

# 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 278 subsidiaries including Samsung Display and Samsung Electronics America. The Company also applies the equity method of accounting for its 40 associates, including Samsung Electro-Mechanics.

#### 1.2 Consolidated Subsidiaries

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

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Display (SDC)	Manufacture and sale of display panels	84.8
	SU Materials	Manufacture of display components	50.0
	STECO	Manufacture of semiconductor components	70.0
	SEMES	Manufacture of semiconductor/FPD	91.5
	Samsung Electronics Service	Repair services for electronic devices	99.3
	Samsung Electronics Sales	Sale of electronic devices	100.0
	Samsung Electronics Logitech	General logistics agency	100.0
	Samsung Medison	Manufacture and sale of medical equipment	68.5
	Samsung Venture Capital Union #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
	Samsung Venture Capital Union #23	Technology business, Venture capital investments	99.0
Domestic	Samsung Venture Capital Union #26	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #27	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #28	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #29	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #32	Technology business, Venture capital investments	99.0
	Samsung Venture Capital Union #33	Technology business, Venture capital investments	99.0
	Mirero System	Development and supply of semiconductor process defect and quality control software	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

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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Electronics America (SEA)	Sale of electronic devices	100.0
	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
America	Samsung Electronica da Amazonia (SEDA)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Argentina (SEASA)	Marketing and services	100.0
	Samsung Electronics Chile (SECH)	Sale of electronic devices	100.0
	Samsung Electronics Peru (SEPR)	Sale of electronic devices	100.0
	RT SV CO-INVEST (RT-SV)	Venture capital investments	99.9
	Samsung HVAC (formerly QuietSide)	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	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

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
	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, Inc.	Connected Service Provider	100.0
	Harman Connected Services South America	Connected Service Provider	100.0
	Harman da Amazonia Industria Electronica e Participacoes	Manufacture and sale of audio products	100.0
America	Harman de Mexico S. de R.L.	Manufacture of audio products	100.0
	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
	Samsung Electronics Home Appliances America(SEHA)	Manufacture of home appliances	100.0
	China Materialia	Venture capital investments	98.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
Europe/CIS	Samsung Electronics Austria (SEAG)	Sale of electronic devices	100.0
	Samsung Electronics Slovakia (SESK)	Manufacture of TV/monitors	100.0
	Samsung Electronics Europe Holding (SEEH)	Holding Company	100.0
	Samsung Electronics Poland Manufacturing (SEPM)	Manufacture of home appliances	100.0
	Samsung Electronics Greece (SEGR)	Sale of electronic devices	100.0
	Samsung Nanoradio Design Center (SNDC)	R&D	100.0
	Samsung Electronics Air Conditioner Europe B.V.(SEACE)	Sale of heating and cooling products	100.0
	Samsung Electronics Rus Company (SERC)	Sale of electronic devices	100.0
	Samsung Electronics Baltics (SEB)	Sale of electronic devices	100.0
	Samsung Electronics Ukraine Company (SEUC)	Sale of electronic devices	100.0
	Samsung R&D Institute Rus (SRR)	R&D	100.0
	Samsung Electronics Central Eurasia (SECE)	Sale of electronic devices	100.0
	Samsung Electronics Rus Kaluga (SERK)	Manufacture of TV	100.0
	Samsung Electronics (London) Limited (SEL)	Holding Company	100.0
	Samsung Denmark Research Center (SDRC)	R&D	100.0
	Samsung France Research Center (SFRC)	R&D	100.0
	Samsung Cambridge Solution Centre (SCSC)	R&D	100.0
	Samsung Electronics Switzerland GmbH (SESG)	Sale of electronic devices	100.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	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
	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
Europe/CIS	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
	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

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Harman Professional Denmark 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
	Harman Professional Germany GmbH (formerly Martin Professional GmbH)	Sale of audio products	100.0
Europe/CIS	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
	Innoetics E.P.E.	Software development	100.0
	ARCAM	Holding Company	100.0
	A&R Cambridge	Sale of audio products	100.0

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Area	Subsidiaries	Industry	Percentage of ownership <sup>1</sup>
	Samsung Electronics West Africa (SEWA)	Marketing	100.0
	Samsung Electronics East Africa (SEEA)	Marketing	100.0
	Samsung Gulf Electronics (SGE)	Sale of electronic devices	100.0
	Samsung Electronics Egypt (SEEG)	Manufacture and sale of electronic devices	100.0
	Samsung Electronics Israel (SEIL)	Marketing	100.0
	Samsung Electronics Tunisia (SETN)	Marketing	100.0
	Samsung Electronics Pakistan (SEPAK)	Marketing	100.0
	Samsung Electronics South Africa (SSA)	Sale of electronic devices	100.0
	Samsung Electronics Turkey (SETK)	Sale of electronic devices	100.0
Middle East and Africa	Samsung Semiconductor Israel R&D Center (SIRC)	R&D	100.0
	Samsung Electronics Levant (SELV)	Sale of electronic devices	100.0
	Samsung Electronics Maghreb Arab (SEMAG)	Sale of electronic devices	100.0
	Samsung Electronics South Africa Production (SSAP)	Manufacture of TV/monitors	100.0
	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
Asia (Except China)	Samsung Electronics Vietnam THAINGUYEN (SEVT)	Manufacture and sale of communication equipment	100.0
	Samsung Medison India (SMIN)	Medical equipment	100.0
	Samsung Electronics New Zealand (SENZ)	Sale of electronic devices	100.0
	Samsung Display Vietnam (SDV)	Manufacture of display panels	100.0
	Samsung Electronics HCMC CE Complex (SEHC)	Manufacture and sale of electronic devices	100.0
	Laos Samsung Electronics Sole(LSE)	Marketing	100.0
	AMX Products and Solutions Private	Sale of audio products	100.0
	Harman Connected Services India	Connected Service Provider	100.0
	Harman Connected Services Technologies	Connected Service Provider	100.0
	Harman International (India) Private	Sale of audio products, R&D	100.0
	Harman International Industries PTY	Holding Company	100.0
	Harman International Singapore	Sale of audio products	100.0
	Harman Malaysia Sdn. Bhd.	Sale of audio products	100.0
	Harman Professional Singapore Pte.	Sale of audio products	100.0
	INSP India Software Development Pvt.	Software development and supply	100.0
	Martin Professional Pte.	Sale of audio products	100.0
	Harman Connected Services Japan	Connected Service Provider	100.0
	Harman International Japan	Sale of audio products, R&D	100.0
	Red Bend Software KK	Software design	100.0
	Studer Japan	Holding Company	100.0

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	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 Automotive Infotech (Dalian) (formerly Harman Neusoft Automotive Infotech (Dalian))	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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**Samsung Electronics Co., Ltd. and its Subsidiaries**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

(1) 2017

<i>(In millions of Korean won)</i>	<b>As at September 30, 2017</b>		<b>For the three months ended September 30, 2017</b>		<b>For the nine months ended September 30, 2017</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Net Income (Loss)</b>	<b>Sales</b>	<b>Net Income (Loss)</b>
Samsung Display(SDC)	48,491,241	10,639,042	7,261,121	622,567	20,173,103	2,642,465
Samsung Electronics America (SEA)	28,335,974	9,433,879	8,357,290	(5,218)	23,995,468	307,293
Harman and its subsidiaries <sup>1</sup>	15,743,072	6,112,067	2,086,611	(26,705)	4,778,802	(174)
Samsung (China) Investment(SCIC)	13,674,542	11,526,785	1,522,101	142,112	4,203,425	195,899
Samsung Electronics Vietnam (SEV)	10,961,648	2,117,548	5,427,215	768,347	14,594,861	1,790,742
Samsung Semiconductor(SSI)	10,937,584	5,883,685	8,316,809	19,349	20,521,935	56,290
Samsung Electronics Vietnam THAINGUYEN(SEVT)	10,868,100	2,940,745	7,316,692	791,186	21,824,215	2,713,677
Samsung Display Vietnam(SDV)	9,997,910	9,554,939	4,598,457	210,221	10,236,161	689,613
Samsung Electronics Europe Holding(SEEH)	9,599,854	7,249,939	-	2,588	-	16,467
Samsung (China) Semiconductor (SCS)	9,348,540	3,082,782	1,243,016	423,033	3,320,052	934,502
Samsung India Electronics(SIEL)	7,144,593	4,236,641	2,778,124	233,650	8,529,829	636,008
Samsung Electronics Huizhou (SEHZ)	7,134,527	1,620,797	3,946,570	182,654	10,427,697	459,891
Samsung Electronica da Amazonia (SEDA)	6,118,821	1,545,272	1,819,544	411,072	5,236,894	990,575
Samsung Asia Private(SAPL)	6,020,159	789,289	499,369	20,541	1,436,450	520,938
Shanghai Samsung Semiconductor (SSS)	5,330,791	4,345,432	5,675,015	55,166	17,590,283	162,922
Samsung Austin Semiconductor (SAS)	5,267,396	569,447	912,648	35,607	2,590,710	89,810
Samsung Electronics Europe Logistics(SELS)	2,607,463	2,257,790	3,786,317	23,091	10,210,444	214,972
Samsung Suzhou LCD(SSL)	2,344,044	1,130,780	452,401	19,963	1,333,251	92,601
Samsung Electronics Slovakia (SESK)	2,341,718	524,224	759,034	30,294	2,352,969	91,901
Thai Samsung Electronics(TSE)	2,333,174	491,010	1,201,853	68,720	3,524,268	100,761
Samsung Electronics HCMC CE Complex(SEHC)	1,992,603	1,568,221	1,109,529	87,383	2,883,624	193,372
Samsung International (SII)	1,937,998	1,264,802	1,680,475	87,318	4,375,226	164,019
Samsung Electronics GmbH(SEG)	1,852,036	1,862,379	1,561,719	(35,216)	4,726,018	(14,685)
Samsung Electronics Taiwan(SET)	1,844,425	1,498,270	1,141,487	31,121	3,341,831	26,512
Samsung Electronics (UK)(SEUK)	1,703,566	1,105,337	1,253,634	20,605	3,502,058	147,813

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) 2016

<i>(In millions of Korean won)</i>	As at December 31, 2016		For the three months ended September 30, 2016		For the nine months ended September 30, 2016	
	Assets	Liabilities	Sales	Net Income (Loss)	Sales	Net Income (Loss)
Samsung Display(SDC)	43,305,405	8,361,256	6,414,151	673,820	17,835,088	674,392
Samsung Electronics America (SEA)	21,810,492	9,496,649	7,766,088	(136,460)	25,436,935	(109,068)
Samsung (China) Investment(SCIC)	13,632,938	11,672,755	2,054,118	(70,040)	7,355,547	18,498
Samsung (China) Semiconductor (SCS)	9,749,448	4,564,793	1,142,365	443,747	3,246,258	1,088,226
Samsung Electronics Vietnam (SEV)	9,134,023	1,258,948	3,860,960	(146,487)	14,523,801	1,239,415
Samsung Electronics Europe Holding(SEEH)	8,643,308	6,661,092	-	324,671	-	346,862
Samsung Semiconductor(SSI)	7,804,698	3,746,687	5,314,807	6,255	14,336,301	17,423
Samsung Electronics Vietnam THAINGUYEN(SEVT)	7,646,828	2,179,023	6,106,956	679,282	17,111,850	2,078,399
Samsung Electronics Huizhou (SEHZ)	6,174,579	1,106,633	2,166,777	(363,541)	9,200,702	104,392
Shanghai Samsung Semiconductor (SSS)	5,862,409	5,166,385	5,201,842	52,086	14,140,965	127,506
Samsung Asia Private(SAPL)	5,528,472	592,320	341,848	(5,213)	1,094,505	505,107
Samsung Electronica da Amazonia (SEDA)	5,200,799	1,510,972	1,510,287	301,265	4,389,671	653,723
Samsung Austin Semiconductor (SAS)	4,940,748	1,293,458	729,271	23,050	2,816,143	83,752
Samsung India Electronics(SIEL)	4,563,407	2,256,194	2,160,168	228,108	6,626,652	677,503
Samsung Display Vietnam(SDV)	3,165,239	3,437,791	1,525,101	(22,053)	3,749,833	(55,615)
Samsung Electronics Europe Logistics(SELS)	2,887,230	2,779,296	2,831,375	(7,039)	9,464,001	534,611
Samsung Suzhou LCD(SSL)	2,499,917	1,376,439	463,937	18,399	1,004,650	(68,178)
Thai Samsung Electronics(TSE)	2,079,865	364,518	969,584	31,281	3,164,274	140,161
Samsung Electronics Slovakia (SESK)	2,053,467	440,402	756,621	15,104	2,412,604	71,238
Samsung Electronics Taiwan(SET)	1,857,017	1,540,478	897,876	2,356	2,546,328	636
Samsung Electronics HCMC CE Complex(SEHC)	1,814,566	1,572,982	715,814	101,870	1,314,590	140,657
Samsung Electronics Hungarian (SEH)	1,743,979	633,975	511,257	13,334	1,704,176	90,631
Samsung Electronics GmbH(SEG)	1,621,827	1,618,305	1,419,834	47,173	4,680,212	64,620
Samsung Display Dongguan(SDD)	1,584,504	518,511	1,285,994	62,370	3,847,981	140,526
Samsung Electronics (UK)(SEUK)	1,526,879	1,103,579	1,019,851	17,343	3,446,116	95,101

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(C) Changes in scope for consolidation

(1) Subsidiaries excluded from the consolidation for the nine months ended September 30, 2017:

Area	Subsidiary	Description
America	Samsung Receivables(SRC)	Liquidation
	TowerSec	Merger <sup>1</sup>
Europe/CIS	Samsung Electronics Rus(SER)	Merger <sup>2</sup>
	Samsung Electronics Ukraine(SEU)	Liquidation
	AMX LLC (Russia)	Liquidation
	Surfkitchen	Liquidation
	Martin Professional	Liquidation
Asia	I.P.S.G. International Product Solution Group PTY.	Liquidation
	VFX Systems PTY	Liquidation

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

<sup>2</sup> 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 nine months ended september 30, 2017:

Area	Subsidiary	Description
Domestic	Growth type private equity trust specialized in semiconductors	Incorporation
	Harman International Korea	Acquisition of shares
	Red Bend Software Korea	Acquisition of shares
America	Kngine	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
	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
	Samsung Electronics Home Appliances America(SEHA)	Incorporation
	China Materialia	Incorporation

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 Denmark ApS (formerly Martin Professional ApS)	Acquisition of shares
	Harman Professional France SAS (formerly Martin Professional France)	Acquisition of shares

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

<b>Area</b>	<b>Subsidiary</b>	<b>Description</b>
Europe/CIS	Harman Professional Germany GmbH (formerly 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
	Innoetics E.P.E.	Acquisition of shares
	ARCAM	Acquisition of shares
	A&R Cambridge	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	

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Summary of Significant Accounting Policies

##### 2.1 Basis of Presentation

The interim consolidated financial statements for the nine months ended September 30, 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* require 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. The requirement will be disclosed on the consolidated financial statements for the year ended December 31, 2017.

##### (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 financial statements.

###### *Korean IFRS 1109, Financial Instruments*

The new standard for financial instruments issued on September 25, 2015 is effective for annual periods 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 periods 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.

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*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 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 September 30, 2017. The expected impacts 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. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

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

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

<sup>2</sup> 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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*Korean IFRS 1109* and may result in an increased fluctuation in profit or loss.

As at September 30, 2017, the Company owns loan and trade receivables amounting to ₩108,550,509 million, and financial assets available-for-sale amounting to ₩12,030,396 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 September 30, 2017, the Company measured loan and trade receivables amounting to ₩108,550,509 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 September 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 September 30, 2017, the Company has debt investments classified as available-for-sale financial assets amounting to ₩4,069,625 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 September 30, 2017, most of the investments will be classified as financial instruments measured at amortized cost.

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 September 30, 2017, the Company's equity investments classified as available-for-sale financial assets amount to ₩7,960,771 million and the cumulative unrealized profit or loss on available-for-sale equity investments amounting to ₩5,965 million was recycled from equity to profit or loss as a reclassification adjustment for the nine months ended September 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 September 30, 2017, the remaining cumulative profit or loss which is comprehensive income not subject to subsequent recycle from equity to profit or loss is ₩2,121,562 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 September 30, 2017, the Company did not have debt or equity investments classified as financial instruments at fair value through profit or loss.



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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (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 September 30, 2017, total financial liabilities account for ₩53,498,469 million of which ₩432,720 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 September 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 credit 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 lease receivables, contract assets, loan commitments and financial guarantee 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 credit losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

Stage <sup>1</sup>	Loss allowance
1 No significant increase in credit risk after initial recognition <sup>2</sup>	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	

<sup>1</sup> 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.

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

<sup>2</sup> 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.

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 ₩109,234,670 million and debt investments classified as available-for-sale financial assets measured at fair value through other comprehensive income amounting to ₩4,069,625 million. The related loss allowance is ₩684,161 million as at September 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*.

#### *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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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, as necessary, as at September 30, 2017. The accounting policy will change as a result of the adoption of K-IFRS 1115, and the Company will provide training to employees regarding adoption of the new standard. The Company is currently preparing the implementation plan and reporting the progress of the K-IFRS 1115 assessment to the management team. The Company is also 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 for the period ending December 31, 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 nine months ended September 30, 2017, the impact on the Company's revenue will not be material.

#### (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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 nine months ended September 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 nine months ended September 30, 2017, the impact on the Company's revenue will not be material.

#### (d) Warranties

The Company provides a warranty beyond 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 nine months ended September 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 nine months ended September 30, 2017, the impact on the Company's revenue will not be material.

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

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

#### **2.2 Accounting Policies**

Significant accounting policies and estimates adopted in the preparation of the interim consolidated financial statements are consistent with those adopted in the preparation of the annual 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 ₩1138.67 to US \$1, the average exchange rate for the nine month period ended in September 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, are seldom equal to 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 September 30, 2017 and December 31, 2016, are as follows:

(1) As at September 30, 2017

<i>(In millions of Korean won)</i>	<b>Assets at fair value through profit or loss</b>		<b>Loans and receivables</b>		<b>Available-for-sale financial assets</b>		<b>Other financial assets<sup>1</sup></b>		<b>Total</b>
<b>Assets</b>									
Cash and cash equivalents	₩	-	₩	30,788,226	₩	-	₩	-	₩ 30,788,226
Short-term financial instruments		-		41,280,668		-		-	41,280,668
Short-term available-for-sale financial assets		-		-		3,964,250		-	3,964,250
Trade receivables		-		30,351,245		-		-	30,351,245
Long-term available-for-sale financial assets		-		-		8,066,146		-	8,066,146
Others		56,799		6,130,370		-		56,932	6,244,101
<b>Total</b>	₩	56,799	₩	108,550,509	₩	12,030,396	₩	56,932	₩ 120,694,636

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

<i>(In millions of Korean won)</i>	<b>Liabilities at fair value through profit or loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other financial liabilities<sup>1</sup></b>		<b>Total</b>
<b>Liabilities</b>							
Trade payables	₩	-	₩	11,367,405	₩	-	₩ 11,367,405
Short-term borrowings		-		1,711,656		13,617,682	15,329,338
Other payables		335,640		11,698,655		-	12,034,295
Current portion of long-term liabilities		-		17,659		-	17,659
Debentures		-		1,015,061		-	1,015,061
Long-term borrowings		-		2,199,998		-	2,199,998
Long-term other payables		-		1,683,082		-	1,683,082
Others		97,080		9,713,414		41,137	9,851,631
<b>Total</b>	₩	432,720	₩	39,406,930	₩	13,658,819	₩ 53,498,469

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) As at December 31, 2016

<i>(In millions of Korean won)</i>	<b>Assets at fair value through profit or loss</b>		<b>Loans and receivables</b>		<b>Available-for-sale financial assets</b>		<b>Total</b>
<b>Assets</b>							
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
<b>Total</b>	₩	63,208	₩	112,219,719	₩	10,442,736	₩ 122,725,663

<i>(In millions of Korean won)</i>	<b>Liabilities at fair value through profit or loss</b>		<b>Financial liabilities measured at amortized cost</b>		<b>Other financial liabilities<sup>1</sup></b>		<b>Total</b>
<b>Liabilities</b>							
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
<b>Total</b>	₩	417,399	₩	35,597,657	₩	10,929,768	₩ 46,944,824

<sup>1</sup> 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 September 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Equity securities - Listed	₩ 3,115,711	₩ 2,362,235
Equity securities - Non-listed	4,845,060	4,337,328
Debt securities <sup>1</sup>	105,375	104,713
<b>Total</b>	₩ 8,066,146	₩ 6,804,276

<sup>1</sup> The maximum exposure to credit risk of available-for-sale debt securities is the carrying amount at the reporting date.

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

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>			<b>December 31, 2016</b>	
	<b>Number of Shares Owned</b>	<b>Percentage of Ownership (%)<sup>1</sup></b>	<b>Acquisition Cost</b>	<b>Carrying Amount (Market Value)</b>	<b>Carrying Amount (Market Value)</b>
Samsung Heavy Industries	65,930,982	16.9	473,727	738,427	609,862
Hotel Shilla	2,004,717	5.1	13,957	116,675	96,527
iMarket Korea	647,320	1.8	324	6,221	6,732
SFA <sup>2</sup>	3,644,000	10.2	38,262	150,679	117,519
Wonik Holdings	3,518,342	4.6	30,821	26,599	23,714
Wonik IPS	3,701,872	9.0	32,428	126,234	96,989
ASML	6,297,787	1.4	363,012	1,225,504	851,395
Wacom	8,398,400	5.0	62,013	44,913	26,647
BYD	52,264,808	1.9	528,665	615,235	449,872
Others			54,792	65,224	82,978
<b>Total</b>			₩ 1,598,001	₩ 3,115,711	₩ 2,362,235

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

<sup>2</sup> As SFA executed a capital increase without consideration, the Company's number of SFA shares owned increased.

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



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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**5. Inventories**

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

<i>(In millions of Korean won)</i>	September 30, 2017			December 31, 2016		
	Gross Amount	Valuation Allowance <sup>1</sup>	Carrying Amount	Gross Amount	Valuation Allowance <sup>1</sup>	Carrying Amount
Finished goods	₩ 9,377,377	₩ (1,237,855)	₩ 8,139,522	₩ 7,982,850	₩ (2,077,511)	₩ 5,905,339
Work in process	7,289,992	(319,793)	6,970,199	5,334,607	(317,223)	5,017,384
Raw materials and supplies	11,718,995	(1,013,319)	10,705,676	7,526,608	(1,032,442)	6,494,166
Materials in transit	1,217,104	-	1,217,104	936,614	-	936,614
<b>Total</b>	<b>₩29,603,468</b>	<b>₩ (2,570,967)</b>	<b>₩27,032,501</b>	<b>₩21,780,679</b>	<b>₩ (3,427,176)</b>	<b>₩18,353,503</b>

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

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

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

<i>(In millions of Korean won)</i>	2017	2016
Balance as at January 1	₩ 5,837,884	₩ 5,276,348
Acquisition	19,510	70,998
Disposal <sup>1</sup>	(52,834)	(1,341,108)
Share of profit	122,114	18,398
Others <sup>2</sup>	(12,416)	(302,963)
<b>Balance as at September 30</b>	<b>₩ 5,914,258</b>	<b>₩ 3,721,673</b>

<sup>1</sup> The Company sold its entire stake in Samsung Card for the nine months ended September 30, 2016.

<sup>2</sup> Others consist of dividends, impairment and reclassification.

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

(1) Investments in associates

Investee	Nature of Relationship with Associate	Percentage of Ownership <sup>1</sup> (%)	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 and logistical services	22.6	Korea
Samsung Biologics	New business investment	31.5	Korea
Samsung SDI <sup>2</sup>	Manufacture and supply electronics including secondary cell batteries	19.6	Korea
Cheil Worldwide	Advertising agency	25.2	Korea

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

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) Investments in joint ventures

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

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

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

(1) Investments in associates

*(In millions of Korean won)*

Investee	September 30, 2017		
	Acquisition cost	Net asset value of equity shares <sup>1</sup>	
	Carrying amount		
Samsung Electro-Mechanics	₩ 359,237	₩ 1,019,838	₩ 1,019,968
Samsung SDS	147,963	1,227,440	1,252,700
Samsung Biologics	443,193	1,256,906	1,260,718
Samsung SDI	1,242,605	2,223,555	1,212,583
Cheil Worldwide	506,162	245,392	544,172
Other	590,842	215,378	385,363
<b>Total</b>	<b>₩ 3,290,002</b>	<b>₩ 6,188,509</b>	<b>₩ 5,675,504</b>

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

*(In millions of Korean won)*

Investee	December 31, 2016		
	Acquisition cost	Net asset value of equity shares <sup>1</sup>	
	Carrying amount		
Samsung Electro-Mechanics	₩ 359,237	₩ 993,031	₩ 997,022
Samsung SDS	147,963	1,161,197	1,185,703
Samsung Biologics	443,193	1,285,706	1,289,351
Samsung SDI	1,242,605	2,131,718	1,232,986
Cheil Worldwide	506,162	192,594	517,885
Other	642,536	182,279	390,438
<b>Total</b>	<b>₩ 3,341,696</b>	<b>₩ 5,946,525</b>	<b>₩ 5,613,385</b>

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(2) Investments in joint ventures

*(In millions of Korean won)*

**September 30, 2017**

<b>Investee</b>	<b>Acquisition cost</b>		<b>Net asset value of equity shares<sup>1</sup></b>		<b>Carrying amount</b>	
Samsung Corning Advanced Glass	₩	215,000	₩	171,331	₩	171,310
Others		259,994		68,408		67,444
<b>Total</b>	₩	474,994	₩	239,739	₩	238,754

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

*(In millions of Korean won)*

**December 31, 2016**

<b>Investee</b>	<b>Acquisition cost</b>		<b>Net asset value of equity shares<sup>1</sup></b>		<b>Carrying amount</b>	
Samsung Corning Advanced Glass	₩	215,000	₩	169,521	₩	169,485
Others		259,977		59,342		55,014
<b>Total</b>	₩	474,977	₩	228,863	₩	224,499

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

<i>(In millions of Korean won)</i>	<b>Balance as at January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive income/loss</b>	<b>Others<sup>1</sup></b>	<b>Balance as at September 30</b>
Samsung Electro-Mechanics	₩ 997,022	₩ 20,114	₩ 11,678	₩ (8,846)	₩ 1,019,968
Samsung SDS	1,185,703	85,087	(4,987)	(13,103)	1,252,700
Samsung Biologics	1,289,351	(27,287)	(1,345)	(1)	1,260,718
Samsung SDI	1,232,986	(10,559)	3,619	(13,463)	1,212,583
Cheil Worldwide	517,885	26,586	8,412	(8,711)	544,172
Samsung Corning Advanced Glass	169,485	1,826	-	(1)	171,310
Others	445,452	26,347	5,600	(24,592)	452,807
<b>Total</b>	₩ 5,837,884	₩ 122,114	₩ 22,977	₩ (68,717)	₩ 5,914,258

<sup>1</sup> Others consist of acquisitions, disposals, dividends, impairment and reclassification.

(2) For the nine months ended September 30, 2016

<i>(In millions of Korean won)</i>	<b>Balance as at January 1</b>	<b>Gain/loss on valuation</b>	<b>Other comprehensive income/loss</b>	<b>Others<sup>1</sup></b>	<b>Balance as at September 30</b>
Samsung Card	₩ 1,338,679	₩ -	₩ -	₩ (1,338,679)	₩ -
Samsung Electro-Mechanics	994,489	7,250	1,840	(8,847)	994,732
Samsung SDS	1,060,396	78,908	(13,968)	(8,736)	1,116,600
Samsung Biologics	1,310,202	(49,068)	(2,762)	(253,282)	1,005,090
Samsung Corning Advanced Glass	188,371	(14,531)	(50)	-	173,790
Others	384,211	(4,161)	(7,254)	58,665	431,461
<b>Total</b>	₩ 5,276,348	₩ 18,398	₩ (22,194)	₩ (1,550,879)	₩ 3,721,673

<sup>1</sup> 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 September 30, 2017 and December 31, 2016, and for the nine months ended September 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
<b>1. Condensed financial information</b>					
<b>Condensed statements of financial position:</b>					
Current assets	₩ 2,774,957	₩ 5,090,374	₩ 616,779	₩ 3,715,119	₩ 1,877,536
Non-current assets	5,410,587	2,162,404	6,491,520	11,885,217	294,222
Current liabilities	3,052,251	1,372,453	2,175,062	2,772,767	1,242,089
Non-current liabilities	674,897	288,091	942,075	1,569,698	64,965
Non-controlling interests	98,876	156,275	-	213,630	8,828
<b>Condensed statements of comprehensive income:</b>					
Revenue	₩ 5,121,485	₩ 6,832,584	₩ 298,318	₩ 4,467,095	₩ 2,376,059
Profit(Loss) from continuing operations <sup>1</sup>	107,397	375,363	(86,871)	419,668	95,969
Other comprehensive income (loss) <sup>1</sup>	49,921	(22,085)	(4,346)	63,709	28,133
Total comprehensive income (loss) <sup>1</sup>	157,318	353,278	(91,217)	483,377	124,102
<b>2. Dividends from associates</b>					
Dividends	₩ 8,847	₩ 13,104	₩ -	₩ 13,463	₩ 8,711

<sup>1</sup> Income (Loss) attributable to owners of the parent.

(In millions of Korean won)

Investee	2016				
	Samsung Electro- Mechanics	Samsung SDS	Samsung Biologics	Samsung SDI	Cheil Worldwide
<b>1. Condensed financial information</b>					
<b>Condensed statements of financial position:</b>					
Current assets	₩ 2,812,409	₩ 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
<b>Condensed statements of comprehensive income:</b>					
Revenue	₩ 4,687,988	₩ 5,798,312	₩ 189,072	₩ -	₩ -
Profit(Loss) from continuing operations <sup>1</sup>	49,988	347,070	(119,842)	-	-
Other comprehensive income (loss) <sup>1</sup>	7,863	(61,861)	(6,958)	-	-
Total comprehensive income (loss) <sup>1</sup>	57,851	285,209	(126,800)	-	-
<b>2. Dividends from associates</b>					
Dividends	₩ 8,847	₩ 8,736	₩ -	₩ -	₩ -

<sup>1</sup> Income (Loss) attributable to owners of the parent

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

<i>(In millions of Korean won)</i>	<b>Samsung Corning Advanced Glass</b>			
	<b>2017</b>		<b>2016</b>	
<b>1. Condensed financial information</b>				
<b>Condensed statements of financial position:</b>				
Current assets	₩	133,252	₩	170,614
- Cash and cash equivalent		36,906		16,021
Non-current assets		252,748		209,881
Current liabilities		42,002		41,076
- Current financial liabilities <sup>1</sup>		22,188		14,779
Non-current liabilities		1,337		377
<b>Condensed statements of comprehensive income<sup>2</sup>:</b>				
Revenue	₩	184,735	₩	191,776
Depreciation and amortization		1,032		1,726
Interest income		597		1,096
Income tax expense		218		(8,581)
Net loss from continuing operations <sup>3</sup>		3,619		(29,097)
Other comprehensive income (loss) <sup>3</sup>		-		(100)
Total comprehensive loss <sup>3</sup>		3,619		(29,197)
<b>2. Dividends from joint ventures</b>				
Dividends	₩	-	₩	-

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

<sup>2</sup> Amounts related to the nine months ended September 30, 2017 and 2016.

<sup>3</sup> Income (Loss) attributable to owners of the parent.

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

<i>(In millions of Korean won)</i>	<b>2017</b>		<b>2016</b>					
	<b>Investee</b>	<b>Associates</b>	<b>Joint ventures</b>	<b>Associates</b>	<b>Joint ventures</b>			
Income (loss) from continuing operations <sup>1</sup>	₩	20,479	₩	5,868	₩	(6,276)	₩	2,115
Other comprehensive income (loss) <sup>1</sup>		701		4,899		(2,531)		(2,646)
Total comprehensive income (loss) <sup>1</sup>	₩	21,180	₩	10,767	₩	(8,807)	₩	(531)

<sup>1</sup> Income (Loss) attributable to owners of the parent.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

<i>(In millions of Korean won and number of shares)</i>	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
	<b>Number of shares held</b>	<b>Market value</b>	<b>Market value</b>	
Samsung Electro-Mechanics	17,693,084	₩ 1,804,695	₩	898,809
Samsung SDS	17,472,110	2,944,051		2,437,359
Samsung Biologics	20,836,832	7,032,431		3,146,362
Samsung SDI	13,462,673	2,672,341		1,467,431
Cheil Worldwide	29,038,075	528,493		457,350

**7. Property, Plant and Equipment**

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

<i>(In millions of Korean won)</i>	<b>2017</b>		<b>2016</b>	
Balance as at January 1	₩	91,473,041	₩	86,477,110
Acquisition and capital expenditures		32,874,746		14,721,270
Business combinations <sup>1</sup>		858,798		6,694
Depreciation		(14,886,343)		(14,658,625)
Disposals/scrap/impairment		(153,969)		(299,477)
Other <sup>2</sup>		(1,160,182)		(2,373,188)
Balance as at September 30	₩	109,006,091	₩	83,873,784

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

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

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

<i>(In millions of Korean won)</i>	<b>2017</b>		<b>2016</b>	
Cost of sales	₩	13,292,501	₩	13,201,737
Selling and administrative expenses and others		1,593,842		1,456,888
<b>Total</b>	₩	14,886,343	₩	14,658,625

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 8. Intangible Assets

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

<i>(In millions of Korean won)</i>	<b>2017</b>		<b>2016</b>	
Balance as at January 1	₩	5,344,020	₩	5,396,311
Internally generated (development costs)		307,775		569,657
External acquisitions		288,070		241,523
Business combinations <sup>1</sup>		10,017,528		359,825
Amortization		(1,155,447)		(1,021,168)
Disposals/scrap/impairment		(8,547)		(423,394)
Other <sup>2</sup>		582,770		(34,521)
Balance as at September 30	₩	15,376,169	₩	5,088,233

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

<sup>2</sup> Other includes effects of changes in foreign currency exchange rates and others.

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

<i>(In millions of Korean won)</i>	<b>2017</b>		<b>2016</b>	
Cost of sales	₩	698,209	₩	692,611
Selling and administrative expenses and others		457,238		328,557
<b>Total</b>	₩	1,155,447	₩	1,021,168



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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Borrowings

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

<i>(In millions of Korean won)</i>	<b>Financial Institutions</b>	<b>Annual Interest Rates (%) as at September 30, 2017</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Short-term borrowings</b>				
Collateralized borrowings <sup>1</sup>	Woori Bank and others	0.1 ~ 10.9	₩ 13,617,682	₩ 10,929,768
Non-collateralized borrowings	Citibank and others	0.1 ~ 16.9	1,711,656	1,817,021
<b>Total</b>			₩ 15,329,338	₩ 12,746,789
<b>Current portion of long-term borrowings</b>				
Bank borrowings	-	-	₩ -	₩ 684
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	12,100	18,599
<b>Total</b>			₩ 12,100	₩ 19,283
<b>Long-term borrowings</b>				
Bank borrowings	Citibank and others	LIBOR+0.4 ~ 19.8	₩ 2,136,505	₩ 1,179,111
Financial lease liabilities <sup>2</sup>	CSSD and others	1.1 ~ 15.7	63,493	65,127
<b>Total</b>			₩ 2,199,998	₩ 1,244,238

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

<sup>2</sup> Leased property, plant and equipment were pledged as collateral.

#### 10. Debentures

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

<i>(In millions of Korean Won)</i>	<b>Issue Date</b>	<b>Due Date</b>	<b>Annual Interest Rates (%) as at September 30, 2017</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
US dollar denominated straight bonds <sup>1</sup>	1997.10.2	2027.10.1	7.7	₩ 57,335 (US\$50 million)	₩ 66,468 (US\$55 million)
US dollar denominated unsecured bonds <sup>2</sup>	2012.4.10	2017.4.10	-	-	1,208,500 (US\$1,000 million)
US dollar denominated debenture bonds <sup>3</sup>	2015.5.6	2025.5.15	4.2	458,680 (US\$400 million)	-
EURO denominated debenture bonds <sup>4</sup>	2015.5.20	2022.5.27	2.0	472,805 (EUR€350 million)	-
Less: Current Portion				(5,734)	(1,214,543)
Less: Discounts				(1,566)	(1,883)
More: Premium				33,541	-
<b>Total</b>				₩ 1,015,061	₩ 58,542

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

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

<sup>3</sup> Harman International Industries issued dollar denominated debenture bonds. Repayment of these debentures is due on the date of maturity and interest is paid semi-annually.

<sup>4</sup> Harman Finance International SCA issued euro denominated debenture bonds. Repayment of these debentures is due on the date of maturity and interest is paid annually.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Present value of funded defined benefit obligations	₩ 7,799,383	₩ 7,167,929
Present value of unfunded defined benefit obligations	280,826	110,885
Subtotal	8,080,209	7,278,814
Fair value of plan assets	(7,606,739)	(7,662,249)
Total	₩ 473,470	₩ (383,435)

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

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Current service cost	₩ 663,880	₩ 809,458
Net interest cost (income)	(9,277)	8,380
Others	2,621	(1,856)
Total	₩ 657,224	₩ 815,982

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

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Cost of sales	₩ 265,815	₩ 353,071
Selling and administrative expenses and others	391,409	462,911
Total	₩ 657,224	₩ 815,982

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**12. Provisions**

Changes in the provisions for the nine months ended September 30, 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>Warranty (A)</b>	<b>Royalty expenses (B)</b>	<b>Long-term incentives (C)</b>	<b>Bonus (D)</b>	<b>Others (E, F)</b>	<b>Total</b>
Balance as at January 1	₩ 1,747,857	₩ 1,588,037	₩ 716,252	₩ -	₩ 903,397	₩ 4,955,543
Charged (credited) to the statement of profit or loss	1,545,608	730,405	418,357	3,318,749	124,078	6,137,197
Payment	(1,461,739)	(185,444)	(504,018)	(409,645)	(764,230)	(3,325,076)
Others <sup>1</sup>	254,261	(38,595)	1,051	39,934	(2,532)	254,119
Balance as at September 30	₩ 2,085,987	₩ 2,094,403	₩ 631,642	₩ 2,949,038	₩ 260,713	₩ 8,021,783

<sup>1</sup> Others include 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 September 30, 2017 are as follows:

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

<i>(In ten thousand metric tons)</i>	<b>2017</b>
Allocated emission permits	1,225
Estimated volume of emission	1,291

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

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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (3) Changes in the provisions for emissions liabilities for the nine months ended September 30, 2017 are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	
Balance as at January 1	₩	12,692
Charged (credited) to the statement of profit or loss		(2,855)
Balance as at September 30	₩	9,837

### 13. Commitments and Contingencies

#### (A) Guarantees

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

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
Guarantees of debt for housing rental <sup>1</sup>	₩	51,383	₩	56,752

<sup>1</sup> 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.

#### (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.

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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. On October 12, 2017, the Court of First Instance held a court hearing on the necessity of retrial and decided to proceed with a design retrial on October 22, 2017.

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. On October 4, 2017, the US Department of Justice filed with the Supreme Court a legal advice letter against the company's appeal. On November 6, 2017, the Supreme Court dismissed the appeal. 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.

- (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 September 30, 2017.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**14. Share Capital**

The Company's total number of authorized shares is 500,000,000 shares (₩5,000 per share). The Company has issued 129,768,494 ordinary shares and 18,418,580 preference shares as at September 30, 2017, excluding retired shares. Due to the retirement of shares, the total par value of the shares issued is ₩740,935 million (ordinary shares ₩648,842 million and preference shares ₩92,093 million), which does not agree with paid-in capital of ₩897,514 million.

**15. Retained Earnings**

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

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Appropriated	₩ 139,295,154	₩ 143,007,192
Unappropriated	67,477,851	50,079,125
<b>Total</b>	<b>₩ 206,773,005</b>	<b>₩ 193,086,317</b>

(B) On April 27, 2017, July 27, 2017 and October 31, 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, June 30, 2017 and September 30, 2017.

Details of quarterly dividends for the nine months ended September 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>			<b>2017</b>	<b>2016</b>
1 <sup>st</sup> quarter	Number of shares eligible for dividends	Ordinary shares	121,840,851	-
		Preference shares	17,069,534	-
	Dividend rate (based on par value)		140%	-
	Dividend amount	Ordinary shares	₩ 852,886	-
		Preference shares	119,487	-
	Total		₩ 972,373	-
2 <sup>nd</sup> quarter	Number of shares eligible for dividends	Ordinary shares	121,038,051	123,958,561
		Preference shares	16,868,834	17,580,920
	Dividend rate (based on par value)		140%	20%
	Dividend amount	Ordinary shares	₩ 847,266	₩ 123,958
		Preference shares	118,082	17,581
	Total		₩ 965,348	₩ 141,539
3 <sup>rd</sup> quarter	Number of shares eligible for dividends	Ordinary shares	120,316,189	-
		Preference shares	16,691,095	-
	Dividend rate (based on par value)		140%	-
	Dividend amount	Ordinary shares	₩ 842,213	-
		Preference shares	116,838	-
	Total		₩ 959,051	-

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**16. Other Components of Equity**

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

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Treasury stock	₩ (6,214,462)	₩ (9,750,326)
Unrealized gains on available-for-sale financial assets	2,131,225	1,390,624
Share of other comprehensive income of associates and joint ventures	117,503	94,694
Foreign currency translation	(3,670,175)	(2,902,076)
Remeasurement of net defined benefit liabilities (assets)	(886,245)	(811,529)
Others	(3,366)	44,027
<b>Total</b>	<b>₩ (8,525,520)</b>	<b>₩ (11,934,586)</b>

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

<i>(Number of shares and in millions of Korean won)</i>	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
	<b>Ordinary Shares</b>	<b>Preference Shares</b>	<b>Ordinary Shares</b>	<b>Preference Shares</b>
Number of shares	9,452,305	1,727,485	17,981,686	3,229,693
Acquisition cost	₩ 5,553,475	₩ 660,987	₩ 8,871,509	₩ 878,817

**17. Expenses by Nature**

Expenses by nature for the three and nine months ended September 30, 2017 and 2016 are as follows:

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>		<b>September 30, 2016</b>	
	<b>3 Months</b>	<b>9 Months</b>	<b>3 Months</b>	<b>9 Months</b>
Changes in finished goods and work in process	₩ (2,418,855)	₩ (4,186,999)	₩ 338,419	₩ 768,880
Raw materials used and merchandise purchased and others	21,509,283	58,907,132	17,754,561	54,447,511
Wages and salaries	5,648,974	16,427,353	4,713,158	14,353,252
Post-employment benefits	244,320	721,416	304,034	894,128
Depreciation	5,270,583	14,886,343	4,707,030	14,658,625
Amortization	383,537	1,155,447	334,926	1,021,168
Welfare	922,622	2,871,547	825,460	2,661,516
Commission and service charges	1,944,076	5,703,997	1,922,886	6,219,721
Other expenses	14,011,202	38,612,661	11,715,070	33,490,353
<b>Total<sup>1</sup></b>	<b>₩ 47,515,742</b>	<b>₩ 135,098,897</b>	<b>₩ 42,615,544</b>	<b>₩ 128,515,154</b>

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**18. Selling and Administrative Expenses**

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

<i>(In millions of Korean won)</i>	September 30, 2017		September 30, 2016	
	3 Months	9 Months	3 Months	9 Months
<b>1) Selling and administrative expenses</b>				
Wages and salaries	₩ 1,656,927	₩ 5,044,684	₩ 1,358,779	₩ 4,195,683
Post-employment benefits	64,963	191,063	79,065	217,997
Commission and service charges	1,944,076	5,703,997	1,922,886	6,219,721
Depreciation	241,305	691,613	192,427	581,378
Amortization	107,488	282,772	53,654	166,239
Advertising	1,360,249	3,722,742	1,128,409	3,441,004
Sales promotion	2,036,701	5,227,382	1,864,702	5,245,025
Transportation	961,194	2,691,067	858,888	2,446,219
Warranty	701,240	2,268,165	1,149,586	2,707,095
Others	1,255,649	3,793,679	1,089,474	3,328,925
<b>2) Research and development expenses</b>				
Total expenses	4,293,695	12,229,963	3,634,013	11,141,293
Capitalized expenses	(111,864)	(307,775)	(127,595)	(569,657)
<b>Total</b>	₩ 14,511,623	₩ 41,539,352	₩ 13,204,288	₩ 39,120,922



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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**19. Other Non-Operating Income and Expense**

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

<i>(In millions of Korean won)</i>	September 30, 2017		September 30, 2016	
	3 Months	9 Months	3 Months	9 Months
<b>Non-operating income</b>				
Dividend income	₩ 27,524	₩ 100,924	₩ 27,748	₩ 209,619
Rental income	36,722	104,800	28,384	74,880
Gain on disposal of investments	17,376	131,873	749,884	1,137,183
Gain on disposal of property, plant and equipment	27,249	64,607	83,478	126,940
Gain on disposal of assets classified as held-for-sale	-	-	-	69,924
Others	266,903	634,208	194,078	443,343
<b>Total</b>	₩ 375,774	₩ 1,036,412	₩ 1,083,572	₩ 2,061,889

<i>(In millions of Korean won)</i>	September 30, 2017		September 30, 2016	
	3 Months	9 Months	3 Months	9 Months
<b>Non-operating expense</b>				
Loss on disposal of property, plant and equipment	₩ 25,444	₩ 90,504	₩ 40,489	₩ 85,489
Donations	68,491	208,205	164,416	339,809
Impairment losses on intangible assets	90	187	26,080	381,445
Others	184,097	479,865	314,736	593,067
<b>Total</b>	₩ 278,122	₩ 778,761	₩ 545,721	₩ 1,399,810

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**20. Financial Income and Costs**

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

<i>(In millions of Korean won)</i>	September 30, 2017		September 30, 2016	
	3 Months	9 Months	3 Months	9 Months
<b>Financial income</b>				
Interest income:	₩ 420,785	₩ 1,182,516	₩ 392,170	₩ 1,116,900
Interest income from loans and receivables	420,439	1,181,532	391,346	1,088,137
Interest income from available-for-sale financial assets	346	984	824	28,763
Foreign exchange differences	1,975,746	4,690,871	1,787,645	5,669,389
Gains from derivatives	214,318	561,788	123,953	583,471
<b>Total</b>	₩ 2,610,849	₩ 6,435,175	₩ 2,303,768	₩ 7,369,760

<i>(In millions of Korean won)</i>	September 30, 2017		September 30, 2016	
	3 Months	9 Months	3 Months	9 Months
<b>Financial costs</b>				
Interest expense:	₩ 161,386	₩ 470,592	₩ 148,305	₩ 432,708
Interest expense from financial liabilities measured at amortized cost	77,015	252,720	86,411	262,042
Other financial liabilities	84,371	217,872	61,894	170,666
Foreign exchange differences	1,993,815	4,672,032	1,797,803	5,875,953
Losses from derivatives	252,142	678,802	129,873	596,281
<b>Total</b>	₩ 2,407,343	₩ 5,821,426	₩ 2,075,981	₩ 6,904,942

(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 September 30, 2017 to be effective for the year ended December 31, 2017 is 24.2%.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**22. Earnings per Share**

(A) Basic earnings per share

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

(1) Ordinary shares

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	September 30, 2017		September 30, 2016	
	3 Months	9 Months	3 Months	9 Months
Profit attributable to owners of the Parent company	₩11,039,771	₩29,328,245	₩ 4,408,790	₩15,498,474
Profit available for ordinary shares	9,694,653	25,753,240	3,864,240	13,584,284
Weighted-average number of ordinary shares outstanding	120,657	121,514	123,447	124,939
Basic earnings per ordinary share (in Korean won)	₩ 80,349	₩ 211,936	₩ 31,303	₩ 108,728

(2) Preference shares

<i>(In millions of Korean won and thousands of shares, except per share data)</i>	September 30, 2017		September 30, 2016	
	3 Months	9 Months	3 Months	9 Months
Profit attributable to owners of the Parent company	₩11,039,771	₩29,328,245	₩4,408,790	₩15,498,474
Profit available for preference shares	1,345,118	3,575,005	544,550	1,914,190
Weighted-average number of preference shares outstanding	16,776	16,989	17,459	17,829
Basic earnings per preference share (in Korean won)	₩ 80,181	₩ 210,433	₩ 31,190	₩ 107,363

(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 nine months ended September 30, 2017 and 2016.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**23. Cash Generated from Operations**

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

- Adjustments

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Adjustments for:		
Income tax expense	₩ 9,559,965	₩ 5,527,095
Financial income	(2,509,171)	(2,341,890)
Financial costs	1,883,994	1,587,210
Post-employment benefits	721,416	894,128
Depreciation	14,886,343	14,658,625
Amortization	1,155,447	1,021,168
Bad debt expenses	543,476	507,889
Gain on valuation of equity method	(122,114)	(18,398)
Gain on disposal of property, plant and equipment	(64,607)	(126,940)
Loss on disposal of property, plant and equipment	90,504	85,489
Impairment losses on intangible assets	187	381,445
Obsolescence and scrapping of inventories	1,145,018	2,789,947
Gain on disposal of investments	(131,873)	(1,137,183)
Gain on disposal of assets classified as held-for-sale	-	(69,924)
Dividend income	(100,924)	(209,619)
Other income/expense	(302,175)	(191,416)
<b>Total</b>	₩ 26,755,486	₩ 23,357,626

- Changes in assets and liabilities arising from operating activities

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Changes in assets and liabilities :		
(Increase) decrease in trade receivables	₩ (4,469,738)	₩ 1,466,212
(Increase) decrease in other receivables	(224,170)	574,596
(Increase) decrease in advance payments	(409,827)	116,432
Decrease (increase) in prepaid expenses	361,933	(714,042)
Increase in inventories	(8,940,606)	(3,318,236)
Increase in trade payables	3,517,958	3,473,260
Increase (decrease) in other payables	262,412	(77,546)
Increase (decrease) in advances received	6,315	(220,481)
Increase in withholdings	527,843	195,742
Decrease in accrued expenses	(3,052,284)	(990,256)
Increase in provisions	2,722,467	775,666
Payment of retirement benefits	(353,566)	(366,545)
Others	(1,686,277)	654,291
<b>Total</b>	₩ (11,737,540)	₩ 1,569,093

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 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 derivatives to hedge certain risk exposure.

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

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

The Company's financial assets that are under financial risk management are comprised of cash and cash equivalents, short-term financial instruments, 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 derivatives to minimize uncertainty of cash flows and fluctuation of profit or loss occurring from foreign exchange risk. The Company's foreign exchange risk management policy also defines foreign exchange risk, measuring period, controlling responsibilities, management procedures, hedging period and hedge ratio.

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

##### (2) Price risk

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

As at September 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 ₩31,157 million and ₩23,622 million, respectively.

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

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

#### **(3) Interest rate risk**

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

#### **(B) Credit risk**

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

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

As at September 30, 2017 and December 31, 2016 the Company estimates that its maximum exposure to credit risk is the carrying amount of its financial assets, net of impairment losses.

#### **(C) Liquidity risk**

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

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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### (D) Capital risk management

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

The Company's capital risk management policy has not changed since the previous financial year. The Company has maintained an AA- and A1 credit rating from S&P and Moody's, respectively.

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

<i>(In millions of Korean won)</i>	September 30, 2017	December 31, 2016
Total liabilities	₩ 85,887,328	₩ 69,211,291
Total equity	210,691,251	192,963,033
Total liabilities to equity ratio	40.8%	35.9%

#### (E) Fair value estimation

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

<i>(In millions of Korean won)</i>	September 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	₩ 30,788,226	₩ 1	₩ 32,111,442	₩ 1
Short-term financial instruments	41,280,668	1	52,432,411	1
Short-term available-for-sale financial assets	3,964,250	3,964,250	3,638,460	3,638,460
Trade receivables	30,351,245	1	24,279,211	1
Long-term available-for-sale financial assets <sup>2</sup>	8,066,146	6,885,713	6,804,276	5,826,507
Others <sup>4</sup>	6,244,101	1,273,750	3,459,863	919,071
<b>Total financial assets</b>	<b>₩ 120,694,636</b>		<b>₩ 122,725,663</b>	
<b>Financial liabilities</b>				
Trade payables	₩ 11,367,405	₩ 1	₩ 6,485,039	₩ 1
Short-term borrowings	15,329,338	1	12,746,789	1
Other payables <sup>3</sup>	12,034,295	335,640	10,225,271	1
Current portion of long-term liabilities	17,659	1	1,232,817	1
Debentures	1,015,061	1,029,997	58,542	76,129
Long-term borrowings	2,199,998	2,209,618	1,244,238	1,225,455
Long-term other payables	1,683,082	1,663,015	3,009,659	3,022,821
Others <sup>4</sup>	9,851,631	138,216	11,942,469	74,697
<b>Total financial liabilities</b>	<b>₩ 53,498,469</b>		<b>₩ 46,944,824</b>	

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

<sup>2</sup> Amounts measured at cost of ₩ 1,180,433 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.

<sup>3</sup> Amounts measured at cost of ₩ 11,698,655 million (December 31, 2016: ₩10,225,271 million) are excluded as the carrying amount is a reasonable approximation of fair value.

<sup>4</sup> Assets measured at cost of ₩ 4,929,761 million (December 31, 2016: ₩2,452,118 million) and liabilities measured at cost of ₩ 9,713,415 million (December 31, 2016: ₩11,867,772) are excluded as the carrying amount is a reasonable approximation of fair value.

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (2) Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at September 30, 2017 and December 31, 2016 are as follows :

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
1) Assets				
Short-term available-for-sale financial assets	₩ -	₩ 3,964,250	₩ -	₩ 3,964,250
Long-term available-for-sale financial assets	3,115,711	-	3,770,002	6,885,713
Others	-	1,273,750	-	1,273,750
2) Liabilities				
Other payables	₩ -	₩ -	₩ 335,640	₩ 335,640
Debentures	-	1,029,997	-	1,029,997
Long-term borrowings	-	2,209,618	-	2,209,618
Long-term other payables	-	1,663,015	-	1,663,015
Others	-	102,157	36,059	138,216

<i>(In millions of Korean won)</i>	<b>December 31, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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.



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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of derivatives 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 carrying amount approximates a reasonable estimate of fair value.

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

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

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

*(In millions of Korean won)*

Classification	Fair Value	Valuation Technique	Level 3 Inputs	Input Range (Weighted Average)
<b>Long-term available-for-sale financial assets</b>				
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	3,746,217	Trinomial model	Risk adjusted discount rate Price volatility	5.27%~7.27% (6.27%) 26.9%~32.9% (29.9%)
<b>Other payables</b>				
Contingent financial liability	335,640	Discounted cash flow	Discount rate	3.81%~4.65% (4.23%)
<b>Others</b>				
Contingent financial liability	29,484	Monte Carlo simulation	Discount rate	10.50%
			Risk free rate	0.97%
			Asset volatility	34.54%
			Credit spread	2.12%
Contingent financial liability	5,332	Monte Carlo simulation	Discount rate	17.57%
			Risk free rate	0.86%
			Operational leverage ratio	60.00%
			Gross margin discount rate	6.68%

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Contingent financial liability	1,243	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>	September 30, 2017	September 30, 2016
<b>Financial Assets</b>		
Balance as at January 1	₩ 3,464,272	₩ 3,488,344
Purchases	-	91,584
Disposals and others	-	(85,169)
Amount recognized in profit or loss	-	(6,528)
Amount recognized in other comprehensive income	305,730	478,104
Others	-	1,534
Balance as at September 30	₩ 3,770,002	₩ 3,967,869

<i>(In millions of Korean won)</i>	September 30, 2017	September 30, 2016
<b>Financial Liabilities</b>		
Balance as at January 1	₩ 342,702	₩ 312,738
Settled	(2,669)	-
Amount recognized in profit or loss	(7,062)	(5,118)
Acquisition in the business combination	39,083	-
Others	(355)	-
Balance as at September 30	₩ 371,699	₩ 307,620

(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>	Favorable Changes			Unfavorable Changes	
	Classification	Profit or Loss	Equity	Profit or Loss	Equity
Long-term available-for-sale financial assets <sup>1</sup>	₩	-	₩ 175,464	₩	₩ (162,648)
Other payables <sup>2</sup>		824	824	(826)	(826)
Total	₩	824	₩ 176,288	₩	₩ (163,474)

<sup>1</sup> 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.

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**25. Segment Information**

(A) Operating segment information

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

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

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

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

<i>(In millions of Korean won)</i>	DS						Total <sup>1</sup>	Intercompany elimination within the Company	Consolidated
	CE	IM	Total <sup>1</sup>	Semi-conductor	DP	Harman			
Total segment revenue	74,591,090	172,584,132	153,567,934	101,116,514	48,818,569	6,247,783	411,378,137	(237,781,173)	173,596,964
Intercompany revenue	(42,200,903)	(91,383,243)	(77,451,858)	(47,974,854)	(25,536,589)	(1,468,988)	(237,781,173)	237,781,173	-
Net revenue <sup>2</sup>	32,390,187	81,200,889	76,116,076	53,141,660	23,281,980	4,778,795	173,596,964	-	173,596,964
Depreciation	452,275	960,529	13,070,012	9,382,684	3,550,219	127,169	14,886,343	-	14,886,343
Amortization	47,402	115,940	720,124	617,148	91,493	119,444	1,155,447	-	1,155,447
Operating profit	1,142,673	9,412,022	28,127,074	24,307,704	3,985,508	(4,180)	38,498,067	-	38,498,067

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

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

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

<i>(In millions of Korean won)</i>	DS						Total <sup>1</sup>	Intercompany elimination within the Company	Consolidated
	CE	IM	Total <sup>1</sup>	Semi-conductor	DP	Harman			
Total segment revenue	26,451,353	59,832,241	56,921,998	38,112,202	17,525,341	2,709,036	147,464,827	(85,415,926)	62,048,901
Intercompany revenue	(15,321,274)	(32,140,825)	(28,904,345)	(18,206,292)	(9,244,698)	(622,432)	(85,415,926)	85,415,926	-
Net revenue <sup>2</sup>	11,130,079	27,691,416	28,017,653	19,905,910	8,280,643	2,086,604	62,048,901	-	62,048,901
Depreciation	152,230	313,527	4,654,785	3,207,135	1,408,860	56,935	5,270,583	-	5,270,583
Amortization	15,837	37,796	226,989	193,280	30,696	53,657	383,537	-	383,537
Operating profit	443,634	3,289,905	10,846,687	9,962,704	968,588	(32,565)	14,533,159	-	14,533,159

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

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(3) For the nine months ended September 30, 2016

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Company	Consolidated
	CE <sup>3</sup>	IM	Total <sup>1</sup>	Semi-conductor	DP	Total <sup>1</sup>		
Total segment revenue	75,801,891	162,385,229	113,897,218	70,917,983	40,083,165	356,859,400	(208,324,395)	148,535,005
Intercompany revenue	(43,906,440)	(85,691,134)	(58,006,466)	(34,618,802)	(20,574,124)	(208,324,395)	208,324,395	-
Net revenue <sup>2</sup>	31,895,451	76,694,095	55,890,752	36,299,181	19,509,041	148,535,005	-	148,535,005
Depreciation	402,899	979,040	12,953,820	9,521,077	3,266,462	14,658,625	-	14,658,625
Amortization	45,155	130,220	693,415	581,828	99,202	1,021,168	-	1,021,168
Operating profit	2,284,685	8,311,641	9,510,950	8,645,298	890,864	20,019,851	-	20,019,851

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

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

<sup>3</sup> CE is restated due to the reclassification of the Printing Solutions business segment, which has been changed from CE to Others.

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

<i>(In millions of Korean won)</i>	DS						Intercompany elimination within the Company	Consolidated
	CE <sup>3</sup>	IM	Total <sup>1</sup>	Semi-conductor	DP	Total <sup>1</sup>		
Total segment revenue	25,258,070	49,216,738	41,132,039	25,368,571	14,718,895	117,160,970	(69,345,337)	47,815,633
Intercompany revenue	(14,475,237)	(26,681,445)	(20,844,942)	(12,218,522)	(7,661,485)	(69,345,337)	69,345,337	-
Net revenue <sup>2</sup>	10,782,833	22,535,293	20,287,097	13,150,049	7,057,410	47,815,633	-	47,815,633
Depreciation	133,968	324,318	4,146,758	3,060,043	1,031,564	4,707,030	-	4,707,030
Amortization	14,068	45,776	224,325	188,083	32,099	334,926	-	334,926
Operating profit	786,482	99,097	4,397,235	3,368,823	1,018,878	5,200,089	-	5,200,089

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

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

<sup>3</sup> CE is restated due to the reclassification of the Printing Solutions business segment, which has been changed from CE to Others.

(B) Regional information

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

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

<i>(In millions of Korean won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Intercompany elimination within the Company</b>	<b>Consolidated</b>
Net segment revenue	20,003,910	58,189,893	31,970,019	34,298,140	29,135,002	-	173,596,964
Non-current assets <sup>1</sup>	84,293,206	11,462,791	6,458,846	12,799,148	10,198,654	(622,272)	124,590,373

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

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

<i>(In millions of Korean won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Intercompany elimination within the Company</b>	<b>Consolidated</b>
Net segment revenue	7,690,359	21,550,326	11,206,535	11,732,865	9,868,816	-	62,048,901
Non-current assets <sup>1</sup>	84,293,206	11,462,791	6,458,846	12,799,148	10,198,654	(622,272)	124,590,373

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

(3) For the nine months ended September 30, 2016

<i>(In millions of Korean won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Intercompany elimination within the Company</b>	<b>Consolidated</b>
Net segment revenue	15,193,101	49,653,606	27,940,791	29,935,212	25,812,295	-	148,535,005
Non-current assets <sup>1</sup>	64,029,124	6,184,337	716,516	7,813,133	10,866,088	(444,022)	89,165,176

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

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

<i>(In millions of Korean won)</i>	<b>Korea</b>	<b>America</b>	<b>Europe</b>	<b>Asia and Africa</b>	<b>China</b>	<b>Intercompany elimination within the Company</b>	<b>Consolidated</b>
Net segment revenue	4,805,039	16,156,201	8,710,181	9,228,277	8,915,935	-	47,815,633
Non-current assets <sup>1</sup>	64,029,124	6,184,337	716,516	7,813,133	10,866,088	(444,022)	89,165,176

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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 26. Related Party Transactions

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

		2017			
<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates and joint ventures	Samsung SDS	₩ 42,780	₩ -	₩ 1,418,329	₩ 215,689
	Samsung Electro-Mechanics	36,097	-	1,627,909	302
	Samsung SDI <sup>2</sup>	49,204	-	749,487	38,605
	Cheil Worldwide <sup>3</sup>	11,563	-	531,035	667
	Other	362,439	-	6,458,820	114,773
	<b>Total (Associates and joint ventures)</b>	<b>₩ 502,083</b>	<b>₩ -</b>	<b>₩10,785,580</b>	<b>₩ 370,036</b>
Other related parties	Samsung C&T	₩ 135,430	₩ 68	₩ 288,664	₩2,786,369
	Other	124,278	35	689,190	196,646
	<b>Total (Other related parties)</b>	<b>₩ 259,708</b>	<b>₩ 103</b>	<b>₩ 977,854</b>	<b>₩2,983,015</b>
Others <sup>4</sup>	Samsung Engineering	₩ 7,336	₩ -	₩ 31,886	₩1,188,742
	S-1	35,258	-	267,145	59,373
	Other	51,198	3	171,477	365
	<b>Total (Others)</b>	<b>₩ 93,792</b>	<b>₩ 3</b>	<b>₩ 470,508</b>	<b>₩1,248,480</b>

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

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

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

<sup>4</sup> Although these entities are not related parties of the Company in accordance with Korean IFRS 1024, they belong to the same large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

		2016			
<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	Sales	Disposal of fixed assets	Purchases	Purchase of fixed assets
Associates and joint ventures	Samsung SDS	₩ 33,026	₩ -	₩1,145,182	₩ 108,365
	Samsung Electro-Mechanics	18,735	-	1,900,468	-
	Other	180,187	114	4,149,372	141,806
	<b>Total (Associates and Joint ventures)</b>	<b>₩ 231,948</b>	<b>₩ 114</b>	<b>₩7,195,022</b>	<b>₩ 250,171</b>
Other related parties	Samsung C&T	₩ 25,668	₩ 74	₩ 186,690	₩1,682,977
	Samsung SDI	45,100	-	826,227	22,188
	Other	120,174	90	893,700	255,397
	<b>Total (Other related parties)</b>	<b>₩ 190,942</b>	<b>₩ 164</b>	<b>₩1,906,617</b>	<b>₩1,960,562</b>
Others <sup>2</sup>	Samsung Engineering	₩ 12,566	₩ -	₩ 16,046	₩1,479,275
	S-1	22,932	-	238,311	12,947
	Other	43,623	923	615,639	60
	<b>Total (Others)</b>	<b>₩ 79,121</b>	<b>₩ 923</b>	<b>₩ 869,996</b>	<b>₩1,492,282</b>

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

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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Balances of receivables and payables arising from sales and purchases of goods and services as at September 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	September 30, 2017	
		Receivables	Payables
Associates and joint ventures	Samsung SDS	₩ 5,369	₩ 421,295
	Samsung Electro-Mechanics	4,081	195,886
	Samsung SDI	87,793	106,629
	Cheil Worldwide	323	392,355
	Other	136,443	874,986
	<b>Total (Associates and joint ventures)</b>	₩ 234,009	₩ 1,991,151
Other related parties	Samsung C&T	₩ 245,710	₩ 344,465
	Other	30,215	1,798,040
	<b>Total (Other related parties)</b>	₩ 275,925	₩ 2,142,505
Others <sup>2</sup>	Samsung Engineering	₩ 3,216	₩ 40,019
	S-1	7,319	56,400
	Other	1,133	24,766
	<b>Total (Others)</b>	₩ 11,668	₩ 121,185

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

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

<i>(In millions of Korean won)</i>	Name of Company <sup>1</sup>	December 31, 2016	
		Receivables	Payables
Associates and joint ventures	Samsung SDS	₩ 5,709	₩ 362,062
	Samsung Electro-Mechanics	1,143	108,469
	Samsung SDI	89,721	76,211
	Cheil Worldwide	456	436,624
	Other	210,891	784,475
	<b>Total (Associates and joint ventures)</b>	₩ 307,920	₩ 1,767,841
Other related parties	Samsung C&T	₩ 231,089	₩ 435,505
	Other	31,752	1,932,924
	<b>Total (Other related parties)</b>	₩ 262,841	₩ 2,368,429
Others <sup>2</sup>	Samsung Engineering	₩ 10,664	₩ 115,726
	S-1	4,160	47,098
	Other	3,058	28,841
	<b>Total (Others)</b>	₩ 17,882	₩ 191,665

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

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

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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (B) For the nine months ended September 30, 2017, the Company invested ₩19,510 million in associates and joint ventures. For the nine months ended September 30, 2016 the Company invested ₩70,998 million in associates and joint ventures. And for the nine months ended September 30, 2017, the Company recovered ₩52,732 million from associates and joint ventures. For the nine months ended September 30, 2016 the Company recovered ₩2,103 million from associates and joint ventures.
- (C) For the nine months ended September 30, 2017, the Company declared ₩997,625 million of dividends (for the nine months ended September 30, 2016, ₩505,296 million) to related parties. As at September 30, 2017 and December 31, 2016, there are no unpaid dividends to related parties. Also, for the nine months ended September 30, 2017, the Company declared ₩77,039 million of dividends (for the nine months ended September 30, 2016, ₩38,983 million) to the entities that are not related parties of the Company in accordance with Korean IFRS 1024, but belong to the same conglomerate according to the Monopoly Regulation and Fair Trade Act. As at September 30, 2017 and December 31, 2016, there are no unpaid dividends to these entities.
- (D) Key management compensation

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

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Short-term employee benefits	₩ 14,376	₩ 7,277
Post-employment benefits	594	480
Other long-term employee benefits	6,462	6,237



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

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### 27. Business Combinations

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

To strengthen the Company's automotive electronics and audio businesses, 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>	<b>Amount</b>
I. Consideration transferred	₩ 9,272,702
II. Identifiable assets and liabilities	
Cash and cash equivalents	647,729
Trade and other receivables	1,533,437
Inventory	1,068,865
Property, plant and equipment	858,790
Intangible assets	5,564,309
Other assets	902,824
Trade and other payables	3,436,020
Deferred tax liabilities	1,442,527
Other liabilities	873,637
Total net identifiable assets	4,823,770
III. Goodwill (I – II)	₩ 4,448,932

Had Harman and the subsidiaries been consolidated from January 1, 2017, the revenue and net income for the nine months ended September 30, 2017, would be ₩6,256,826 million and ₩4,098 million, respectively. The revenue and net income contributed by Harman and the subsidiaries since the acquisition amount to ₩4,778,802 million and ₩174 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

On September 12, 2016, the management of the Company decided to sell the Printing Solutions business segment to HP, Inc. The transaction was completed on November 1, 2017.

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

<i>(In millions of Korean Won)</i>	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
<b>Assets held-for-sale</b>				
Trade receivables	₩	259,219	₩	182,738
Inventories		323,009		270,642
Other current assets		92,200		115,037
Property, plant and equipment		85,405		84,869
Intangible assets		122,709		124,571
Other non-current assets		37,856		57,949
<b>Total</b>	<b>₩</b>	<b>920,398</b>	<b>₩</b>	<b>835,806</b>
<b>Liabilities held-for-sale</b>				
Current liabilities	₩	349,617	₩	272,726
Non-current liabilities		94,446		83,662
<b>Total</b>	<b>₩</b>	<b>444,063</b>	<b>₩</b>	<b>356,388</b>

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

<i>(In millions of Korean won)</i>	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
Remeasurement of net defined benefit liabilities	₩	(2,699)	₩	-
Foreign currency translation		(41,783)		(28,810)
<b>Total</b>	<b>₩</b>	<b>(44,482)</b>	<b>₩</b>	<b>(28,810)</b>

#### 29. Events After the Reporting Period

According to the resolution of the Board of Directors on July 27, 2017, the Company repurchased 0.838 million shares (ordinary shares 0.67 million, preference shares 0.168 million) at a cost of ₩2,019,078 million from July 28, 2017 to October 23, 2017. All repurchased shares were retired in October 2017.

According to the resolution of the Board of Directors on October 31, 2017, the Company decided to buy back and retire additional ordinary and preference shares. The estimated total number of shares to be repurchased is 0.89 million (ordinary shares 0.712 million, preference shares 0.178 million) and the period of repurchase will be expected to end on January 31, 2018. All repurchased shares will be retired.