350
2) Liabilities				
Other payables	₩ -	₩ -	₩ 330,059	₩ 330,059
Debentures	-	1,017,611	-	1,017,611
Long-term borrowings	-	1,925,261	-	1,925,261
Long-term other payables	-	1,611,595	-	1,611,595
Others	-	81,297	36,246	117,543

December 31, 2016				
<i>(In millions of Korean won)</i>	Level 1	Level 2	Level 3	Total balance
1) Assets				
Short-term available-for-sale financial assets	₩ -	₩ 3,638,460	₩ -	₩ 3,638,460
Long-term available-for-sale financial assets	2,362,235	-	3,464,272	5,826,507
Others	-	919,071	-	919,071
2) Liabilities				
Debentures	₩ -	₩ 76,129	₩ -	₩ 76,129
Long-term borrowings	-	1,225,455	-	1,225,455
Long-term other payables	-	2,680,119	342,702	3,022,821
Others	-	74,697	-	74,697

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. Instruments included in Level 1 are listed equity investments classified as trading securities or available-for-sale financial assets.

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.

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

Specific valuation techniques used to value financial instruments include:

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

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

(3) Valuation technique and the inputs

The Company utilizes a present value technique to discount future cash flows using at 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)
Long-term available-for-sale financial assets				
Maltani	₩ 16,270	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 7.45%~9.45% (8.45%)
Samsung Venture Investment	7,515	Discounted cash flow	Permanent growth rate Weighted average cost of capital	-1.00% ~ 1.00% (0%) 21.31%~23.31% (22.31%)
Corning Incorporated convertible preference shares	3,714,351	Trinomial model	Risk adjusted discount rate Price volatility	5.26%~7.26% (6.26%) 27.30%~33.30% (30.30%)
Other payables				
Contingent financial liability	330,059	Discounted cash flow	Discount rate	3.81%~4.65% (4.23%)
Others				
Contingent financial liability	29,301	Monte Carlo simulation	Discount rate Risk free rate Asset volatility Credit spread	10.50% 0.97% 34.54% 2.12%
Contingent financial liability	5,299	Discounted cash flow	Discount rate	17.57%
Contingent financial liability	1,646	Probability-weighted discounted cash flow	Weighted average cost of capital Credit risk	8.60% 2.12%

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(4) Changes in Level 3 instruments:

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
Financial Assets				
Balance as at January 1	₩	3,464,272	₩	3,488,344
Purchases		-		65,059
Disposals and others		-		(66,713)
Amount recognized in profit or loss		-		(11,740)
Amount recognized in other comprehensive income		273,864		376,065
Others		-		4,238
Balance as at June 30	₩	3,738,136	₩	3,855,253

<i>(In millions of Korean won)</i>	June 30, 2017		June 30, 2016	
Financial Liabilities				
Balance as at January 1	₩	342,702	₩	312,738
Disposals and others		(2,258)		-
Amount recognized in profit or loss		(12,643)		10,643
Acquisition in the business combination		39,083		-
Others		(579)		-
Balance as at June 30	₩	366,305	₩	323,381

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

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

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

<i>(In millions of Korean won)</i>	Classification	Favorable Changes		Unfavorable Changes	
		Profit or Loss	Equity	Profit or Loss	Equity
	Long-term available-for-sale financial assets ¹	₩ -	₩ 180,459	₩ -	₩ (171,339)
	Other payables ²	1,157	1,157	(1,162)	(1,162)
	Total	₩ 1,157	₩ 181,616	₩ (1,162)	₩ (172,501)

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

² The fair value of other payables is calculated by increasing or decreasing the discount rate by 10%, which is significant unobservable input.

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25. Segment Information

(A) Operating segment information

The chief operating decision maker has been identified as the Management Committee. The Management Committee is responsible for making strategic decisions based on review of the Company's internal reporting. The Management Committee has determined the operating segments based on these reports.

The Management Committee reviews operating profits of each operating segment in order to assess performance and to make decisions about allocating resources to the segment. The operating segments are product based and include CE, IM, Semiconductor, DP, Harman and others.

Depreciation, amortization of intangible assets, and operating profit were prepared after the allocation of internal transaction adjustments. Total assets and liabilities of each operating segment are excluded from the disclosure as these have not been provided regularly to the Management Committee.

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

<i>(In millions of Korean won)</i>	DS							Intercompany elimination within the Company	Consolidated
	CE	IM	Total ¹	Semi- conductor	DP	Harman	Total ¹		
Total segment revenue	48,139,737	112,751,891	96,645,936	63,004,312	31,293,228	3,538,747	263,913,310	(152,365,247)	111,548,063
Intercompany revenue	(26,879,629)	(59,242,418)	(48,547,513)	(29,768,562)	(16,291,891)	(846,556)	(152,365,247)	152,365,247	-
Net revenue ²	21,260,108	53,509,473	48,098,423	33,235,750	15,001,337	2,692,191	111,548,063	-	111,548,063
Depreciation	300,045	647,002	8,415,227	6,175,549	2,141,359	70,234	9,615,760	-	9,615,760
Amortization	31,565	78,144	493,135	423,868	60,797	65,787	771,910	-	771,910
Operating profit	699,039	6,122,117	17,280,387	14,345,000	3,016,920	28,385	23,964,908	-	23,964,908

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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

<i>(In millions of Korean won)</i>	DS							Intercompany elimination within the Company	Consolidated
	CE	IM	Total ¹	Semi- conductor	DP	Harman	Total ¹		
Total segment revenue	24,481,624	64,310,418	50,815,846	33,504,359	16,005,643	2,818,742	144,175,047	(83,174,510)	61,000,537
Intercompany revenue	(13,557,220)	(34,299,300)	(25,566,031)	(15,929,036)	(8,296,591)	(664,300)	(83,174,510)	83,174,510	-
Net revenue ²	10,924,404	30,011,118	25,249,815	17,575,323	7,709,052	2,154,442	61,000,537	-	61,000,537
Depreciation	152,994	319,020	4,226,211	3,072,470	1,110,970	57,065	4,846,261	-	4,846,261
Amortization	15,864	38,754	241,280	206,953	30,349	48,772	399,951	-	399,951
Operating profit	318,978	4,056,779	9,688,392	8,031,005	1,711,971	5,918	14,066,547	-	14,066,547

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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(3) For the six months ended June 30, 2016

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Company	Consolidated
	CE ³	IM	Total ¹	Semi-conductor	DP	Total ¹		
Total segment revenue	50,543,821	113,168,491	72,765,179	45,549,412	25,364,270	239,698,430	(138,979,058)	100,719,372
Intercompany revenue	(29,431,203)	(59,009,689)	(37,161,524)	(22,400,280)	(12,912,639)	(138,979,058)	138,979,058	-
Net revenue ²	21,112,618	54,158,802	35,603,655	23,149,132	12,451,631	100,719,372	-	100,719,372
Depreciation	268,931	654,722	8,807,062	6,461,034	2,234,898	9,951,595	-	9,951,595
Amortization	31,087	84,444	469,090	393,745	67,103	686,242	-	686,242
Operating profit	1,498,203	8,212,544	5,113,715	5,276,475	(128,014)	14,819,762	-	14,819,762

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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

(4) For the three months ended June 30, 2016

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Company	Consolidated
	CE ³	IM	Total ¹	Semi-conductor	DP	Total ¹		
Total segment revenue	25,598,379	55,134,263	37,718,103	23,661,694	13,129,953	120,061,157	(69,124,037)	50,937,120
Intercompany revenue	(14,559,400)	(28,575,398)	(19,289,960)	(11,664,503)	(6,713,929)	(69,124,037)	69,124,037	-
Net revenue ²	11,038,979	26,558,865	18,428,143	11,997,191	6,416,024	50,937,120	-	50,937,120
Depreciation	133,512	319,234	1,143,430	3,213,438	1,111,683	4,830,220	-	4,830,220
Amortization	13,492	41,113	39,189	197,143	33,364	339,298	-	339,298
Operating profit	995,268	4,318,387	2,786,549	2,644,895	137,205	8,143,950	-	8,143,950

¹ Includes other amounts not included in specific operating segments.

² Segment net revenue includes intersegment revenues.

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

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(B) Regional information

The regional segment information provided to the Management Committee for the reportable segments as at and for the three and six months ended June 30, 2017 and 2016, is as follows:

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

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

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

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

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

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

(3) For the six months ended June 30, 2016

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the Company	Consolidated
Net segment revenue	10,388,062	33,497,405	19,230,610	20,706,935	16,896,360	-	100,719,372
Non-current assets ¹	62,461,306	6,916,874	750,562	8,251,433	12,118,838	(616,253)	89,882,760

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

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(4) For the three months ended June 30, 2016

<i>(In millions of Korean won)</i>	Korea	America	Europe	Asia and Africa	China	Intercompany elimination within the Company	Consolidated
Net segment revenue	5,130,272	17,523,793	9,486,475	10,104,764	8,691,816	-	50,937,120
Non-current assets ¹	62,461,306	6,916,874	750,562	8,251,433	12,118,838	(616,253)	89,882,760

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

26. Related Party Transactions

(A) Sale and purchase transactions

Sale and purchase transactions with related parties for the six months ended June 30, 2017 and 2016, are as follows:

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

¹ Transactions with separate entities that are related parties of the Company.

² For the year ended December 31, 2016, Samsung SDI was included in associates as the Company's ownership of ordinary shares outstanding was increased.

³ For the year ended December 31, 2016, Cheil Worldwide was included in associates due to acquisition of shares.

⁴ 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.

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		2016			
<i>(In millions of Korean won)</i>	Name of Company ¹	Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
	Samsung SDS	₩ 22,667	₩ -	₩ 757,405	₩ 67,852
Associates and Joint ventures	Samsung Electro-Mechanics	14,807	-	1,348,148	-
	Other	118,039	36	2,713,638	110,151
	Total (Associates and Joint ventures)	₩ 155,513	₩ 36	₩4,819,191	₩ 178,003
Other related parties	Samsung C&T	₩ 10,349	₩ 74	₩ 121,186	₩ 980,716
	Samsung SDI	34,639	-	565,105	7,277
	Other	63,085	90	614,103	209,574
	Total (Other related parties)	₩ 108,073	₩ 164	₩1,300,394	₩1,197,567
Others ²	Samsung Engineering	₩ 10,434	₩ -	₩ 11,109	₩ 840,194
	S-1	15,448	-	161,554	6,092
	Other	29,847	923	321,892	60
	Total (Others)	₩ 55,729	₩ 923	₩ 494,555	₩ 846,346

¹ Transactions with separate entities that are related parties of the Company.

² 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 June 30, 2017 and December 31, 2016, are as follows:

		June 30, 2017	
<i>(In millions of Korean won)</i>	Name of Company ¹	Receivables	Payables
Associates and Joint ventures	Samsung SDS	₩ 5,718	₩ 354,822
	Samsung Electro-Mechanics	1,309	192,301
	Samsung SDI ²	87,354	114,160
	Cheil Worldwide ³	224	317,393
	Other	144,150	855,555
	Total (Associates and Joint ventures)	₩ 238,755	₩ 1,834,231
Other related parties	Samsung C&T	₩ 249,139	₩ 570,300
	Other	26,791	1,365,405
	Total (Other related parties)	₩ 275,930	₩ 1,935,705
Others ⁴	Samsung Engineering	₩ 4,141	₩ 93,618
	S-1	4,661	54,471
	Other	1,927	24,034
	Total (Others)	₩ 10,729	₩ 172,123

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

² For the year ended December 31, 2016, Samsung SDI was included in associates as the Company's ownership of ordinary shares outstanding was increased.

³ For the year ended December 31, 2016, Cheil Worldwide was included in associates due to acquisition of shares.

⁴ 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.

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<i>(In millions of Korean won)</i>		December 31, 2016			
		Receivables		Payables	
Name of Company ¹		₩		₩	
Associates and Joint ventures	Samsung SDS	₩	5,709	₩	362,062
	Samsung Electro-Mechanics		1,143		108,469
	Samsung SDI ²		89,721		76,211
	Cheil Worldwide ³		456		436,624
	Other		210,891		784,475
	Total (Associates and Joint ventures)		₩	307,920	₩
Other related parties	Samsung C&T	₩	231,089	₩	435,505
	Other		31,752		1,932,924
	Total (Other related parties)		₩	262,841	₩
Others ⁴	Samsung Engineering	₩	10,664	₩	115,726
	S-1		4,160		47,098
	Other		3,058		28,841
	Total (Others)		₩	17,882	₩

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

² For the year ended December 31, 2016, Samsung SDI was included in associates as the Company's ownership of ordinary shares outstanding was increased.

³ For the year ended December 31, 2016, Cheil Worldwide was included in associates due to acquisition of shares.

⁴ 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 six months ended June 30, 2017, the Company invested ₩12,850 million in associates and joint ventures. For the six months ended June 30, 2016 the Company invested ₩24,104 million in associates and joint ventures.

(D) For the six months ended June 30, 2017, the Company declared ₩829,901 million of dividends (For the six months ended June 30, 2016: ₩481,270 million) to related parties. Dividends declared for the six months ended June 30, 2017 include the quarterly dividend amounting to ₩168,385 million for the current fiscal year. As at June 30, 2017 and December 31, 2016, there are no unpaid dividends to related parties. Also, for the six months ended June 30, 2017, the Company declared ₩64,045 million of dividends (For the six months ended June 30, 2016: ₩37,127 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. Dividends declared for the six months ended June 30, 2017 include the quarterly dividend amounting to ₩12,995 million for the current fiscal year. As at June 30, 2017 and December 31, 2016, there are no unpaid dividends to these entities.

(E) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable for employee services for the six months ended June 30, 2017 and 2016 consists of:

<i>(In millions of Korean won)</i>	2017		2016	
	₩		₩	
Salaries and other short-term employee benefits	₩	11,974	₩	4,290
Termination benefits		396		320
Other long-term benefits		4,308		4,158

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

27. Business Combination

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

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

(1) Overview of the acquired company

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

(2) Purchase price allocation

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

Had Harman and the subsidiaries been consolidated from January 1, 2017, the revenue and net income would be ₩4,170,215 million and ₩30,803 million, respectively. The revenue and net income contributed by Harman and the subsidiaries since the acquisition amount to ₩2,692,191 million and ₩26,531 million, respectively.

Samsung Electronics Co., Ltd. and its Subsidiaries

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

28. Non-current Assets and Liabilities Held-for-Sale (Assets of disposal group)

(A) Summary

- Sale of Printing Solutions business segment

For the year ended December 31, 2016, the management of the Company decided to sell Printing Solutions business segment to HP Inc. The contract was entered into on September 12, 2016, and the transaction is expected to be completed within 1 year through the due diligence.

(B) Details of assets and liabilities reclassified as held-for-sale, as at June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean Won)</i>	June 30, 2017		December 31, 2016	
Assets held-for-sale				
Trade receivables	₩	265,075	₩	182,738
Inventories		283,762		270,642
Other current assets		84,517		115,037
Property, plant and equipment		83,146		84,869
Intangible assets		122,664		124,571
Other non-current assets		42,519		57,949
Total	₩	881,683	₩	835,806
Liabilities held-for-sale				
Current liabilities	₩	338,264	₩	272,726
Non-current liabilities		93,159		83,662
Total	₩	431,423	₩	356,388

(C) Details of cumulative income or expense recognized in other comprehensive income relating to the disposal group classified as held-for-sale as at June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Remeasurement of net defined benefit liabilities	₩	(2,669)	₩	-
Foreign currency translation		2,247		(28,810)
Total	₩	(452)	₩	(28,810)

29. Events after the Reporting Period

According to the resolution of the board of directors on July 27, 2017, the Company decided to buy back and retire ordinary and preferred shares. The estimated total number of shares to be repurchased is 0.838 million (ordinary shares 0.67 million, preferred shares 0.168 million) and the period of repurchase will be expected to end on October 27, 2017. All repurchased shares will be retired.