SAMSUNG Electronics Slovakia s.r.o.

Financial Statements
as at 31 December 2019
and for the year then ended

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

(Translation from Slovak original)

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<u>Translation of the Auditors' Report originally prepared in Slovak language</u>

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SAMSUNG Electronics Slovakia s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2019, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

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

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

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

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

- the information given in the Annual Report for the year 2019 is consistent with the financial statements prepared for the same financial year; and

- the Annual Report contains information according to the Act on Accounting.

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

24 January 2020
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ing. Peter Balážik
License UDVA No. 1178

SAMSUNG Electronics Slovakia s.r.o.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2019

In thousands of euro	***Note***	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Revenue	*6*	1 502 457	1 856 861
Cost of sales	*7*	(1 412 204)	(1 742 719)
Gross profit		**90 253**	**114 142**
Administrative and selling expenses	*8*	(22 013)	(25 102)
Operating profit		**68 240**	**89 040**
Finance income	*9*	8 211	10 756
Finance costs	*9*	(6 977)	(9 866)
Other non-operating income / (expense)	*9*	(2 542)	(10 712)
Profit before tax		**66 932**	**79 218**
Income tax expense	*11*	(14 634)	
	0		(16 733)
Profit for the period		**52 298**	**62 485**
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive income for the period		**52 298**	**62 485**

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

In thousands of euro	***Note***	**31 December 2019**	**31 December 2018**
Assets			
Property, plant and equipment	*11*	58 393	71 640
Intangible assets	*12*	17	106
Deferred tax asset	*13*	3 613	6 464
Total non-current assets		***62 023***	**78 210**
Inventories	*14*	164 646	253 026
Trade and other receivables	*15*	107 232	167 850
Current tax receivable		7 262	910
Cash and cash equivalents	*16*	679 589	518 338
Total current assets		**958 729**	**940 124**
Total assets		**1 020 752**	**1 018 334**
Equity			
Share capital	*17*	43 098	43 098
Legal reserve fund	*17*	4 310	4 310
Retained earnings	*17*	824 234	771 936
Total equity		**871 642**	**819 344**
Liabilities			
Trade and other payables	*20*	331	-
Total non-current liabilities		**331**	-
Trade and other payables	*20*	148 779	198 990
Total current liabilities		**148 779**	**198 990**
Total liabilities		**149 110**	**198 990**
Total equity and liabilities		**1 020 752**	**1 018 334**

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

In thousands of euro	**Share capital (Note *17*)**	**Legal reserve fund (Note *17*)**	**Retained earnings (Note 17)**	**Total**
Balance as of 1 January 2018	**43 098**	**4 310**	**709 451**	**756 859**
Increase in share capital	-	-	-	-
Contribution to legal reserve fund	-	-	-	-
Total comprehensive income for the year ended 31 December 2018	-	-	62 485	62 485
Dividend declared	-	-	-	-
Balance as of 31 December 2018	**43 098**	**4 310**	**771 936**	**819 344**
Balance as of 1 January 2019	**43 098**	**4 310**	**771 936**	**819 344**
Increase in share capital	-	-	-	-
Contribution to legal reserve fund	-	-	-	-
Total comprehensive income for the year ended 31 December 2019	-	-	52 298	52 298
Dividend declared	-	-	-	-
Balance as of 31 December 2019	**43 098**	**4 310**	**824 234**	**871 642**

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

In thousands of euro	*Note*	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities			
Profit for the period		52 298	62 485
Adjustments for:			
Depreciation and amortization	*7, 8*	25 886	44 219
Impairment loss on property, plant and equipment	*11*	-	11 901
Write-off of inventory	*14*	5 340	9 417
Creation / (reversal) of provision to inventory		1 132	(750)
Net financing income		(2)	(130)
Net foreign exchange unrealized differences income		(388)	(432)
Loss on revaluation of currency forwards		193	131
Income tax expense	*10*	14 634	16 733
Gain on sale of property, plant and equipment		(131)	(1 054)
Operating profit before changes in working capital and provisions		**98 962**	**142 520**
Decrease in inventories		81 920	37 027
Decrease in receivables		60 395	28 346
Decrease in payables		(45 344)	(28 981)
Cash generated from operations		**195 933**	**178 912**
Interest paid, net		(9)	(130)
Income taxes paid		(18 136)	(10 902)
Net cash from operating activities		**177 788**	**167 880**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3 172	3 790
Acquisition of property, plant and equipment		(18 909)	(35 751)
Net cash used in investing activities		**(15 737)**	**(31 961)**
Cash flows from financing activities			
Dividends paid		-	(595 188)
Payment of lease liabilities		(800)	-
Net cash from (used in) financing activities		**(800)**	**(595 188)**
Net increase / (decrease) in cash and cash equivalents		161 251	(459 269)
Cash and cash equivalents at 1 January		518 338	977 607
Cash and cash equivalents at 31 December		**679 589**	**(518 338)**
Cash and cash equivalents:			
Cash in banks	*16*	518 338	977 607
Balance as at 1 January		**518 338**	**977 607**
Cash in banks	*16*	679 589	518 338
Balance as at 31 December		**679 589**	**518 338**

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

1. Reporting entity

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

SAMSUNG Electronics Slovakia s.r.o.

Hviezdoslavova 807

924 27 Galanta

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

These individual financial statements have been prepared as at 31 December 2019 and for the year then ended and were prepared and authorized for issue by the Company's directors on 22 January 2020.

The Company's bodies:

Directors	Kinam Lee
	Yeon Joon Kim (until 5 April 2019)
	Jun Yeop Kim (from 5 April 2019)

Information about the ultimate parent

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

Legal reason for the preparation of the Financial Statements

The Financial Statements of the Company as at 31 December 2019 have been prepared as ordinary financial statements in accordance with Article 17a paragraph 2 of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2019 to 31 December 2019.

Approval of the 2018 Financial Statements

The financial statements of SAMSUNG Electronics Slovakia s.r.o. for the year ended 31 December 2018, prepared in accordance with IFRS as adopted by the European Union, were approved by the ordinary General Meeting held on 5 April 2019. In 2018, the net profit for the year amounted to EUR 62 485 thousand. In 2019, general assembly decided on the transfer of 2018 profit to the retained earnings in the amount of EUR 62 485 thousand.

Unlimited guarantee

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional currency

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

(d) Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Impairment of property, plant and equipment
Factors considered important to identify possible impairment include the following:
- Technological advancements in the industry;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- Obsolescence of products.

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

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except changes in accounting policies applied in the financial year beginning on 1 January 2019, (Note 3m), described below.

a) Foreign currency

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

b) Financial instruments

The Company classifies financial assets as measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the basis of both:

- the Company's business model for managing the financial assets, and
- the contractual cash flow characteristics of the financial asset.

Financial assets carried at amortized cost
A financial asset is measured at amortized cost if both of the following conditions are met:
- the asset is held within a portfolio with a business model whose objective is to hold assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are recognized in the statement of financial position within trade and other receivables, cash and cash equivalents.

Financial assets carried at fair value through other comprehensive income
A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
- the asset is held within a business model whose objective is achieved by collecting the contractual cash flows as well as selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company applied an irrevocable election at initial recognition, for particular investments in equity instruments that are not held for sale and that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value including exchange rate gains and losses in other comprehensive income.

Debt securities within financial asset are measured at fair value through other comprehensive income, if they are held within a business model whose objective is achieved by collecting the contractual cash flows as well as selling financial assets. The Company does not hold any debt securities.

Financial assets carried at fair value through profit or loss
If the financial asset is not measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss. Financial assets at fair value through profit or loss are those held

by the Company for trading in order to obtain short term gains and derivative financial instruments. Such financial assets are recognized within trade and other receivables in the statement of financial position.

The Company uses derivative financial instruments to hedge against risks arising from its operating activities. In accordance with the financial policy, the Company does not hold nor does it issue financial derivatives for trading purposes. As none of the derivatives fulfil the criteria for hedge accounting under IFRS as adopted by EU, they are treated as trade instruments.

Trade and other receivables
Receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arise, when Company provides cash equivalents, goods or services directly to the debtor without intention of trading with the receivable. Receivables are recognized in the statement of financial position of the Company within trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents include bank accounts and cashpooling account.

Financial liabilities
Financial liabilities are classified in one of the following categories: financial liabilities carried at fair value through profit or loss or carried at amortized cost (IFRS 9) or other financial liabilities (IAS 39).

Financial liabilities carried at fair value through profit or loss
Financial liabilities carried at fair value through profit or loss represent financial liabilities held for trading, including derivative financial instruments. Financial derivative instruments are recognized within trade and other payables in the statement of financial position of the Company.

The Company is using derivative financial instruments to hedge against risks arising from operating activities. In accordance with the financial policy of the Company, the Company does not hold, nor does it issue financial derivatives for trading purposes. As none of the derivatives fulfil the criteria for hedge accounting under IFRS as adopted by EU, they are treated as trade instruments.

Financial liabilities carried at amortized cost (IFRS 9), or Other financial liabilities (IAS 39)
Financial liabilities carried at amortized cost (IFRS 9), or Other financial liabilities (IAS 39) are various financial liabilities not carried at fair value through profit or loss. Other financial liabilities, recognized in the statement of the financial position, are trade and other payables.

Initial recognition of financial instruments
Financial assets carried at fair value through profit or loss and financial asset carried at fair value through other comprehensive income (IFRS 9), or securities available for sale (IAS 39) are recognized at the date that Company commits to purchase them. Regular purchases and sales of these financial instruments are recognized at the trading date. Financial assets carried at amortized cost (IFRS 9), or loans and receivables (IAS 39) are recognized at the date of acquisition.

Financial liabilities are initially recognized at the trading date.

Measurement of financial instruments
Financial assets carried at fair value through profit or loss
Financial assets carried at fair value through profit or loss are initially carried at fair value without costs related to acquisition. Subsequently, they are carried at fair value, gains and losses from the change in fair value as well as interest income and dividends are recorded through profit or loss. All costs associated to transactions are recognized in profit or loss.

Financial liabilities carried at fair value through profit or loss
Financial liabilities carried at fair value through profit or loss are initially recognized at their fair value. After initial recognition, they are measured at fair value. Gains and losses, as well as interest expense are recorded through profit or loss. All costs related to transactions are recorded through profit or loss.

Financial liabilities carried at amortized cost (IFRS 9), or Other financial liabilities (IAS 39)
Interest-bearing borrowings are initially recognized at fair value decreased by related transaction costs. In subsequent periods they are recognized in the statement of financial position of the Company in amortized cost. Difference between this amount and the amount in which borrowings are repaid, is recognized as expense in profit or loss using effective interest rate method.

Trade and other financial liabilities are initially recognized at nominal value, at the time of their take over are valued at acquisition costs.

Offset of financial instruments
Financial assets and financial liabilities are offset in the statement of financial position of the Company and only net amount is recognized when the Company has legally enforceable right to offset the amounts and an intention exists to settle the transactions based on their net amount.

Derecognition of financial instruments
Financial asset is derecognized when:
- the asset is repaid or the rights to cash flows from the investment are terminated, or,
- the Company transfers the rights to cash flows from the investment or enters into a transfer agreement, thereby (i) in principle the Company transfers all the risks and potential gains associated with ownership; or (ii) the Company does not transfer all the risk or potential gains, leaving no control over the investment. It will retain control if the counterparty does not have a real possibility to sell the asset as a whole to an unrelated third party without additionally restricting sales.

Financial liabilities are derecognized when the obligation of the Company specified in the contract ceases to exist, is settled or cancelled.
Difference between gross amount of derecognized financial asset and consideration paid is recognized through profit or loss.

c) Property, plant and equipment

i. Owned assets

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

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

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

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

ii. Leased assets

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. Leases that were classified as operating leases per IAS 17 were tested according to IFRS 16. As at 1 January 2019 the right of use assets and lease liabilities are calculated using the remaining lease term.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

For contracts entered into before 1 January 2019, at inception of an arrangement, the Company determined whether such an arrangement was or contained a lease. An asset was the subject of a lease if fulfilment of the arrangement was dependent on the use of that specified asset and the arrangement conveyed the right to use the asset. At inception or upon reassessment of the arrangement, the Company separated payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. Subsequently the liability was reduced as payments were made and an imputed finance charge on the liability is recognized using the Company’s incremental borrowing rate.

Policy applicable before 1 January 2019

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

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

iii. Subsequent costs

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

iv. Depreciation

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

The estimated useful lives are as follows:

• buildings	25 years
• plant and equipment	5 years
• information technology	5 years
• moulds	13 months

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

d) Intangible assets

i. Owned assets

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

ii. Subsequent costs

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

iii. Amortization

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

• software	5 years

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

e) Inventories

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

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

f) Impairment

i. Financial assets

The Company recognizes impairment loss of expected credit loss, ("ECL") for:

- financial assets measured at amortized cost
- contract assets

The Company measures impairment losses in the amount that equals to the expected credit losses over the whole lifetime (lifetime ECL). These impairment losses are measured at 12-month ECL.

The impairment losses of trade receivables and contract assets are always measured at lifetime ECL.
In assessing whether the credit risk of a financial asset has significantly increased since initial recognition and in estimating ECL, the Company uses reasonable and substantiated information that is relevant and available without undue cost or effort. It includes quantitative and qualitative information and analysis, based on the Company's past experience and informed credit evaluation, including the information about future.

The Company considers a financial asset to be defaulted when:

- it is not probable that a debtor will pay its credit obligations to the Company in full, without using the collateral (if any); or
- financial asset is more than 90 days overdue.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset.

12-month ECLs are ECLs that result from all possible default events within 12 months after the reporting date (or a shorter period when expected lifetime of a financial asset does not exceed 12 months). The maximum period over which ECL should be measured is the maximum contractual period over which the Company is exposed to a credit risk.

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

ECLs are discounted using the effective interest rate of the financial asset.

Impaired financial asset
The Company's financial assets measured at amortized cost are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication, causing the negative impact on the future cashflows of a financial asset exists, the financial asset is impaired.

Observable indicators of impairment of a financial asset (decreased credit risk):

- significant financial difficulties of the debtor or issuer;
- breach of the contract, e.g. payment delay or more than 90 days overdue;
- restructuralization of a loan or an advance payment by the Company upon conditions that would otherwise not be accepted by the Company;
- it is probable, that debtor enters into liquidation or other financial reorganization; or
- termination of an active stock market due to financial difficulties.
- Presentation of impairment loss to ECL in the statement of financial position
- Impairment loss to financial assets measured at amortised cost are deducted from the gross amount of financial assets.

Impairment loss is reviewed at each reporting date.

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

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

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g) Dividends

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

h) Provisions

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

i) Revenue

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

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

Sale of finished goods

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

Sale of raw materials

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

Revenue from transportation of goods

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

j) Expenses

i. Finance costs and finance income

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

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

k) Income tax

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

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

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

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

l) Employee benefits

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

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

m) International Financial Reporting Standards

The following International Financial Reporting Standards, amendments to standards and interpretations adopted by the EU are effective for the accounting period starting 1 January 2019, and have been applied in preparing the Company`s financial statements:

Impact of the adoption of IFRS 16
The Company leases various property, plant and equipment with contracted terms up to five years. Previously, this lease was classified as operating leases under IAS 17.

The impact on transition to IFRS 16 is not material for financial statements. The Company has elected not to show right-of-use asset and lease liability for this lease in statement of financial position and statement of profit and loss and other comprehensive income as it does not have material impact on financial statements.

Interpretation **IFRIC 23 Uncertainty over Income Tax Treatments** clarifies the accounting for income tax, when such accounting involves uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it address the interest and penalty requirements associated with uncertainty in their assessment.

An entity should determine whether any uncertain tax assessment should be considered separately or together with one or more other uncertain assumptions. Applied should be a procedure that better predicts the solution of uncertainty. The interpretation does not have a significant impact on the Company.

Published International Financial Reporting Standards as adopted by EU that are not yet effective

At 31 December 2019 the following new standards, amendments to standards and interpretations, that were published and adopted by EU are not yet effective for the period ended 31 December 2019 and have not been applied in preparation of these financial statements of the Company.

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

Effective for annual periods beginning on or after 1 January 2020. The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The Entity does not expect the Amendments to have a material impact on its financial statements when initially applied.

Standards and interpretations not yet effective and not yet adopted by the European Union

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

The European Commission decided to defer the endorsement indefinitely. The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

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

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

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost. The Entity expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Entity does not operate in the insurance industry.

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform

Effective from 1 January 2020. Early application is permitted. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. All companies with hedges affected by IBOR reform are required to

- assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable. Also, for discontinued hedging relationships, the same assumption is applied for determining whether the hedged future cash flows are expected to occur.
- assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark on which the hedged item and the hedging instrument are based is not altered as a result of IBOR reform.
- not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 per cent.
- apply the separately identifiable requirement only at the inception of the hedging relationship. A similar exception is also provided for redesignation of hedged items in hedges where dedesignation and redesignation take place frequently – e.g. macro hedges.

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

4. Fair values

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

Based on inputs used to determine the fair value of assets and liabilities, different levels of fair value were defined:

- Level 1: quoted market prices (not adjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices in Level 1 that are observable for the assets or liabilities, either directly (eg. as prices) or indirectly (eg. derived from prices) and are quoted on non-active markets for identical asset and liability entries.
- Level 3: inputs for assets and liabilities that are not based on observable market inputs (unobservable inputs).

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

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

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

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

5. Financial risk management

Overview

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

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

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

Risk management framework

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

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

Credit risk

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

Trade and other receivables

Approximately 98 percent of the Company's revenue is attributable to sales transactions with a single customer that is a related party - Samsung Electronics Europe Logistics B.V. This is due to Samsung Headquarter's decision that the Company has to sell the majority of its products via a special entity that concentrates on logistics services. In the past, the Company has never suffered losses from Samsung Electronics Europe Logistics B.V.

Credit quality of trade and other receivables

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

In thousands of euro	**31 December 2019**	**31 December 2018**
Group 1	51	151
Group 2	114 443	168 609
Group 3	-	-
	114 494	**168 760**

Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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

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

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

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

Liquidity risk

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

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

Market risk

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

Currency risk

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

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

It is estimated that an increase/decrease of one percentage point in the value of the euro against other foreign currencies as at 31 December 2019 would change the Company's profit before tax by approximately EUR 107 thousand (31 December 2018: EUR 131 thousand).

Interest rate risk

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

An increase or decrease of interest rate by 100 basis points, considering all other factors remain unchanged, would not significantly affect profit before tax for the period ended 31 December 2019 and 31 December 2018.

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

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

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

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

6. Revenue

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

In thousands of euro	**Year ended 31 December 2019**	**Year ended 31 December 2018**
LCD TV – LED, LED module	1 407 513	1 652 156
LCM panels	17 143	21 029
LCD Large Format Displays	14 863	86 133
Subtotal – Sale of finished goods	**1 439 518**	**1 759 318**
Sale of raw material	62 418	97 310
Semi-finished goods	521	233
Total	**1 502 457**	**1 856 861**

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

7. Cost of sales

Cost of sales comprises:

In thousands of euro	Year ended 31 December 2019	Year ended 31 December 2018
Material	1 336 292	1 626 219
Personnel expenses	26 251	35 717
Depreciation and amortization	24 206	43 023
Other	25 455	37 760
Total	**1 412 204**	**1 742 719**

The average number of employees for the year ended 31 December 2019 was 1 260 out of that 2 employees at managerial positions (year ended 31 December 2018: 1 697 out of that 2 employees at managerial positions).

8. Administrative and selling expenses

In thousands of euro	Year ended 31 December 2019	Year ended 31 December 2018
Personnel expenses	7 736	7 395
Service charges	6 942	7 335
Depreciation and amortization	1 681	1 196
Transportation	424	2 439
Other	5 231	6 737
	22 013	**25 102**

9. Finance and other income, expense

In thousands of euro	Year ended 31 December 2019	Year ended 31 December 2018
Finance income / (expense)		
Interest income	6	130
Interest expense	(3)	-
Net interest income	3	130
Foreign exchange gains	1 885	4 989
Foreign exchange losses	(5 707)	(6 928)
Net foreign exchange losses	(3 822)	(1 939)
Gains from forex forward transactions	6 320	5 637
Losses from forex forward transactions	(1 266)	(2 938)
Net gains from forex forward transactions	5 054	2 699
Finance income, net	1 234	890
Presented as:		
Finance income	**8 211**	**10 756**
Finance costs	**(6 977)**	**(9 866)**
Other non-operating income / (expense)		
Impairment loss on property, plant and equipment	-	(11 901)
Other	(2 542)	1 189
Other non-operating income / (expense), net	**(2 542)**	**(10 712)**

10. Income tax expense

In thousands of euro	Year ended 31 December 2019	Year ended 31 December 2018
Current tax expense		
Current tax charge	11 574	18 627
Adjustment for prior years	210	334
Subtotal	**11 784**	**18 961**
Deferred tax expense		
Origination and reversal of temporary differences	2 850	(2 228)
Total income tax expense in statement of profit and loss and other comprehensive income	**14 634**	**16 733**

Reconciliation of the effective tax rate

In thousands of euro	2019	%	2018	%
Profit before tax	66 932		79 218	
Income tax using the domestic corporate tax rate	14 056	21.0%	16 635	21.0%
Permanent differences	369	0.5%	538	0.7%
Changes in estimates related to prior years	209	0.4%	(440)	(0.6%)
Total income tax expense in statement of profit and loss and other comprehensive income	**14 634**	**21.9%**	**16 733**	**21.1%**

11. Property, plant and equipment

In thousands of euro	Land and buildings	Plant, equipment and other	Right of use assets	Under construction	Total
Cost					
Balance as at 1 January 2018	73 799	253 464	-	1 025	328 288
Acquisitions	4 694	27 581	-	3 453	35 728
Transfers	5	1021	-	(1 026)	-
Disposals	-	(27 612)	-	-	(27 612)
Balance as at 31 December 2018	**78 498**	**254 454**	**-**	**3 452**	**336 404**
Balance as at 1 January 2019	78 498	254 454	1 383	3 452	337 787
Acquisitions	365	12 445	-	1 286	14 096
Transfers	9	3 443	-	(3 452)	-
Disposals	-	(83 154)	(323)	-	(83 477)
Balance as at 31 December 2019	**78 872**	**187 188**	**1 060**	**1 286**	**268 406**
Depreciation and impairment losses					
Balance as at 1 January 2018	30 948	202 859	-	-	233 807
Depreciation charge for the period	3 706	40 162	-	-	43 868
Impairment loss		11 901	-	-	11 901
Transfers	-	-	-	-	-
Disposals	-	(24 812)	-	-	(24 812)
Balance as at 31 December 2018	**34 654**	**230 110**	**-**	**-**	**264 764**
Balance as at 1 January 2019	34 654	230 110	-	-	264 764
Depreciation charge for the period	3 078	22 378	435	-	25 891
Impairment loss	-	335	-	-	335
Transfers	-	-	-	-	-
Disposals	-	(80 839)	(138)	-	(80 977)
Balance as at 31 December 2019	**37 732**	**171 984**	**297**	**-**	**210 013**
Carrying amounts					
As at 1 January 2018	42 851	50 605	-	1 025	94 481
As at 31 December 2018	**43 844**	**24 344**	**-**	**3 452**	**71 640**
As at 1 January 2019	43 844	24 344	1 383	3 452	73 023
As at 31 December 2019	**41 140**	**15 204**	**764**	**1 286**	**58 393**

Impairment loss

Impairment losses have been recognized with an amount of TEUR 335 as of 31 December 2019 (31 December 2018: TEUR 11 201).

Insurance

Property, plant and equipment is insured against damage caused by fire up to TEUR 208 998 and against mechanical and electric damage up to TEUR 146 161 (31 December 2018: TEUR 249 155 and TEUR 109 707 respectively).

Security

No property, plant and equipment is pledged or subject to any other form of security as at 31 December 2019 and 31 December 2018.

Ownership

Ownership of property, plant and equipment (production halls) with a net book value of EUR 245 thousand had not been registered in the land cadaster as at 31 December 2019 as Company property. The Company expects such record in the land cadaster during 2020.

Right-of-use assets - amounts recognized in profit or loss

In thousands of euro	**2019**
Interest on lease liabilities	3
Depreciation charge for the year	435

12. Intangible assets

In thousands of euro	**Software**	**Total**
Cost		
Balance as at 1 January 2018	1 582	1 582
Acquisitions	25	25
Transfers	-	-
Disposals	-	-
Balance as at 31 December 2018	**1 607**	**1 607**
Balance as at 1 January 2019	1 607	1 607
Acquisitions	19	19
Transfers	8	8
Disposals	(35)	(35)
Balance as at 31 December 2019	**1 598**	**1 598**
Amortization and impairment losses		
Balance as at 1 January 2018	1 150	1 150
Amortization charge for the period	351	351
Transfers	-	-
Disposals	-	-
Balance as at 31 December 2018	**1 501**	**1 501**
Balance as at 1 January 2019	1 501	1 501
Amortization charge for the period	115	115
Transfers	0	0
Disposals	(35)	(35)
Balance as at 31 December 2019	**1 581**	**1 581**
Carrying amounts		
As at 1 January 2018	432	432
As at 31 December 2018	**106**	**106**
As at 1 January 2019	106	106
As at 31 December 2019	**17**	**17**

13. Deferred tax

Recognized deferred tax assets are attributable to the following:

In thousands of euro	31 December 2019	31 December 2018
Inventories	1 545	1 332
Property, plant and equipment	1 032	4 277
Other items	1 037	855
Total	**3 613**	**6 464**

All movements in temporary differences were recognized in profit or loss during the relevant periods. The Company has no unrecognized deferred tax assets and liabilities as at 31 December 2019 and 31 December 2018.

14. Inventories

In thousands of euro	31 December 2019	31 December 2018
Raw materials and consumables	152 149	241 943
Work in progress, semi-finished, finished goods and merchandise	12 498	11 083
Total	**164 646**	**253 026**

During the year ended 31 December 2019 raw materials, consumables and changes in finished good and work in progress recognised as cost of sales amounted to EUR 1 336 292 thousand (year ended 2018: EUR 1 626 219 thousand).

As at 31 December 2019 the Company has recorded an inventory obsolescence provision in the amount of EUR 7 356 thousand (31 December 2018: EUR 6 345 thousand). The Company has recorded an inventory obsolescence charge (inventory write off) during the year ended 31 December 2019 amounting to EUR 5 340 thousand (year ended 2018: EUR 9 417 thousand).

15. Trade and other receivables

In thousands of euro	31 December 2019	31 December 2018
Trade receivables (due from related parties)	90 815	132 130
VAT receivable	11 287	19 808
Other receivables	5 130	15 912
Subtotal	107 232	167 850
Less: Allowance for bad and doubtful debts	-	-
Total	**107 232**	**167 850**

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

In thousands of euro	**31 December 2019 Balance recalculated to EUR thousand**	**%**	**31 December 2018 Balance recalculated to EUR thousand**	**%**
EUR	105 340	98,2%	166 673	99,3%
USD	1 892	1,8%	1 177	0,7%
Total	**107 232**	**100%**	**167 850**	**100%**

The aging of receivables is provided in the table below:

In thousands of euro	**31 December 2019**			**31 December 2018**		
	Gross	**%**	**Impairment**	**Gross**	**%**	**Impairment**
Not past due	107 181	99.9%	-	167 591	99.8%	-
Past due 0-30 days	51	0.1%	-	138	0.1%	-
Past due 31-180 days	0	0%	-	121	0.1%	-
More than 180 days	-	-	-	-	-	-
Total	**107 232**	**100%**	**-**	**167 850**	**100%**	**-**

No bad debt provision was recorded as at 31 December 2019 and 31 December 2018.

The Company faces a customer concentration risk as 82% of trade and other receivables and 98% of revenues during the year ended 31 December 2019 (31 December 2018: 81% and 97% respectively) has been generated by one related party, Samsung Electronics Europe Logistic B.V.

16. Cash and cash equivalents

In thousands of euro	**31 December 2019**	**31 December 2018**
Bank balances (held in EUR)	679 080	517 894
Bank balances (held in USD)	509	444
Cash and cash equivalents	**679 589**	**518 338**
Bank overdrafts used for cash management purposes (held in USD)	-	-
Cash and cash equivalents in the statement of cash flows	**679 589**	**518 338**

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

Included in the total amount of cash and cash equivalents is an amount of EUR 40 thousand (31 December 2018: EUR 193 thousand) held on the accounts open with bank SLSP Bratislava, Slovakia and EUR 679 549 thousand (31 December 2018: EUR 518 145 thousand) zero balance pooling to SEEH.

As of 31 December 2019 there were bank guarantees provided for the Company in favor of the Custom's office in amount of EUR 70 000 thousand (31 December 2018: EUR 70 000 thousand).

17. Capital and reserves

Share capital

The total authorized, issued and outstanding share capital of the Company amounts to EUR 43 098 thousand as of 31 December 2019 and 31 December 2018. The ownership structure of the Company is as follows:

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

The share capital is fully paid up.

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

Legal reserve fund

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

As at 31 December 2019 the legal reserve fund balance reached the amount of 10% of the share capital which is the minimum amount as required by law.

18. Interest bearing loans and borrowings

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

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

19. Employee benefits

The Company has no significant defined contribution plan (apart from legal social contribution), defined benefit plan or any other long-term employee benefits. Short-term employee benefits as at 31 December 2019 amounted to EUR 3 602 thousand (31 December 2018: EUR 4 110 thousand) and comprise wages and salaries payable including social and health contributions, accrual for untaken vacation and accrual for bonuses. Short-term employee benefits are presented within trade and other payables in the statement of financial position.

20. Trade and other payables

In thousands of euro	31 December 2019	31 December 2018
Trade payables	136 218	183 359
Lease liabilities	764	-
Other payables	12 129	15 631
Total	**149 411**	**198 990**

The contractual cash flows approximate to the carrying amount of the trade and other payables presented at the end of the reporting period and the maturities are within three months, except of the lease liabilities with a maturities up to 3 years.

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

In thousands of euro	**31 December 2019 Balance recalculated to EUR thousand**	**%**	**31 December 2018 Balance recalculated to EUR thousand**	**%**
EUR	116 235	77.6%	131 355	66%
USD	33 176	22.4%	67 635	34%
Total	**149 411**	**100%**	**198 990**	**100%**

Structure of payables according to maturity

The structure of payables is shown in the table below:

In thousands of euro	**31 December 2019**	**31 December 2018**
Payables overdue	26	429
Payables due within 1 year	148 754	198 562
Payables due within 1-5 year	331	-
Total trade and other payables	**149 111**	**198 990**

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

Social fund

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

In thousands of euro	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Balance at beginning of the period	263	209
Recognized as expenses	186	237
Drawing	(289)	(183)
Balance at end of the period	**160**	**263**

21. Financial instruments

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

Credit risk

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

In thousands of euro	**31 December 2019**	**31 December 2018**
Cash and cash equivalents	679 549	518 338
Trade and other receivables	107 227	167 813
Current tax receivables	7 262	910
Foreign exchange forward contracts	5	37
Total exposure	**794 043**	**687 098**

Impairment losses
Impairment losses are described in note 15.

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

In thousands of euro	Carrying amount	Contractual cash-flows	3 months or less	3-6 months	More than 6 months
Non-derivative financial assets					
Cash and cash equivalents	679 589	679 589	679 599	-	-
Trade and other receivables	107 227	107 227	107 227	-	-
Derivative financial assets					
Foreign exchange forward contracts	5	5	5	-	-
Non-derivative financial liabilities					
Trade and other payables	(148 149)	(148 149)	(148 149)	-	-
Current tax payable	-	-	-	-	-
Derivative financial liabilities					
Foreign exchange forward contracts	(199)	(199)	(199)	-	-
Total	**638 473**	**638 473**	**638 473**	**-**	**-**

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

Currency risk
The Group's exposure to foreign currency risk as at 31 December 2019 and 31 December 2018 was as follows based on notional amounts:

In thousands of currency	31 December 2019 USD	31 December 2018 USD
Cash and cash equivalents	569	508
Receivables	2 077	1 347
Trade and other payables	(36 809)	(67 982)
Interest bearing loans and borrowings	-	-
Gross exposure	(34 163)	(66 127)
Foreign exchange forward contracts	24 162	54 769
Net exposure	(10 001)	**(11 358)**

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

Recognized assets and liabilities
The fair value of forward exchange contracts as at 31 December 2019 was a loss of EUR 193 thousand (31 December 2018: loss of EUR 131 thousand). These amounts are included among trade and other receivables and payables respectively.

Fair values

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

22. Capital commitments

There are no significant capital commitments as at 31 December 2019.

23. Contingencies

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

24. Related parties

Identity of related parties

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

Transactions with key management personnel

There have been no transactions with key management personnel, except their salaries (included in the caption of administrative and selling expense in profit or loss) in the amount of EUR 806 thousand for the year ended 31 December 2019 (year ended 31 December 2018: EUR 803 thousand).

Other related party transactions

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

Samsung Electronics Co., Ltd, Samsung Electronics America, Inc., Samsung International, Inc., Samsung Electronica da Amazonia Ltda., Samsung Electronics (UK) Ltd., Samsung Semiconductor Europe GmbH, Samsung Electronics Hungarian Zrt., Samsung Electronics Europe Logistics B.V., Samsung Display Slovakia s.r.o., Samsung Electronics Romania SRL, Samsung Electronics Polska Sp.zo.o., Samsung Electronics Europe Holding Cooperatief U.A., Samsung Electronics Egypt S.A.E., Samsung Electronics South Africa Production (Pty) Ltd., Samsung Electronics Rus Kaluga LLC, Samsung Electronics Japan Co., Ltd., Samsung Asia Private Ltd., Samsung India Electronics Private Ltd., PT Samsung Electronics Indonesia, Samsung Electronics HCMC CE Complex Co., Ltd., Samsung Electronics Taiwan Co., Ltd., Samsung Electronics Hong Kong Co., Ltd., Samsung Electronics Huizhou Co., Ltd., Tianjin Samsung Electronics Co., Ltd.; Samsung SDS Global SCL Slovakia and other.

Transactions with SAMSUNG Electronics Co. Ltd. (parent) *In thousands of euro*	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Sales of own products and other assets	356	427
Sales of machinery and equipment	39	-
Purchase of raw materials	355 283	368 251
Purchase of machinery and equipment	10 086	23 127
Service and other expenses	3 160	2 097

Transactions with SAMSUNG Electronics Magyar Zártkörűen Működő Részvénytársaság (significant influence) *In thousands of euro*	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Sales of own products and other assets	7 896	11 568
Sales of machinery and equipment	1 581	1 472
Purchase of raw materials	11 019	8 378
Purchase of machinery and equipment	0	492
Service and other expenses	382	1 103

Transactions with other group companies *In thousands of euro*	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Sales of own products and other assets	1 491 697	1 842 437
Sales of machinery and equipment	169	519
Purchase of raw materials	523 152	758 193
Purchase of machinery and equipment	1	1 395
Service and other expenses	24 904	47 967

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

Assets and liabilities arising from transactions with SAMSUNG Electronics Co. Ltd. (parent) *In thousands of euro*	**31 December 2019**	**31 December 2018**
Trade, other receivables and prepayments	99	66
Trade and other payables	69 224	113 436
Other accruals payable	683	533

Assets and liabilities arising from transactions with SAMSUNG Electronics Magyar Zártkörűen Működő Részvénytársaság (significant influence) *In thousands of euro*	**31 December 2019**	**31 December 2018**
Trade, other receivables and prepayments	190	44
Trade and other payables	983	181
Other accruals payable	-	-

Assets and liabilities arising from transactions with other group companies *In thousands of euro*	**31 December 2019**	**31 December 2018**
Trade, other receivables and prepayments	90 539	140 464
Trade and other payables	41 633	41 113
Other accruals payable	627	530

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

25. Events after the end of reporting period

No events with a material impact on presentation of these financial statements occurred after 31 December 2019 that would require disclosure or amendment of these financial statements.

These financial statements were authorized for issue on 22 January 2020.

JUNYEOP KIM
Statutory representative

Stanislav Kopecký
Finance manager