

# ***Samsung C&T Corporation and Subsidiaries***

Consolidated Interim Financial Statements  
September 30, 2019 and 2018

**Samsung C&T Corporation and Subsidiaries**  
**Index**  
**September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
Samsung C&T Corporation

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

We have reviewed the accompanying consolidated interim financial statements of Samsung C&T Corporation (the "Company" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at September 30, 2019, and the related consolidated interim statements of comprehensive income for three-month and nine-month periods September 30, 2019 and 2018, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2019 and 2018, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

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

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

### ***Auditor's responsibility***

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

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

### ***Conclusion***

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

**Other Matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 14, 2019. The consolidated statement of financial position as at December 31, 2018, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2018.

The accompanying consolidated interim financial statements as at September 30, 2019 and December 31, 2018, and for the nine-month periods ended September 30, 2019 and 2018, have been translated into U.S. dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the consolidated interim financial statements.

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

*Samit PricewaterhouseCoopers*

Seoul, Korea  
November 14, 2019

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

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2019 and December 31, 2018**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	September 30, 2019 (Unaudited)	December 31, 2018	September 30, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	₩ 2,038,572	₩ 2,903,538	\$ 1,696,972	\$ 2,416,997
Short-term financial instruments	7	479,047	638,374	398,774	531,403
Financial assets at fair value through profit or loss	7, 11	300,039	540,081	249,762	449,580
Financial assets at fair value through other comprehensive income	7, 11	172	151	143	126
Trade receivables	7, 8	4,318,526	4,883,449	3,594,877	4,065,137
Other current assets	7, 8	2,640,871	3,006,398	2,198,344	2,502,620
Inventories	6	1,925,066	1,699,301	1,602,486	1,414,552
Total current assets		11,702,293	13,671,292	9,741,358	11,380,415
<b>Assets held for sale</b>		34,083	-	28,372	-
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss	7, 11	263,929	179,430	219,703	149,363
Financial assets at fair value through other comprehensive income	7, 11	20,370,742	17,948,249	16,957,248	14,940,689
Investments in associates and joint ventures	12	3,672,057	3,627,971	3,056,736	3,020,037
Property, plant and equipment	13	4,952,421	5,024,404	4,122,551	4,182,472
Investment properties	14, 32	183,317	40,947	152,599	34,085
Biological assets		2,302	2,085	1,917	1,736
Intangible assets	13	1,043,731	1,061,448	868,835	883,583
Right-of-use assets	32	267,998	-	223,090	-
Deferred tax assets		122,480	97,803	101,956	81,415
Other non-current assets	7, 8	732,557	753,023	609,803	626,840
Total non-current assets		31,611,534	28,735,360	26,314,438	23,920,220
<b>Total assets</b>		₩ 43,347,910	₩ 42,406,652	\$ 36,084,168	\$ 35,300,635

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2019 and December 31, 2018**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	September 30, 2019 (Unaudited)	December 31, 2018	September 30, 2019 (Unaudited)	December 31, 2018
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade payables	7	₩ 1,748,389	₩ 1,685,645	\$ 1,455,414	\$ 1,403,184
Short-term borrowings	7,15	1,556,816	1,369,502	1,295,943	1,140,017
Current portion of long-term borrowings	7,15	1,219,471	1,893,832	1,015,126	1,576,485
Current tax liabilities		102,251	475,590	85,117	395,897
Other current liabilities	5,7,9,17,32	6,192,097	7,592,263	5,154,497	6,320,039
Total current liabilities		10,819,024	13,016,832	9,006,097	10,835,622
<b>Non-current liabilities</b>					
Debentures and long-term borrowings	7,15	938,782	1,253,312	781,472	1,043,296
Net defined benefit liability	16	161,453	107,723	134,399	89,672
Deferred tax liabilities		5,701,725	4,964,980	4,746,296	4,133,007
Provisions	5,17	390,848	321,504	325,354	267,630
Other non-current liabilities	7,9,32	508,276	193,366	423,105	160,964
Total non-current liabilities		7,701,084	6,840,885	6,410,626	5,694,569
<b>Total liabilities</b>		18,520,108	19,857,717	15,416,723	16,530,191

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2019 and December 31, 2018**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	September 30, 2019 (Unaudited)	December 31, 2018	September 30, 2019 (Unaudited)	December 31, 2018
<b>Equity</b>					
Share capital	19	₩ 19,132	₩ 19,132	\$ 15,926	\$ 15,926
Consolidated capital surplus		10,468,876	10,468,876	8,714,623	8,714,623
Other components of equity	19,20	4,431,115	2,509,117	3,688,599	2,088,668
Retained earnings		7,324,703	6,949,465	6,097,314	5,784,953
Equity attributable to owners of the Parent Company		22,243,826	19,946,590	18,516,462	16,604,170
Non-controlling interests	1	2,583,976	2,602,345	2,150,983	2,166,274
<b>Total equity</b>		<u>24,827,802</u>	<u>22,548,935</u>	<u>20,667,445</u>	<u>18,770,444</u>
<b>Total liabilities and equity</b>		<u>₩ 43,347,910</u>	<u>₩ 42,406,652</u>	<u>\$ 36,084,168</u>	<u>\$ 35,300,635</u>

The US dollar figures are provided for information purposes only and do not form part of the consolidated interim financial statements. Refer to Note 3.

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

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-month and Nine-month Periods Ended September 30, 2019 and 2018**

(in millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))

	Notes	2019 (Unaudited)		2018 (Unaudited)		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Nine months	Three months	Nine months	Three months	Nine months	Three months	Nine months
<b>Net sales</b>	30	₩ 7,734,622	₩23,063,638	₩ 7,780,481	₩23,184,530	\$ 6,658,077	\$ 19,853,522	\$ 6,697,554	\$ 19,957,588
<b>Cost of sales</b>	23	6,795,185	20,418,151	6,794,078	20,210,913	5,849,396	17,576,248	5,848,443	17,397,854
<b>Gross profit</b>		939,437	2,645,487	986,403	2,973,617	808,681	2,277,274	849,111	2,559,734
Selling and administrative expenses	21,23	723,160	2,103,369	712,574	2,112,491	622,507	1,810,611	613,394	1,818,464
<b>Operating profit</b>	24,30	216,277	542,118	273,829	861,126	186,174	466,663	235,717	741,270
Other income	22	276,792	940,941	421,299	1,207,468	238,267	809,976	362,660	1,039,406
Other expenses	22	137,458	482,571	281,359	609,354	118,326	415,404	242,198	524,541
Financial income	25	45,034	141,199	80,427	198,473	38,766	121,546	69,233	170,849
Financial expenses	25	39,744	164,498	72,322	203,479	34,212	141,602	62,256	175,158
Share of profit of associates and joint ventures	12	31,294	69,257	3,803	17,700	26,939	59,617	3,274	15,236
Share of loss of associates and joint ventures	12	1,508	18,786	39,266	147,674	1,298	16,171	33,801	127,121
<b>Profit before income tax</b>		390,687	1,027,660	386,411	1,324,260	336,310	884,625	332,629	1,139,941
<b>Income tax expense</b>	26	125,728	332,839	150,720	380,591	108,229	286,513	129,742	327,618
<b>Profit for the period</b>		₩ 264,959	₩ 694,821	₩ 235,691	₩ 943,669	\$ 228,081	\$ 598,112	\$ 202,887	\$ 812,323



**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-month and Nine-month Periods Ended September 30, 2019 and 2018**

(in millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))

Notes	2019 (Unaudited)		2018 (Unaudited)		2019 (Unaudited)		2018 (Unaudited)	
	Three months	Nine months	Three months	Nine months	Three months	Nine months	Three months	Nine months
	₩ 9,100	₩ 3,346	₩ 14,269	₩ 31,519	\$ 7,833	\$ 2,880	\$ 12,283	\$ 27,132
	37,127	85,946	(47,475)	(8,213)	31,959	73,984	(40,867)	(7,070)
	(5,717)	(9,575)	298	(12,153)	(4,921)	(8,243)	257	(10,461)
<b>Other comprehensive income for the period, net of tax</b>								
Items that may be subsequently reclassified to profit or loss								
Share of other comprehensive income of associates and joint ventures								
Exchange differences								
Cash flow hedges								
Items that will not be reclassified to profit or loss								
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(138,653)	1,855,515	255,288	(1,398,832)	(119,355)	1,597,255	219,756	(1,204,135)
Remeasurements of net defined benefit liabilities	(119)	(233)	-	-	(102)	(200)	-	-
	(98,262)	1,934,999	222,380	(1,387,679)	(84,586)	1,665,676	191,429	(1,194,534)
<b>Total comprehensive income (loss) for the period</b>	₩ 166,697	₩ 2,629,820	₩ 458,071	₩ (444,010)	\$ 143,495	\$ 2,263,788	\$ 394,316	\$ (382,211)

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-month and Nine-month Periods Ended September 30, 2019 and 2018**

*(in millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))*

	Notes	2019 (Unaudited)		2018 (Unaudited)		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Nine months	Three months	Nine months	Three months	Nine months	Three months	Nine months
<b>Profit for the period attributable to:</b>									
Owners of the Parent Company		₩ 247,280	₩ 716,410	₩ 281,602	₩ 1,046,770	\$ 212,862	\$ 616,696	\$ 242,407	\$ 901,075
Non-controlling interest	1	17,679	(21,589)	(45,911)	(103,101)	15,219	(18,584)	(39,520)	(88,752)
<b>Total comprehensive income (loss) for the period attributable to:</b>									
Owners of the Parent Company		143,632	2,643,287	507,050	(348,633)	123,641	2,275,381	436,476	(300,108)
Non-controlling interest		23,065	(13,467)	(48,979)	(95,377)	19,854	(11,593)	(42,160)	(82,103)
<b>Earnings per share:</b>	27								
Basic earnings per share		₩ 1,499	₩ 4,343	₩ 1,707	₩ 6,346	\$ 1.29	\$ 3.74	\$ 1.47	\$ 5.46

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

## Samsung C&T Corporation and Subsidiaries

### Consolidated Interim Statements of Changes in Equity

### Nine-month Periods Ended September 30, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
<b>Balance at January 1, 2018</b>		₩ 19,132	₩ 10,468,265	₩ 5,755,405	₩ 6,313,950	₩ 2,594,498	₩25,151,250	\$ 15,926	\$ 8,714,114	\$ 4,790,981	\$ 5,255,931	\$ 2,159,742	\$ 20,936,694
<b>Cumulative effect of changes in accounting policy</b>		-	-	(130,131)	-	(21,270)	(151,401)	-	-	(108,325)	-	(17,706)	(126,031)
<b>Beginning balance after adjustments</b>		19,132	10,468,265	5,625,274	6,313,950	2,573,228	24,999,849	15,926	8,714,114	4,682,656	5,255,931	2,142,036	20,810,663
<b>Total comprehensive income:</b>		-	-	1,046,770	-	(103,101)	943,669	-	-	871,365	-	(85,825)	785,540
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value of financial assets at fair value through other comprehensive income	11	-	-	-	(1,398,832)	-	(1,398,832)	-	-	-	(1,164,432)	-	(1,164,432)
Reclassification from disposal of financial assets at fair value through other comprehensive income	11	-	-	(446)	446	-	-	-	-	(371)	371	-	-
Share of other comprehensive income of associates and joint ventures	12	-	-	-	30,786	733	31,519	-	-	-	25,627	609	26,236
Exchange differences		-	-	-	(15,117)	6,904	(8,213)	-	-	-	(12,584)	5,747	(6,837)
Cash flow hedge		-	-	-	(12,240)	87	(12,153)	-	-	-	(10,189)	72	(10,117)
<b>Transactions with owners:</b>		-	-	(329,938)	-	(9,553)	(339,491)	-	-	(274,650)	-	(7,952)	(282,602)
Cash dividends		-	-	(123)	-	(681)	(804)	-	-	(102)	-	(566)	(668)
Others		-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at September 30, 2018 (Unaudited)</b>		₩ 19,132	₩ 10,468,265	₩ 6,341,537	₩ 4,918,993	₩ 2,467,617	₩24,215,544	\$ 15,926	\$ 8,714,114	\$ 5,278,898	\$ 4,094,724	\$ 2,054,121	\$ 20,157,783

## Samsung C&T Corporation and Subsidiaries

### Consolidated Interim Statements of Changes in Equity

### Nine-month Periods Ended September 30, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

Notes	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
	₩ 19,132	₩ 10,468,876	₩ 6,949,465	₩ 2,509,117	₩ 2,602,345	₩22,548,935	\$ 15,926	\$ 8,714,623	\$ 5,784,953	\$ 2,088,668	\$ 2,166,274	\$ 18,770,444
32	-	-	(16,114)	-	-	(16,114)	-	-	(13,414)	-	-	(13,414)
<b>Balance at January 1, 2019</b>	19,132	10,468,876	6,933,351	2,509,117	2,602,345	22,532,821	15,926	8,714,623	5,771,539	2,088,668	2,166,274	18,757,030
<b>Cumulative effect of changes in accounting policy</b>	-	-	716,410	-	(21,589)	694,821	-	-	596,362	-	(17,971)	578,391
<b>Beginning balance after adjustments</b>	-	-	-	1,855,515	-	1,855,515	-	-	-	1,544,589	-	1,544,589
<b>Total comprehensive income:</b>												
Profit for the period	-	-	4,981	(4,981)	-	-	-	-	4,146	(4,146)	-	-
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification from disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	3,116	229	3,345	-	-	-	2,594	191	2,785
Exchange differences	-	-	-	77,768	8,178	85,946	-	-	-	64,736	6,808	71,544
Cash flow hedge	-	-	-	(9,420)	(155)	(9,575)	-	-	-	(7,842)	(129)	(7,971)
Remeasurements of the net defined benefit liabilities	-	-	(102)	-	(131)	(233)	-	-	(83)	-	(110)	(193)
<b>Transactions with owners:</b>												
Cash dividends	-	-	(329,937)	-	(4,901)	(334,838)	-	-	(274,650)	-	(4,080)	(278,730)
<b>Balance at September 30, 2019 (Unaudited)</b>	₩ 19,132	₩ 10,468,876	₩ 7,324,703	₩ 4,431,115	₩ 2,583,976	₩24,827,802	\$ 15,926	\$ 8,714,623	\$ 6,097,314	\$ 3,688,599	\$ 2,150,983	\$ 20,667,445

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

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Nine-month Periods Ended September 30, 2019 and 2018**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Nine-month Period Ended September 30			
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities</b>					
Cash generated from operations	29	₩ 135,717	₩ 571,475	\$ 112,975	\$ 475,714
Interest received		90,114	98,062	75,014	81,630
Interest paid		(71,852)	(146,909)	(59,812)	(122,292)
Dividends received		510,191	509,295	424,699	423,954
Income taxes paid		(690,086)	(91,970)	(574,449)	(76,559)
<b>Net cash inflow (outflow) from operating activities</b>		<u>(25,916)</u>	<u>939,953</u>	<u>(21,573)</u>	<u>782,447</u>
<b>Cash flows from investing activities</b>					
Disposal of assets held for sale		-	9,273	-	7,719
Decrease in short-term financial instruments		160,370	2,064	133,497	1,718
Decrease in short-term loans		119,905	-	99,812	-
Disposal of financial assets at fair value through profit or loss	11	1,299,739	390,024	1,081,944	324,669
Disposal of financial assets at fair value through other comprehensive income	11	21,102	797	17,566	663
Decrease in investments in subsidiaries		41,173	1	34,274	1
Disposal of investments in associates and joint ventures	12	58,950	26,649	49,072	22,183
Decrease in long-term receivables		87,357	2,671	72,719	2,224
Decrease in deposits		47,862	34,244	39,841	28,506
Disposal of property, plant and equipment	13	14,479	155,793	12,053	129,687
Disposal of intangible assets	13	258	2,464	215	2,051
Disposal of investment properties	14	-	869,314	-	723,644
Decrease in other non-current assets		9,311	-	7,750	-
Increase in short-term loans		-	(70,175)	-	(58,416)
Acquisition of financial assets at fair value through profit or loss	11	(1,060,039)	(750,434)	(882,410)	(624,685)
Acquisition of financial assets at fair value through other comprehensive income	11	-	(2,852)	-	(2,374)
Acquisition of investments in associates and joint ventures	12	(24,723)	(10,712)	(20,580)	(8,917)
Increase in long-term receivables		(2,842)	(17,713)	(2,365)	(14,745)
Increase in deposits		(56,976)	(53,290)	(47,428)	(44,360)
Acquisition of property, plant and equipment	13	(249,039)	(355,735)	(207,308)	(296,125)
Acquisition of intangible assets	13	(27,920)	(41,991)	(23,241)	(34,955)
Acquisition of investment properties	14	(21,103)	-	(17,567)	-
Cash flows due to changes in scope of consolidation		(7)	-	(6)	-
Increase in other non-current assets		(8,059)	(1,338)	(6,709)	(1,114)
<b>Net cash inflow from investing activities</b>		<u>₩ 409,798</u>	<u>₩ 189,054</u>	<u>\$ 341,129</u>	<u>\$ 157,374</u>

**Samsung C&T Corporation and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Nine-month Periods Ended September 30, 2019 and 2018**

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Nine-month Period Ended September 30			
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from financing activities</b>					
Net increase in short-term borrowings	29	₩ 120,740	₩ -	\$ 100,508	\$ -
Proceeds from bonds issuance	29	-	189,579	-	157,812
Increase in long-term borrowings	29	44,469	168,411	37,018	140,190
Increase in leasehold deposits received		154	60	128	50
Dividends paid to shareholders		(329,937)	(329,938)	(274,650)	(274,650)
Net decrease in short-term borrowings	29	-	(638,015)	-	(531,104)
Repayment of current portion of long-term borrowings	29	(1,038,983)	(876,250)	(864,883)	(729,418)
Early redemption of long-term borrowings	29	(28,733)	(80,322)	(23,918)	(66,863)
Decrease in leasehold deposits received		(3,960)	(1,134)	(3,296)	(944)
Principal elements of lease payments		(94,199)	-	(78,415)	-
Dividends paid to non-controlling interests	1	(4,901)	(9,553)	(4,080)	(7,952)
<b>Net cash outflow from financing activities</b>		<u>(1,335,350)</u>	<u>(1,577,162)</u>	<u>(1,111,588)</u>	<u>(1,312,879)</u>
<b>Net decrease in cash and cash equivalents</b>		(951,468)	(448,155)	(792,032)	(373,058)
Cash and cash equivalents at the beginning of the period		2,903,538	2,993,152	2,416,997	2,491,594
Effects of exchange rate changes on cash and cash equivalents		86,502	(6,913)	72,007	(5,755)
Cash and cash equivalents at the end of the period		<u>₩ 2,038,572</u>	<u>₩ 2,538,084</u>	<u>\$ 1,696,972</u>	<u>\$ 2,112,781</u>

The US dollar figures are provided for information purposes only and do not form part of the consolidated interim financial statements. Refer to Note 3.

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

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

### **September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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#### **1. General Information**

These consolidated financial statements are prepared in accordance with Korean IFRS 1110 *Consolidated Financial Statements*. Samsung C&T Corporation (the “Company” or the “Parent Company”) has 111 subsidiaries, including Samsung BioLogics Co., Ltd. (collectively referred to as the “Group”) and 47 associates and joint ventures, including Samsung Bioepis Co., Ltd. that are subject to the equity method of accounting.

##### **1.1 The Company**

The Company was established on December 23, 1963, for the purpose of engaging in tourist facilities business, and its corporate headquarters are located in Olympic-ro, Songpa-gu, Seoul. The Company primarily engages in tourist facilities, golf course services, construction, civil engineering, plant building, housing, development business, technology services, landscaping, energy conservation, environment development, fashion, retail business of various merchandise, and project organizing businesses in global market.

The Company sold its building management business of the construction division to S-1 Corporation on January 10, 2014. The Company, with the approval from Board of Directors on June 19, 2014, changed its company name from Samsung Everland Inc. to Cheil Industries Inc. on July 4, 2014, and was listed on the stock market on December 18, 2014.

For the diversification of the business portfolio and enhancement of core competitiveness, the Company, with the approval from the Board of Directors on May 26, 2015, and from the shareholders on July 17, 2015, merged with Samsung C&T Corporation on September 1, 2015. The Company newly issued 56,317,483 shares (54,690,043 shares of ordinary shares and 1,627,440 shares of preferred shares) as consideration of the acquisition, and the new shares were listed on September 15, 2015.

Meanwhile, the Company changed its name from Cheil Industries Inc. to Samsung C&T Corporation on September 2, 2015, as approved by the Board of Directors on May 26, 2015.

## Samsung C&T Corporation and Subsidiaries

### Notes to the Consolidated Interim Financial Statements

#### September 30, 2019 and 2018 (Unaudited) and December 31, 2018

### 1.2 Subsidiaries

(a) General information of subsidiaries as at September 30, 2019, is as follows:

Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
Seoul Lakeside Co., Ltd.	Golf course service	₩ 1,176	117,600	117,600	-	100.00	Korea	
Samoo Architects & Engineers Co., Ltd.	Architectural design service	500	100,000	100,000	-	100.00	Korea	
CVnet Corporation <sup>2</sup>	e-Business	3,200	6,400,000	2,569,155	-	40.14	Korea	
Myodo Metal Co., Ltd.	Production of steel products	3,811	1,080,000	1,080,000	-	100.00	Japan	
Samsung C&T Japan Corporation	Trading	42,104	5,000,000	5,000,000	-	100.00	Japan	
Samsung C&T America, Inc.	Trading	52,259	105	105	-	100.00	U.S.A	
Samsung Renewable Energy, Inc.	Renewable energy development	22,867	2,000	2,000	-	100.00	Canada	
Samsung Green Repower, LLC. <sup>1</sup>	Renewable energy development	2,863	-	-	-	100.00	U.S.A	Samsung C&T America, Inc. 100%
Samsung E&C America, Inc.	Construction	104	100,000	100,000	-	100.00	U.S.A	
Samsung Solar Construction, Inc.	Renewable energy development	6	5,000	-	5,000	100.00	U.S.A	Samsung C&T America, Inc. 100%
QSSC, S.A, de C.V.	Production of steel products	8,616	93,758,250	56,254,950	18,751,650	80.00	Mexico	Samsung C&T America, Inc. 20%
Samsung C&T Oil & Gas Parallel Corp.	Natural resources development	59,630	1	1	-	100.00	U.S.A	



**Samsung C&T Corporation and Subsidiaries**  
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
Parallel Petroleum LLC. <sup>1</sup>	Natural resources development	₩ 837,480	-	-	-	51.00	U.S.A	PLL Holdings LLC. 61%
SRE GRW EPC GP, Inc. <sup>1</sup>	Renewable energy development	15	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRW EPC LP <sup>1</sup>	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE GRW EPC GP, Inc. 0.01%
SRE SKW EPC GP, Inc. <sup>1</sup>	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE SKW EPC LP <sup>1</sup>	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE SKW EPC GP, Inc. 0.01%
Samsung C&T Canada Ltd.	Construction	84,302	101,000,001	101,000,001	-	100.00	Canada	
PLL Holdings LLC. <sup>1</sup>	Natural resources development	238,537	-	-	-	83.61	U.S.A	Samsung C&T Oil & Gas Parallel Corp. 83.6%
SRE GRW LP Holdings LP <sup>1</sup>	Renewable energy development	5,681	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind GP Holdings, Inc. 0.01%
SRE SKW LP Holdings LP <sup>1</sup>	Renewable energy development	5,309	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind GP Holdings, Inc. 0.01%
SRE WIND PA GP Inc. <sup>1</sup>	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE WIND PA LP <sup>1</sup>	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind PA GP Inc. 0.01%

**Samsung C&T Corporation and Subsidiaries**  
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Total			
PLL E&P LLC. <sup>1</sup>	Natural resources development	₩ 34,733	-	-	-	90.00	U.S.A	Samsung C&T Oil & Gas Parallel Corp. 90%
SRE GRS Holdings GP Inc. <sup>1</sup>	Renewable energy development	14	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRS Holdings LP <sup>1</sup>	Renewable energy development	3	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE GRS Holdings GP Inc. 0.01%
SRE K2 EPC GP Inc. <sup>1</sup>	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE K2 EPC LP <sup>1</sup>	Renewable energy development	-	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE K2 EPC GP Inc. 0.01%
SRE KS Holdings GP Inc. <sup>1</sup>	Renewable energy development	15	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE KS Holdings LP <sup>1</sup>	Renewable energy development	515	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE KS Holdings GP, Inc. 0.01%
SRE Belle River LP Holdings LP <sup>1</sup>	Renewable energy development	23,680	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Belle River GP Holdings Inc. 0.01%
SRE Armow EPC GP Inc. <sup>1</sup>	Renewable energy development	10	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Armow EPC LP <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Armow EPC GP Inc. 0.01%
SRE Armow LP Holdings LP <sup>1</sup>	Renewable energy development	5,353	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind GP Holdings, Inc. 0.01%

**Samsung C&T Corporation and Subsidiaries**  
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Total			
SRE North Kent 1 LP Holdings LP <sup>1</sup>	Renewable energy development	₩ 19,873	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE North Kent 1 GP Holdings Inc. 0.01%
SRE Wind GP Holdings, Inc. <sup>1</sup>	Renewable energy development	124	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE North Kent 2 LP Holdings LP <sup>1</sup>	Renewable energy development	200	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE North Kent 2 GP Holdings Inc. 0.01%
SRE Solar Development GP Inc. <sup>1</sup>	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Development LP <sup>1</sup>	Renewable energy development	277	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Solar Development GP Inc. 0.01%
SRE Windsor Holdings GP Inc. <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Southgate Holdings GP Inc. <sup>1</sup>	Renewable energy development	12	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Construction Management GP Inc. <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Construction Management LP <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Solar Construction Management GP Inc. 0.01%
SRE Development GP Inc. <sup>1</sup>	Renewable energy development	7	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%

**Samsung C&T Corporation and Subsidiaries**  
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Total			
SRE Development LP <sup>1</sup>	Renewable energy development	₩ 184	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Development GP Inc. 0.01%
SRE BRW EPC GP Inc. <sup>1</sup>	Renewable energy development	5	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE BRW EPC LP <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE BRW EPC GP Inc. 0.01%
SRE North Kent 1 GP Holdings Inc. <sup>1</sup>	Renewable energy development	20	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE North Kent 2 GP Holdings Inc. <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Belle River GP Holdings Inc. <sup>1</sup>	Renewable energy development	20	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE NK1 EPC GP Inc. <sup>1</sup>	Renewable energy development	5	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE NK1 EPC LP <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE NK1 EPC GP Inc. 0.01%
SRE Summerside Construction GP Inc. <sup>1</sup>	Renewable energy development	6	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Summerside Construction LP <sup>1</sup>	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Summerside Construction GP Inc. 0.01%
Samsung Solar Energy LLC. <sup>1</sup>	Renewable energy development	8,996	-	-	-	100.00	U.S.A	Samsung C&T America, Inc. 100%

**Samsung C&T Corporation and Subsidiaries**  
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
Samsung Solar Energy 1 LLC. <sup>1</sup>	Renewable energy development	₩ 2,555	-	-	-	100.00	U.S.A	Samsung Solar Energy LLC. 100%
Samsung Solar Energy 2 LLC. <sup>1</sup>	Renewable energy development	6,134	-	-	-	100.00	U.S.A	Samsung Solar Energy LLC. 100%
Samsung Solar Energy 3 LLC. <sup>1</sup>	Renewable energy development	314	-	-	-	100.00	U.S.A	Samsung Solar Energy LLC. 100%
Samsung C&T Deutschland GmbH <sup>1</sup>	Trading	18,551	-	-	-	100.00	Germany	
Samsung C&T U.K. Ltd.	Trading	59,415	27,950,000	27,950,000	-	100.00	United Kingdom	
Samsung C&T ECUK Limited	Construction	27,814	19,033,000	19,033,000	-	100.00	United Kingdom	
Whesoo Engineering Limited	Industrial plant engineering	-	138	138	-	100.00	United Kingdom	
SAMOO HU Designer and Engineering Services Limited Liability Company <sup>1</sup>	Architectural design service	166	-	-	-	100.00	Hungary	Samoo Architects & Engineers Co., Ltd. 100%
POSS-SLPC S.R.O. <sup>1</sup>	Production of steel products	5,967	-	-	-	70.00	Slovakia	Samsung C&T Deutschland GmbH 20%
Solluce Romania 1 B.V. <sup>1</sup>	Renewable energy development	33,517	-	-	-	100.00	Netherlands	Samsung C&T Deutschland GmbH 20%
Samsung C&T (KL) Sdn. Bhd.	Construction	3,870	1,000,000	1,000,000	-	100.00	Malaysia	
Samsung C&T Malaysia Sdn. Bhd.	Trading	6,002	15,000,000	15,000,000	-	100.00	Malaysia	
Samsung Chemtech VINA <sup>1</sup>	Trading	3,554	-	-	-	100.00	Vietnam	Samsung C&T Singapore Pte. Ltd. 48.33%

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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
S-Print, Inc. <sup>1</sup>	Production of textile	₩ 2,245	-	-	-	80.00	Vietnam	Samsung C&T America, Inc. 24%, Samsung C&T Singapore Pte. Ltd. 16%
Samsung C&T (Thailand) Co., Ltd.	Trading	126	409,600	180,000	54,000	57.13	Thailand	Samsung C&T Hongkong Limited 13.18%
PT. Insam Batubara Energy	Wholesale and retail of coal	1,037	1,000,000	900,000	100,000	100.00	Indonesia	Samsung C&T Singapore Pte. Ltd. 10%
Samsung C&T India Private Ltd.	Construction	2,748	126,500,000	126,500,000	-	100.00	India	
Samsung C&T Corporation India Private Ltd.	Trading	3,455	16,500,001	16,500,001	-	100.00	India	
MSSC Sdn., Bhd.	Production of steel products	4,928	44,974	31,482	13,492	100.00	Malaysia	Samsung C&T Singapore Pte. Ltd. 30%
Samsung C&T Singapore Pte. Ltd.	Trading	35,574	34,000,000	34,000,000	-	100.00	Singapore	
S&G Bio Fuel Pte. Ltd.	Natural resources development	45,922	46,312,500	23,400,000	5,850,000	63.16	Singapore	Samsung C&T Singapore Pte. Ltd. 12.63%
PT Gandaerah Hendana	Natural resources development	11,320	100,000,000	-	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%
PT Inecda	Natural resources development	11,320	100,000,000	-	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%
SAMSUNG C&T Mongolia LLC. <sup>1</sup>	Construction	1,215	-	-	-	70.00	Mongolia	
Samsung C&T Eng.&Const. Mongolia LLC. <sup>1</sup>	Construction	598	-	-	-	100.00	Mongolia	
S&Woo Construction Philippines, Inc. <sup>2</sup>	Construction	239	9,400	9,400	-	100.00	Philippines	

**Samsung C&T Corporation and Subsidiaries**  
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
SAMOO DESIGNERS & ENGINEERS INDIA PRIVATE LIMITED	Architectural design service	₩ 192	1,100,000	-	1,100,000	100.00	India	Samoo Architects & Engineers Co., Ltd. 100%
SAMOO (KL) SDN. BHD.	Architectural design service	269	-	-	-	100.00	Malaysia	Samoo Architects & Engineers Co., Ltd. 100%
Samsung (Tianjin) International Trading Co., Ltd. <sup>1</sup>	Trading	382	-	-	-	100.00	China	Samsung C&T Hongkong Limited 100%
Samsung Trading (Shanghai) Co., Ltd. <sup>1</sup>	Trading	498	-	-	-	100.00	China	Samsung C&T Hongkong Limited 100%
Samsung C&T Hongkong Limited	Trading	47,849	61,483	61,483	-	100.00	Hong Kong	
Samsung C&T Taiwan Co., Ltd.	Trading	361	1,000,000	1,000,000	-	100.00	Taiwan	
Samsung Precision Stainless Steel (pinghu) Co., Ltd. <sup>1</sup>	Production of steel products	82,979	-	-	-	100.00	China	Samsung C&T Hongkong Limited 45%
Samsung C&T (Shanghai) Co., Ltd. <sup>1</sup>	Construction	11,066	-	-	-	100.00	China	
Samsung C&T (Xi'an) Co., Ltd. <sup>1</sup>	Construction	1,428	-	-	-	100.00	China	
Samsung C&T Corporation Saudi Arabia <sup>1</sup>	Construction	143,425	-	-	-	100.00	Saudi Arabia	
SAM Gulf Investment Limited	Investment	12	38,912	38,912	-	100.00	UAE	
Samsung C&T Chile Copper SpA	Natural resources development	12,918	11,535,517	11,535,517	-	100.00	Chile	
SCNT Power Kejar Inversiones LTDA.	Thermal power generation	42,705	100	100	-	100.00	Chile	
S.C. Otelinnox S.A.	Production of stainless steel plates and poles	56,148	33,078,479	-	31,179,053	94.26	Romania	Samsung C&T Deutschland GmbH 94.26%

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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T Subsidiaries	Total			
Samsung Corporation Rus LLC. 1	Construction	₩ 6,303	-	-	-	100.00	Russia	
Samsung Biologics Co., Ltd. <sup>3</sup>	Biopharmaceutical products manufacturing	165,413	66,165,000	28,742,466	-	43.44	Korea	
Cheil Fashion Retail Co., Ltd.	Manufacturing and selling garments	10,000	2,000,000	2,000,000	-	100.00	Korea	
Natural 9 Co., Ltd.	Manufacturing and selling garments	10,000	2,000,000	1,020,000	-	51.00	Korea	
Cheil Industries Corp., USA	Manufacturing and selling garments	106	1	1	-	100.00	U.S.A	
Cheil Industries Italy S.R.L. <sup>1</sup>	Manufacturing and selling garments	8,813	-	-	-	100.00	Italy	
Colombo Via della Spiga S.R.L. 1	Manufacturing and selling garments	144	-	-	-	100.00	Italy	Cheil Industries Italy S.R.L. 100%
Samsung Fashion Trading (Shanghai) Co., Ltd. <sup>1</sup>	Manufacturing and selling garments	65,993	-	-	-	100.00	China	
Samsung Weilstory Inc.	Foodservice business	10,000	2,000,000	2,000,000	-	100.00	Korea	
Cheil Industries Inc. Vietnam Co., Ltd. <sup>1</sup>	Construction	1,143	-	-	-	100.00	Vietnam	
Weilstory Vietnam Co., Ltd. <sup>1</sup>	Foodservice business	10,007	-	-	-	90.00	Vietnam	Samsung Weilstory Inc. 90%
Samsung C&T Corporation UEM Construction JV Sdn. Bhd.	Construction	205	750,000	450,000	-	60.00	Malaysia	
Shanghai Ever HongJun Business Management Service Co., Ltd. <sup>1</sup>	Foodservice business	2,536	-	-	-	85.00	China	Samsung Weilstory Inc. 85%



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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
Shanghai Weistory Food Company Limited <sup>1</sup>	Foodservice business	₩ 4,861	-	-	-	70.00	China	Samsung Weistory Inc. 70%
Eight Seconds (Shanghai) Co., Ltd. <sup>1</sup>	Selling garments	19,434	-	-	-	100.00	China	Samsung Fashion Trading Co., Ltd. 100%
Eight Seconds (Shanghai) Trading Co., Ltd <sup>1</sup>	Selling garments	10,525	-	-	-	100.00	China	Eight Seconds (Shanghai) Co., Ltd. 100%

<sup>1</sup> No share has been issued in accordance with the local laws and regulations.

<sup>2</sup> The Parent Company has de facto control to appoint or dismiss more than 50% of the members of Board of Directors although it has less than 50% ownership interest.

<sup>3</sup> Considering that the Parent Company holds significantly more voting rights than any other vote holders, the other shareholdings are widely dispersed, and taking into account the participation rate of previous shareholders' meetings and patterns to exercise voting rights, the Parent Company is deemed to have de facto control although it has less than 50% ownership interest.

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(b) Summarized financial information of subsidiaries as at and for the nine-month period ended September 30, 2019, is as follows:

(In millions of Korean won)

Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the period	Total comprehensive income (loss)
Seoul Lakeside Co., Ltd.	₩ 619,377	₩ 283,192	₩ 39,158	₩ 10,076	₩ 10,076
Samoo Architects & Engineers Co., Ltd.	132,834	68,029	142,181	12,699	12,699
CVnet Corporation	34,394	11,968	46,643	1,349	1,349
Myodo Metal Co., Ltd.	102,760	94,184	101,381	77	1,063
Samsung C&T Japan Corporation	290,437	207,942	1,148,935	6,417	13,528
Samsung C&T America, Inc.	475,845	217,887	615,886	5,321	22,186
Samsung Renewable Energy, Inc.	170,388	12,884	-	116,584	116,256
Samsung Green Repower, LLC.	9,437	54	-	(2)	145
Samsung E&C America, Inc.	37,355	30,867	58,841	662	1,087
Samsung Solar Construction, Inc.	34	-	-	(1)	2
QSSC, S.A, de C.V.	94,043	82,782	139,235	45	824
Samsung C&T Oil & Gas Parallel Corp.	313,993	376,377	-	(5,098)	(24,198)
Parallel Petroleum LLC.	323,108	55,275	49,583	3,846	22,499
SRE GRW EPC GP, Inc.	4	-	-	(2)	(2)
SRE GRW EPC LP	45	-	-	(2)	3
SRE SKW EPC GP, Inc.	-	-	-	(2)	(2)
SRE SKW EPC LP	35	-	-	(2)	2
Samsung C&T Canada Ltd.	210,639	299,307	98,041	(99,114)	(101,555)
PLL Holdings LLC.	510,574	283,830	-	(3,424)	(22,905)
SRE GRW LP Holdings LP	17,307	-	-	5,185	6,895
SRE SKW LP Holdings LP	28,668	-	-	22,759	26,473
SRE WIND PA GP Inc.	2	-	-	(1)	(1)
SRE WIND PA LP	1,749	22	1,462	1,514	1,779
PLL E&P LLC.	6,636	5,641	877	(939)	(835)
SRE GRS Holdings GP Inc.	5	-	-	(4)	(4)
SRE GRS Holdings LP	1,833	-	-	150	317
SRE K2 EPC GP Inc.	4	-	-	(2)	(2)
SRE K2 EPC LP	888	-	-	12	97
SRE KS Holdings GP Inc.	7	-	-	(5)	(4)
SRE KS Holdings LP	2,236	-	-	192	348

**Samsung C&T Corporation and Subsidiaries**  
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(In millions of Korean won)

Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the period	Total comprehensive income (loss)
SRE Belle River LP Holdings LP	₩ 24,669	₩ -	₩ -	₩ 354	₩ 1,452
SRE Armow EPC GP Inc.	1	-	-	(2)	(2)
SRE Armow EPC LP	1,171	-	-	17	128
SRE Armow LP Holdings LP	44,607	-	-	12,414	14,013
SRE North Kent 1 LP Holdings LP	20,879	-	-	274	1,032
SRE Wind GP Holdings, Inc.	119	-	-	8	14
SRE North Kent 2 LP Holdings LP	23	-	-	(2)	(1)
SRE Solar Development GP Inc.	4	-	-	(2)	(2)
SRE Solar Development LP	211	-	-	-	21
SRE Windsor Holdings GP Inc.	3	-	-	(3)	(2)
SRE Southgate Holdings GP Inc.	2	-	-	(3)	(2)
SRE Solar Construction Management GP Inc.	4	-	-	(2)	(2)
SRE Solar Construction Management LP	90	-	-	10	64
SRE Development GP Inc.	1	-	-	(2)	(2)
SRE Development LP	57	-	-	(3)	2
SRE BRW EPC GP Inc.	1	-	-	(1)	(1)
SRE BRW EPC LP	1,032	-	-	70	423
SRE North Kent 1 GP Holdings Inc.	15	-	-	(2)	(2)
SRE North Kent 2 GP Holdings Inc.	-	-	-	(2)	(2)
SRE Belle River GP Holdings Inc.	16	-	-	(2)	(1)
SRE NK1 EPC GP Inc.	1	-	-	(1)	(1)
SRE NK1 EPC LP	918	-	-	61	360
SRE Summerside Construction GP Inc.	3	-	-	(2)	(2)
SRE Summerside Construction LP	229	1	-	-	22
Samsung Solar Energy LLC.	9,004	-	-	(3)	14
Samsung Solar Energy 1 LLC.	7,075	-	-	4,132	4,370
Samsung Solar Energy 2 LLC.	5,031	9	-	(1,015)	(701)
Samsung Solar Energy 3 LLC.	308	-	-	(3)	(6)
Samsung C&T Deutschland GmbH	474,912	198,377	584,459	22,948	27,532
Samsung C&T U.K. Ltd.	37,584	21,506	114,127	806	1,295
Samsung C&T ECUK Limited	51,845	127,966	7,362	(21,446)	(23,505)
Whessoe Engineering Limited	1,537	8,025	7,653	(461)	(690)

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the period	Total comprehensive income (loss)
SAMOO HU Designer and Engineering Services Limited Liability Company	₩ 157	₩ -	₩ -	₩ -	₩ (10)
POSS-SLPC S.R.O.	33,104	20,577	52,697	419	748
Solluce Romania 1 B.V.	33,007	423	-	(58)	(67)
Samsung C&T (KL) Sdn. Bhd.	192,935	177,186	145,908	(3,065)	(1,973)
Samsung C&T Malaysia Sdn. Bhd.	8,066	5,004	7,038	(11)	177
Samsung Chemtech VINA	65,263	52,787	130,884	2,394	3,176
S-Print	12,288	14,676	17,080	518	334
Samsung C&T (Thailand) Co., Ltd.	23,582	10,530	58,247	2,411	3,850
PT. Insam Batubara Energy	14	2,202	-	(2)	(153)
Samsung C&T India Private Ltd.	199,886	182,008	237,378	10,281	11,025
Samsung C&T Corporation India Private Ltd.	2,035	2,368	1,707	(1,027)	(1,012)
MSSC Sdn.,Bhd.	31,132	24,321	48,631	545	940
Samsung C&T Singapore Pte. Ltd.	222,629	200,596	1,083,435	3,842	4,266
S&G Bio Fuel Pte. Ltd.	120,249	57,197	-	11,175	6,402
PT Gandaerah Hendana	31,145	28,739	24,439	2,442	4,328
PT Inecda	36,123	6,089	17,856	1,750	5,745
SAMSUNG C&T Mongolia LLC.	20,166	12,133	193	8	544
Samsung C&T Eng.&Const. Mongolia LLC.	28,709	7,874	1,133	3,516	4,767
S&Woo Construction Philippines, Inc.	4,169	5,455	(63)	(2,351)	(2,346)
SAMWOO DESIGNERS & ENGINEERS INDIA PRIVATE LIMITED	1,573	707	1,576	(225)	(163)
SAMOO (KL) SDN. BHD.	620	333	-	-	18
Samsung (Tianjin) International Trading Co., Ltd.	1,272	-	-	(2)	42
Samsung Trading (Shanghai) Co., Ltd.	41,288	20,609	181,044	774	1,452
Samsung C&T Hongkong Limited	187,198	67,657	2,103,438	(6,364)	(1,693)
Samsung C&T Taiwan Co., Ltd.	6,968	498	2,758	866	1,199
Samsung Precision Stainless Steel (Pinghu) Co., Ltd.	90,219	11,775	51,192	3,356	5,912
Samsung C&T (Shanghai) Co., Ltd.	47,762	11,620	73	(1,764)	(462)
Samsung C&T (Xi'an) Co., Ltd.	144,021	85,030	368,575	31,522	32,355
Samsung C&T Corporation Saudi Arabia	142,341	334,368	87,598	12,096	(1,685)
SAM Gulf Investment Limited	271	1,482	-	(1,107)	(1,150)
Samsung C&T Chile Copper SpA	3,564	-	-	(7)	(2,667)

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the period	Total comprehensive income (loss)
SCNT Power Kelar Inversiones LTDA.	₩ 77,442	₩ 34,312	₩ -	₩ 52	₩ 89
S.C. Otelinox S.A.	61,900	7,967	36,687	1,753	1,999
Samsung Corporation Rus LLC.	62,314	821	37,000	27,920	33,404
Samsung BioLogics Co., Ltd.	6,379,452	1,729,659	388,265	(48,779)	(49,012)
Cheil Fashion Retail Co., Ltd.	5,200	2,021	19,183	741	741
Natural 9 Co., Ltd.	362	-	116	(732)	(732)
Cheil Industries Corp., USA	1,072	460	1,032	28	69
Cheil Industries Italy S.R.L.	17,117	6,924	47,500	353	319
Colombo Via della Spiga S.R.L.	6,645	2,570	3,511	128	236
Samsung Fashion (Shanghai) Trading Co., Ltd.	84,750	70,649	106,183	(4,900)	(4,284)
Samsung Welstory Inc.	666,547	248,566	1,471,801	47,645	47,630
Cheil Industries Inc. Vietnam Co., Ltd.	3,093	1,964	31	(410)	(316)
Welstory Vietnam Co., Ltd.	33,595	16,594	74,410	1,752	2,871
Samsung C&T Corporation UEM Construction JV Sdn. Bhd.	132,274	258,698	144,932	(4,126)	(11,704)
Shanghai Ever Hongjun Business Management Service Co., Ltd.	13,575	5,820	54,365	2,500	2,671
Shanghai Welstory Food Company Limited	9,390	8,416	42,896	(199)	(158)
Eight Seconds (Shanghai) Co., Ltd.	1	-	-	(13)	(13)
Eight Seconds (Shanghai) Trading Co., Ltd.	2	-	-	5,048	5,048

<sup>1</sup> Intercompany transactions, balances, and unrealized gains and losses on transactions between the Group companies are not eliminated in the summarized financial information above. Also, shares in controlled subsidiaries and associates, accounted for under the equity method which the controlled subsidiaries own, are recognized at acquisition cost.

**Samsung C&T Corporation and Subsidiaries**  
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**1.3 Investments in Associates and Joint Ventures**

General information of associates and joint ventures as at September 30, 2019, is as follows (Note 12):

Associates	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	
				Samsung C&T	Subsidiaries Total			
Dongducheon Dream Power Co., Ltd.	Integrated thermal power generation	₩ 344,755	76,225,515	24,026,500	-	24,026,500	31.52	Korea
Tianjin Eco-City Shengxing Development Co., Ltd. <sup>1</sup>	Property development	48,274	-	-	-	-	40.00	China
Qurayyah Investment Company <sup>1</sup>	Construction business	371,923	-	-	-	-	35.00	Saudi Arabia
Hanwha General Chemical Co., Ltd.	Petrochemical	554,714	42,500,410	8,522,679	-	8,522,679	20.05	Korea
Samsung Bioepis Co., Ltd. <sup>2</sup>	Research and development on medicine and pharmacy	103,419	20,683,705	-	10,341,853	10,341,853	50.00	Korea

**Samsung C&T Corporation and Subsidiaries**  
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Joint ventures	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares			Ownership interest held by the Group (%)	Location
				Samsung C&T	Subsidiaries	Total		
Korea LNG Limited	Natural resources development	₩ 14	12,000	2,400	-	2,400	20.00	Bermuda
South Kent Wind LP <sup>1</sup>	Renewable energy development	12,333	-	-	-	-	49.99	Canada
SP Belle River LP <sup>1</sup>	Renewable energy development	43,971	-	-	-	-	42.49	Canada
Kelar S.A. <sup>1</sup>	Thermal power generation	120,733	-	-	-	-	35.00	Chile

<sup>1</sup> No share has been issued in accordance with the local laws and regulations.

<sup>2</sup> On June 29, 2018, Biogen Therapeutics Inc. exercised a call option that would allow Biogen Therapeutics Inc. to increase its ownership interest in Samsung Bioepis Co., Ltd., the investee of the Group, up to 50% minus one share. Accordingly, the Group's ownership interest decreased from 94.61% to 50% plus one share subsequent to the exercise. Although the Group owns more than 50% of the ownership interest in Samsung Bioepis Co., Ltd., it is classified as investments in associates because the Group cannot unilaterally control the activities of the Board and the decisions made on the shareholders' meeting in accordance with the composition of the Board of Directors under the shareholders' agreement and the quorum for resolution of the shareholders' meetings.

**Samsung C&T Corporation and Subsidiaries**  
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**1.4 Changes in Scope for Consolidation**

Subsidiaries newly included in the consolidation for the nine-month period ended September 30, 2019:

<b>Subsidiaries</b>	<b>Description</b>
Samsung Solar Energy 3 LLC	Newly established
SAMOO HU Designer and Engineering Services Limited Liability Company	Newly established

Subsidiary excluded from the consolidation for the nine-month period ended September 30, 2019:

<b>Subsidiary</b>	<b>Description</b>
SCNT Power Norte S. de R.L. de C.V.	Disposal

**1.5 Information about Non-Controlling Interest**

Profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group, is as follows:

Accumulated non-controlling interests of subsidiaries as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
Samsung BioLogics Co., Ltd.	₩	2,491,822	₩	2,513,827
Others		92,154		88,518
	₩	<u>2,583,976</u>	₩	<u>2,602,345</u>

Profit or loss attributed to the non-controlling interests for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>				<b>2018</b>			
	<b>Three months</b>		<b>Nine months</b>		<b>Three months</b>		<b>Nine months</b>	
Samsung BioLogics Co., Ltd.	₩	17,832	₩	(22,103)	₩	(22,066)	₩	(72,344)
Others		(153)		514		(23,845)		(30,757)
	₩	<u>17,679</u>	₩	<u>(21,589)</u>	₩	<u>(45,911)</u>	₩	<u>(103,101)</u>



**Samsung C&T Corporation and Subsidiaries**  
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Dividends paid to the non-controlling interests for the nine-month periods September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Parallel Petroleum LLC	₩	4,021	₩	9,457
Others		880		96
	₩	<u>4,901</u>	₩	<u>9,553</u>

Summarized financial information for each subsidiary with non-controlling interests that are material to the Group as at and for the nine-month periods ended September 30, 2019 and 2018, is as follows. The subsidiary's financial information was prepared using equity method for their associates and joint ventures.

**Summarized Statements of Financial Position**

<i>(in millions of Korean won)</i>	<b>Samsung BioLogics Co., Ltd.</b>			
	<b>September 30,</b>		<b>December 31,</b>	
	<b>2019</b>		<b>2018</b>	
Current assets	₩	1,338,598	₩	1,577,681
Non-current assets		4,663,766		4,656,017
Current liabilities		715,659		709,919
Non-current liabilities		882,496		1,079,030
Equity		4,404,209		4,444,748

**Summarized Statements of Comprehensive Income**

<i>(in millions of Korean won)</i>	<b>Samsung BioLogics Co., Ltd.</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Sales	₩ 184,818	₩ 388,265	₩ 101,067	₩ 362,398
Profit (loss) for the period	31,529	(39,078)	(38,964)	(127,857)
Other comprehensive income (loss)	39	75	(638)	1,012
Total comprehensive income (loss)	31,568	(39,003)	(39,602)	(126,845)

**Samsung C&T Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
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**Summarized Statements of Cash Flows**

*(in millions of Korean won)*

	<b>Samsung BioLogics Co., Ltd.</b>	
	<b>2019</b>	<b>2018</b>
Cash flows from operating activities	₩ (93,904)	₩ (65,393)
Cash flows from investing activities	268,299	(610,041)
Cash flows from financing activities	(171,516)	336,441
Increase (decrease) in cash and cash equivalents	2,879	(338,993)
Cash and cash equivalents at the beginning of the period	17,622	358,088
Cash and cash equivalents at the end of the period	<u>₩ 20,501</u>	<u>₩ 19,095</u>

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

### **September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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#### **2. Significant Accounting Policies**

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **2.1 Basis of Preparation**

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

The Group's condensed consolidated interim financial statements for the nine-month period ended September 30, 2019, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at September 30, 2019.

##### *(a) New and Amended Standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

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

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases*. Under Korean IFRS 1116, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

With implementation of Korean IFRS 1116 *Leases*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 32.

## **Samsung C&T Corporation and Subsidiaries**

### **Notes to the Consolidated Interim Financial Statements**

#### **September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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##### - Amendments to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendments do not have a significant impact on the consolidated interim financial statements.

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

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

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

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

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

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

##### - Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

###### · Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendments do not have a significant impact on the consolidated interim financial statements.

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

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- Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendments do not have a significant impact on the consolidated interim financial statements.

- Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the consolidated interim financial statements.

- Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendments do not have a significant impact on the consolidated interim financial statements.

*(b) New standards and interpretations not yet adopted by the Group*

There are no new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2019 and have not been early adopted by the Group.

## **2.2 Significant Accounting Policies**

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

### **2.2.1 Income tax expense**

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

# **Samsung C&T Corporation and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

### **September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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#### **3. United States Dollar Amounts**

The Company and its domestic subsidiaries operate primarily in Korean won and their official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All Korean won amounts, other than those in statements of comprehensive income, have been translated into U.S. dollars at the exchange rate of ₩ 1,201.3 to US\$ 1, while Korean won amounts in the statements of comprehensive income have been translated into U.S. dollars at the exchange rate of ₩ 1,161.69 to US\$ 1. Such presentation is not in accordance with generally accepted accounting principles in either the Republic of Korea or the United States, 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 any other rate.

#### **4. Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements 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 will, by definition, seldom equal the related actual results.

Significant accounting estimates and assumptions applied in the preparation of these consolidated interim financial statements are the same as those that applied to the annual consolidated financial statements for the year ended December 31, 2018, except for the estimates used to determine income tax expense, and accounting estimates and assumptions for implementation of Korean IFRS 1116 explained in Note 32.

Meanwhile, significant accounting estimates and assumptions related to construction contracts are addressed below. The accounting estimates and assumptions, and method of computation applied in the preparation of the consolidated interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2018.

##### *- Uncertainty of the estimated total contract revenue*

Total contract revenue is measured based on contractual amount initially agreed. The contract revenue can be increased by additional contract work, claims and incentive payments in the course of construction, or decreased by the penalty when the completion of contract is delayed due to the Group's fault. Therefore, this measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The change in contract revenue is recognized when it is probable that the customer will approve the increase in revenue due to the changes in contract work, or when it is probable that the Group will be able to satisfy the performance requirements, and the amount can be estimated reliably.

**Samsung C&T Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
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*- Uncertainty of the estimated total contract revenue due to construction delay*

The measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Group's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed.

*- Uncertainty of the estimated total contract costs*

Construction revenue is recognized according to the percentage of completion, which is measured on the basis of the gross amount incurred to date. Total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others.

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**5. Construction Contracts**

Details of recognized construction profit or loss for construction contracts for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Buildings	₩	6,436,820	₩	5,796,292
Infra		1,382,250		1,855,040
Plant		1,056,725		1,232,441
Landscaping		108,853		118,213
	₩	<u>8,984,648</u>	₩	<u>9,001,986</u>

As at September 30, 2019, the Group's remaining balance of construction contracts amounts to ₩ 23,061,610 million.

As at September 30, 2019, the Group has accumulated revenues and costs<sup>1</sup> on the ongoing construction projects amounting to ₩ 31,674,008 million and ₩ 29,434,289 million, respectively. As at September 30, 2018, the total accumulated revenues and costs<sup>1</sup> incurred on all construction projects, including those completed during the current period, are ₩ 40,111,197 million and ₩ 37,195,850 million, respectively.

<sup>1</sup> The accumulated revenues and costs include the accumulated revenues and costs of the former Samsung C&T Corporation prior to the merger.



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The account balances of outstanding construction contracts as at September 30, 2019 and December 31, 2018, are summarized as follows:

<i>(in millions of Korean won)</i>		September 30, 2019					December 31, 2018
		Buildings	Infra	Plant	Landscaping	Total	Total
Receivables	Receivables from construction contracts	₩ 1,494,682	₩ 110,095	₩ 59,931	₩ 33,970	₩ 1,698,678	₩ 2,565,112
	Guarantee deposits	127,524	113,123	137,085	2	377,734	370,550
	Long-term loans	149,374	-	-	-	149,374	146,790
	Short-term loans	141,131	-	-	-	141,131	283,654
Contract assets	Due from customer for construction work	453,677	225,908	398,367	15,922	1,093,874	826,463
	Prepaid expenses	85,870	5,502	1,035	64	92,471	77,435
Contract liabilities	Advances received	50,951	33,204	30,769	2,073	116,997	357,848
	Due to customer for contract work	911,646	315,444	283,856	665	1,511,611	1,997,503
Other assets	Advance payments	190,850	120,954	164,653	190	476,647	592,430

The Group is provided with payment guarantees amounting to ₩ 7,342,655 million (December 31, 2018: ₩ 8,686,273 million), ₩ 547,193 million (December 31, 2018: ₩ 924,263 million), ₩ 16,421 million (December 31, 2018: ₩ 18,687 million), and ₩ 23,702 million (December 31, 2018: ₩ 18,921 million) from financial institutions, and Construction Guarantee Cooperative, Software Guarantee Cooperative, and Engineering Guarantee Cooperative, respectively, in relation to the construction performance and others.

As at September 30, 2019, construction sites are covered by construction work insurance amounting to ₩ 3,191,176 million with Samsung Fire & Marine Insurance Co., Ltd. and others.

The Group arranges housing finance for the members engaged in redevelopment and reconstruction projects that the Group manages. Advances on housing finance temporarily received but not executed amounts to ₩ 706,430 million. The Group has provided a joint guarantee limit of ₩ 3,249,200 million (balance of ₩ 2,648,700 million) with regard to the housing finance in accordance with the agreements with the relevant financial institutions.

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As at September 30, 2019 and December 31, 2018, information of each contract<sup>1</sup> where contract revenue for the nine-month periods ended September 30, 2019 and 2018, is more than 5% of the previous year's revenues, is as follows:

<i>(in millions of Korean won)</i>				<b>September 30, 2019</b>						
<b>Contract Name<sup>1</sup></b>	<b>Contract date</b>	<b>Contractual due date</b>	<b>Percentage of completion</b>	<b>Due from customers</b>		<b>Trade receivables (receivables from construction contracts)</b>				
				<b>Gross amount</b>	<b>Accumulated impairment loss</b>	<b>Gross amount</b>	<b>Provision for impairment</b>	<b></b>		
Vietnam SDC Module 3 <sup>2</sup>	May. 2016	Nov. 2018	100.0%	₩	-	₩	-	₩	-	-
Pyeong-taek FAB 1 <sup>2</sup>	Apr. 2017	Jan. 2019	97.0%		-		-		-	-
Australia Westconnex Stage 1b (M4 East) <sup>2</sup>	Jun. 2015	Mar. 2019	99.7%		-		-		-	-
Hwaseong E-PJT	Nov. 2017	Nov. 2019	99.8%		-		-		-	-
Pyeong-taek FAB 2	Dec. 2017	Nov. 2019	88.8%		-		-		-	-
Singapore Changi Airport Pkg.1	Oct. 2015	Dec. 2019	88.3%		-		-	6,568		-
Algeria Naama	Feb. 2014	Feb. 2020	90.2%		-		-	19,473		-
Australia Westconnex Stage2 (M5 Main Tunnel)	Nov. 2015	Mar. 2020	93.3%		3,960		-	-		-
UAE nuclear power plant	Mar. 2010	Dec. 2020	90.2%		-		-	2,259		-
Saudi Riyadh Metro	Oct. 2013	Dec. 2020	86.9%		-		-	16,583		-
Algeria Mostaghanem	Feb. 2014	Apr. 2021	49.9%		-		-	15,852		-
Gangneung Anin coal-fired power plant	Feb. 2014	Mar. 2023	26.2%		221,871		-	15,530		-
Singapore Thomson East Coast Line T313	Mar. 2016	Feb. 2024	45.9%		32,862		-	9,994		-
India Mumbai DAICEC	Dec. 2013	Mar. 2020	91.6%		39,111		-	33,546		-
Malaysia KL118 Tower	Nov. 2015	Dec. 2020	42.6%		44,853		-	-		-

<sup>1</sup> Construction projects that are practically completed as at September 30, 2019, are excluded.

<sup>2</sup> As at September 30, 2019, the contractual due dates have passed but the construction is still in process due to the customer's request for additional construction works. The Group is continuing the negotiation with the customer in relation to the extension of contractual due date.

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December 31, 2018

Contract Name <sup>1</sup>	Contract date	Contractual due date	Percentage of completion	Due from customers		Trade receivables (receivables from construction contracts)	
				Gross amount	Accumulated impairment loss	Gross amount	Provision for impairment
Turkey Kirikkale CCPP	Oct. 2014	Jun. 2017	100.0%	₩	- ₩	- ₩	- ₩
Saudi RABIGH 2 IPP	Nov. 2013	Feb. 2018	100.0%		-	501	-
Pyeong-taek P-PJT	May. 2015	Feb. 2018	100.0%		-	-	-
Qatar UHP IWPP	May. 2015	Jun. 2018	100.0%		11,153	-	-
Vietnam SDC Module 3 <sup>2</sup>	May. 2016	Nov. 2018	98.0%		-	-	-
Garak Siyoung Complex 1	Oct. 2015	Dec. 2018	100.0%		-	202,460	-
Pyeong-taek FAB 1	Apr. 2017	Jan. 2019	84.1%		-	269,182	-
Australia Westconnex Stage 1b (M4 East)	Jun. 2015	Mar. 2019	96.2%		2,329	-	10,528
Singapore Changi Airport Pkg.1	Oct. 2015	Jul. 2019	83.3%		13,791	-	27,499
Algeria Naama	Feb. 2014	Feb. 2020	77.4%		-	-	22,664
Australia Westconnex Stage2 (M5 Main Tunnel)	Nov. 2015	Mar. 2020	69.8%		-	-	21,271
UAE nuclear power plant	Mar. 2010	May. 2020	89.2%		1,219	-	1,384
Saudi Riyadh Metro	Oct. 2013	Dec. 2020	78.3%		10,744	-	22,118
Algeria Mostaghanem	Feb. 2014	Apr. 2021	41.7%		-	-	8,648
Gangneung Anin coal-fired power plant	Feb. 2014	Mar. 2022	10.9%		-	-	6,309
Singapore Thomson East Coast Line T313	Mar. 2016	Feb. 2024	35.5%		39,551	-	9,586
India Mumbai DAICEC	Dec. 2013	Dec. 2018	74.8%		73,290	-	49,634
Malaysia KL118 Tower	Nov. 2015	Dec. 2019	27.5%		41,797	-	50

<sup>1</sup> Construction projects that are practically completed as at December 31, 2018, are excluded.

<sup>2</sup> As at December 31, 2018, the contractual due dates have passed but the construction is still in process due to the customer's request for additional construction works. The Group is continuing the negotiation with the customer in relation to the extension of contractual due date.

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Details of major joint venture construction as at September 30, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Total contract amount</b>	<b>Amount of the Group</b>	<b>Percentage of ownership</b>	<b>Representative company</b>
UAE nuclear power plant	₩ 7,190,175	₩ 3,235,579	45.00%	Hyundai Engineering & Construction Co., Ltd.
Saudi Riyadh Metro	9,427,149	2,663,170	28.25%	FCC
Australia Westconnex Stage2 (M5 Main Tunnel)	3,322,841	996,852	30.00%	CPB
Australia Westconnex Stage 1b (M4 East)	2,355,478	785,081	33.33%	CPB
Singapore Changi Airport Pkg.1	983,375	688,363	70.00%	Samsung C&T Corporation
Shin-Kori nuclear power plant #5, 6	1,315,176	670,740	51.00%	Samsung C&T Corporation
Hong Kong Metro SCLC1109	921,368	552,821	60.00%	Samsung C&T Corporation
Hong Kong, Tung Chung New Town reclamation (overseas)	1,048,705	513,866	49.00%	BUILD KING
Bujeon-Masan DoubleTrack Electric Railway	426,120	303,312	71.18%	Samsung C&T Corporation
Hong Kong 3RS C3202	421,038	294,727	70.00%	Samsung C&T Corporation
Suseo-Pyeongtaek High-speed Railway Area 5	305,742	275,168	90.00%	Samsung C&T Corporation
Singapore TuasFinger1	800,650	224,182	28.00%	Hyundai Engineering & Construction Co., Ltd.
Canada Site C	1,733,902	866,951	50.00%	Acciona S.A.
Malaysia KL118 Tower	954,222	572,533	60.00%	Samsung C&T Corporation
Saudi Tadawul Tower PJT	537,371	322,422	60.00%	Samsung C&T Corporation
United Kingdom Mersey Gateway	742,563	247,496	33.33%	FCC S.A & Kier

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Changes in the estimated total contract revenue and estimated total contract costs by construction types for contracts in progress for the nine-month period ended September 30, 2019, and its impact on the Group's profit or loss for the period and in the succeeding periods, changes in balances of due from customers for contract work, and provisions for construction losses are as follows:

*(in millions of Korean won)*

Construction type	Changes in estimated total contract revenue	Changes in estimated total contract costs	Impact on profit or loss for the period	Impact on profit or loss for the succeeding period	Changes in due from (to) customers for contract work	Provisions for construction losses
Buildings	₩ 2,590,940	₩ 2,073,262	₩ 465,560	₩ 52,118	₩ 465,560	₩ 88,562
Infra	283,184	534,782	(253,665)	2,067	(253,665)	84,465
Plant	169,301	132,133	(25,901)	63,069	(25,901)	35,703
Landscaping	4,223	1,710	5,867	(3,355)	5,867	-
	<u>₩ 3,047,648</u>	<u>₩ 2,741,887</u>	<u>₩ 191,861</u>	<u>₩ 113,899</u>	<u>₩ 191,861</u>	<u>₩ 208,730</u>

*Uncertainty of the estimated total contract revenue due to construction delay*

The measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Group's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed. The Group strives to minimize damage claims by requesting extension of the completion date from the customers, and by giving evidence that the construction delay is not attributable to the Group. The Group will also undertake measures not to bear the damage claims from the delay.

For the nine-month period ended September 30, 2019, changes in provision for estimated warranty costs for the completed projects and provisions for construction losses from construction contract are as follows:

<i>(in millions of Korean won)</i>	Beginning	Increase	Decrease	Ending
Provision for construction warranties	₩ 180,538	₩ 21,413	₩ 19,660	₩ 182,291
Provision for construction losses	162,136	77,310	30,716	208,730

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**6. Inventories**

Inventories as at September 30, 2019 and December 31, 2018, consist of the following:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>			<b>December 31, 2018</b>		
	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Book amount</b>	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Book amount</b>
Merchandise	₩ 735,610	₩ (53,026)	₩ 682,584	₩ 684,051	₩ (51,587)	₩ 632,464
Finished goods	466,036	(23,930)	442,106	373,299	(30,636)	342,663
Raw materials	281,301	(7,107)	274,194	262,932	(6,948)	255,984
Land held for housing projects	63,991	(612)	63,379	63,991	(612)	63,379
Materials-in-transit	188,522	-	188,522	178,520	-	178,520
Semi-finished goods and work-in-progress	146,447	(1,843)	144,604	115,343	(425)	114,918
Others	130,268	(591)	129,677	112,008	(635)	111,373
	<u>₩ 2,012,175</u>	<u>₩ (87,109)</u>	<u>₩ 1,925,066</u>	<u>₩ 1,790,144</u>	<u>₩ (90,843)</u>	<u>₩ 1,699,301</u>

**7. Financial Instruments by Category**

Details of financial instruments by category as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Financial assets at fair value through profit or loss	₩ 563,968	₩ 719,510
Financial assets at fair value through other comprehensive income	20,370,914	17,948,400
Financial assets at amortized cost		
Cash and cash equivalents	2,038,572	2,903,538
Short-term financial instruments	479,047	638,374
Trade receivables <sup>1</sup>	3,263,033	4,091,520
Other current assets	1,531,041	1,779,764
Other non-current assets <sup>2</sup>	588,744	627,763
Derivative instruments		
Held for trading	36,531	36,547
Hedging instruments	30,085	9,552
	<u>₩ 28,901,935</u>	<u>₩ 28,754,968</u>

<sup>1</sup> Due from customer for contract work (contract assets net of contract liabilities) amounting to ₩ 1,055,493 million (December 31, 2018: ₩ 791,929 million) is excluded.

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<sup>2</sup> Bank deposits amounting to ₩ 1,180 million (December 31, 2018: ₩ 256 million) are subject to withdrawal restrictions in relation to the Group's loan facility agreement, and ₩ 6,816 million (December 31, 2018: ₩ 2,934 million) is subject to withdrawal restrictions in relation to lease agreements.

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Liabilities at amortized cost		
Trade payables	₩ 1,748,389	₩ 1,685,645
Short-term borrowings	1,183,866	922,594
Current portion of long-term liabilities	1,219,471	1,893,832
Other current liabilities	3,579,308	4,309,932
Debentures and long-term borrowings	938,783	1,253,312
Other non-current liabilities	374,529	100,133
Derivative instruments		
Held for trading	42,519	16,331
Hedging instruments	2,050	3,220
Other liabilities		
Short-term borrowings	372,950	446,908
Financial guarantee liabilities	37,108	37,255
	<u>₩ 9,498,973</u>	<u>₩ 10,669,162</u>

Fair value of financial instruments is the same as book amount, except for those which do not have market prices in active market and whose fair value cannot be reliably measured.

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**8. Trade Receivables and Other Assets**

Trade receivables and other assets as at September 30, 2019 and December 31, 2018, are as follows:

(in millions of Korean won)

	September 30, 2019			December 31, 2018
	Gross amount	Provision for impairment	Net amount	Net amount
<b>Trade receivables</b>				
Financial instruments	₩ 3,415,476	₩ (152,443)	₩ 3,263,033	₩ 4,091,520
Due from customer for contract work	1,093,874	(38,381)	1,055,493	791,929
	<u>4,509,350</u>	<u>(190,824)</u>	<u>4,318,526</u>	<u>4,883,449</u>
<b>Other current assets</b>				
Financial instruments:				
Short-term loans	246,996	(102,729)	144,267	302,908
Current portion of long-term receivables	2,278	-	2,278	2,153
Non-trade receivables	691,296	(34,859)	656,437	739,655
Accrued income	190,829	(52,812)	138,017	180,906
Deposits	578,930	(8,075)	570,855	554,142
Finance lease receivables	19,186	-	19,186	-
Derivative instruments (current)	64,773	-	64,773	46,100
	<u>1,794,288</u>	<u>(198,475)</u>	<u>1,595,813</u>	<u>1,825,864</u>
Advance payments	698,058	(27,027)	671,031	814,825
Prepaid expenses	222,122	(25,874)	196,248	198,392
Prepaid corporate income tax	157,960	-	157,960	139,365
Others	19,818	-	19,818	27,952
	<u>2,892,246</u>	<u>(251,376)</u>	<u>2,640,870</u>	<u>3,006,398</u>
<b>Other non-current assets</b>				
Financial instruments:				
Long-term receivables	606,079	(286,419)	319,660	366,075
Long-term financial instruments	7,996	-	7,996	709
Deposits	252,422	(1,806)	250,616	250,508
Overseas natural resources development	33,237	(22,765)	10,472	10,472
Derivative instruments	1,843	-	1,843	-
	<u>901,577</u>	<u>(310,990)</u>	<u>590,587</u>	<u>627,764</u>
Others	141,970	-	141,970	125,259
	<u>1,043,547</u>	<u>(310,990)</u>	<u>732,557</u>	<u>753,023</u>
	<u>₩ 8,445,143</u>	<u>₩ (753,190)</u>	<u>₩ 7,691,953</u>	<u>₩ 8,642,870</u>



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	<u>September 30, 2019</u>			<u>December 31, 2018</u>
	<b>Gross amount</b>	<b>Provision for impairment</b>	<b>Net amount</b>	<b>Net amount</b>
Third party receivables	₩ 6,817,649	₩ (748,672)	₩ 6,068,977	₩ 6,615,984
Related party receivables	1,627,494	(4,518)	1,622,976	2,026,886
	<u>₩ 8,445,143</u>	<u>₩ (753,190)</u>	<u>₩ 7,691,953</u>	<u>₩ 8,642,870</u>

As at September 30, 2019, trade receivables amounting to ₩ 372,950 million (December 31, 2018: ₩ 446,908 million), which were transferred to financial institutions but have not matured yet, are recognized as trade receivables and collateralized borrowings, respectively, due to a recourse in the event the debtor fails to pay (Note 15).

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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Changes in provision for impairment for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2019</b>		<b>Impairment loss / reversal</b>		<b>Write-off</b>		<b>Others<sup>1</sup></b>		<b>September 30, 2019</b>	
<b>Trade receivables</b>	₩	196,554	₩	348	₩	-	₩	(6,078)	₩	190,824
<b>Other current assets</b>										
Financial instruments:										
Short-term loans		105,092		(2,170)		-		(193)		102,729
Non-trade receivables		37,677		(1,605)		(2,498)		1,285		34,859
Accrued income		47,056		5,723		-		33		52,812
Deposits		8,075		-		-		-		8,075
		<u>197,900</u>		<u>1,948</u>		<u>(2,498)</u>		<u>1,125</u>		<u>198,475</u>
Advance payments		26,123		835		-		69		27,027
Prepaid expenses		25,976		(102)		-		-		25,874
		<u>249,999</u>		<u>2,681</u>		<u>(2,498)</u>		<u>1,194</u>		<u>251,376</u>
<b>Other non-current assets</b>										
Financial instruments:										
Long-term receivables		265,104		6,355		(44)		15,004		286,419
Deposits		1,806		-		-		-		1,806
Overseas natural resources development		22,765		-		-		-		22,765
		<u>289,675</u>		<u>6,355</u>		<u>(44)</u>		<u>15,004</u>		<u>310,990</u>
	₩	<u>736,228</u>	₩	<u>9,384</u>	₩	<u>(2,542)</u>	₩	<u>10,120</u>	₩	<u>753,190</u>

<sup>1</sup> Others include exchange differences, consolidation adjustments and others.

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	January 1, 2018	Effect of Korean IFRS 1115 adoption	Impairment loss / reversal	Write-off	Others <sup>1</sup>	September 30, 2018
<b>Trade receivables</b>	₩ 180,528	₩ -	₩ (2,580)	₩ (119)	₩ 90	₩ 177,919
<b>Other current assets</b>						
Financial instruments:						
Short-term loans	97,459	-	22,325	-	(3)	119,781
Non-trade receivables	21,970	-	16,086	(21)	229	38,264
Accrued income	44,389	-	7,578	(909)	9	51,067
Deposits	13,161	-	(2,753)	-	-	10,408
	<u>176,979</u>	<u>-</u>	<u>43,236</u>	<u>(930)</u>	<u>235</u>	<u>219,520</u>
Advance payments	26,336	-	(253)	-	35	26,118
Prepaid expenses	173,756	(117,597)	1,324	-	205	57,688
	<u>377,071</u>	<u>(117,597)</u>	<u>44,307</u>	<u>(930)</u>	<u>475</u>	<u>303,326</u>
<b>Other non-current assets</b>						
Financial instruments:						
Long-term receivables	219,018	-	15,387	(3,180)	74	231,299
Deposits	875	-	931	-	-	1,806
Overseas natural resources development	22,765	-	-	-	-	22,765
	<u>242,658</u>	<u>-</u>	<u>16,318</u>	<u>(3,180)</u>	<u>74</u>	<u>255,870</u>
	<u>₩ 800,257</u>	<u>₩ (117,597)</u>	<u>₩ 58,045</u>	<u>₩ (4,229)</u>	<u>₩ 639</u>	<u>₩ 737,115</u>

<sup>1</sup> Others include exchange differences, consolidation adjustments and others.

Impairment losses from trade receivables and other receivables are included in selling and administrative expenses, and other operating expenses, respectively, in the consolidated statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

As at September 30, 2019 and December 31, 2018, fair values of trade receivables, other current assets and other non-current assets are equal to their book amount. The maximum exposure of trade and other receivables to credit risk is the book amount of each class of receivables mentioned above.

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**9. Other Liabilities**

Details of other liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Other current liabilities</b>		
Financial instruments:		
Non-trade payables	₩ 759,515	₩ 1,083,462
Accrued expenses	1,122,583	1,256,593
Guarantee deposits received	871,243	846,227
Lease liabilities (Note 32)	119,537	-
Advances received related to housing business (Note 5)	706,430	1,123,650
	<u>3,579,308</u>	<u>4,309,932</u>
Other financial instruments:		
Derivative instruments	44,569	19,361
Finance guarantee contract	37,108	37,255
	<u>81,677</u>	<u>56,616</u>
Advances received	1,900,310	2,721,801
Withholdings	263,434	322,199
Provisions (Note 17)	309,471	121,314
Others	57,897	60,401
	<u>6,192,097</u>	<u>7,592,263</u>
<b>Other non-current liabilities</b>		
Financial instruments:		
Long-term non-trade payables	51,846	83,761
Leasehold deposits received	16,351	16,372
Long-term lease liabilities (Note 32)	306,332	-
	<u>374,529</u>	<u>100,133</u>
Derivative instruments	-	190
Long-term unearned revenue	100,843	77,315
Long-term advances received	17,175	-
Contingent liabilities	15,729	15,729
	<u>508,276</u>	<u>193,367</u>
	<u>₩ 6,700,373</u>	<u>₩ 7,785,630</u>

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**10. Contract Assets and Liabilities**

The Group has recognized the following revenue-related contract assets and liabilities:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
Contract assets relating to construction contracts - due from customers	₩	1,093,874	₩	826,463
Assets recognized for costs to fulfill contracts		213,103		174,014
Total contract assets	₩	<u>1,306,977</u>	₩	<u>1,000,477</u>
Contract liabilities relating to construction contracts - advances received for construction contracts	₩	116,997	₩	357,848
Contract liabilities relating to construction contracts - due to customers		1,511,611		1,997,503
Contract liabilities relating to customer loyalty program - advances received		17,762		19,107
Contract liabilities relating to subscription sales - advances received and unearned revenue		170,057		135,104
Total contract liabilities	₩	<u>1,816,427</u>	₩	<u>2,509,562</u>

Contract assets and contract liabilities for the construction contracts change significantly depending on the percentage of completion. Unsatisfied portion of the contract liabilities are expected to be recognized based on the percentage of completion until the contracts are terminated. Other contract liabilities are expected to be recognized as revenue when the performance obligations for customers are completed.

Assets recognized for costs to fulfill contracts are costs incurred directly to fulfill construction contracts with fixed-price, while indirect costs were recognized as selling and administrative expenses for the nine-month period ended September 30, 2019. The assets recognized are amortized over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

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**11. Financial Assets Measured at Fair Value**

*(a) Financial Assets at Fair Value through Profit or Loss*

Changes in financial assets at fair value through profit or loss for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Beginning balance	₩	719,510	₩	24,439
Acquisition		1,063,470		750,435
Disposal		(1,300,589)		(390,323)
Transfer and others		81,673		44,718
Gain on valuation		(96)		(9,068)
Ending balance	₩	<u>563,968</u>	₩	<u>420,201</u>

Details of financial assets at fair value through profit or loss as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
<b>Non-current</b>				
Equity instruments				
Domestic listed equities	₩	1	₩	1
Foreign non-listed equities		126,353		125,045
Debt instruments				
Beneficiary certificates		109		149
SOC shares		89,775		6,692
Contributions and others		47,691		47,542
		<u>263,929</u>		<u>179,429</u>
<b>Current</b>				
Beneficiary certificates		300,039		540,081
		<u>300,039</u>		<u>540,081</u>
	₩	<u>563,968</u>	₩	<u>719,510</u>

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Details of financial assets at fair value through profit or loss as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>				<b>December 31, 2018</b>	
	<b>Number of shares owned</b>	<b>Percentage of ownership (%)</b>	<b>Acquisition cost</b>	<b>Net asset value or fair value</b>	<b>Book amount</b>	<b>Book amount</b>
ACWA GUC <sup>1</sup>	767,999	10.00	₩ 9,106	₩ -	₩ -	₩ -
Smart Rail Co.,Ltd. <sup>1</sup>	1,338,440	4.09	6,692	6,447	6,447	6,692
Badaro No.19 Ship Investment Company	750,000	4.93	3,023	2,201	2,201	2,171
MMF			300,039	300,039	300,039	540,081
POSCO INDIA CHENNAI STEEL PROCESSING CENTRE PVT.LTD. and others <sup>2</sup>			339,858	255,280	255,280	170,566
			<u>₩ 658,718</u>	<u>₩ 563,967</u>	<u>₩ 563,967</u>	<u>₩ 719,510</u>

<sup>1</sup> Investments in ACWA GUC (acquisition cost: ₩ 9,106 million) and Smart Rail Co., Ltd. (acquisition cost: ₩ 6,692 million), which were classified as financial assets at fair value through profit or loss, are pledged as collateral against borrowings of investees.

<sup>2</sup> Cooperative contributions classified as financial assets at fair value through profit or loss are pledged as collateral in relation to construction payment guarantees (acquisition cost of ₩ 42,084 million).

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*(b) Financial Assets at Fair Value through Other Comprehensive Income*

Changes in financial assets at fair value through other comprehensive income for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Beginning balance	₩	17,948,400	₩	23,204,733
Acquisition		-		2,657
Disposal		(17,888)		(1,056)
Transfer and others		(78,803)		(67,576)
Gain (loss) on valuation		2,519,205		(1,897,353)
Ending balance	₩	<u>20,370,914</u>	₩	<u>21,241,405</u>

Details of financial assets at fair value through other comprehensive income as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
Equity instruments				
Listed equities	₩	20,188,730	₩	17,681,661
Non-listed equities		181,690		266,133
Debt instruments		494		606
	₩	<u>20,370,914</u>	₩	<u>17,948,400</u>
Current portion	₩	172	₩	151
Non-current portion		20,370,742		17,948,249



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Details of listed equities, including preferred shares, measured at financial assets at fair value through other comprehensive income as at September 30, 2019 and December 31, 2018, are as follows:

(in millions of Korean won)

	September 30, 2019				December 31, 2018	
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market value	Book amount	Book amount
Samsung Electronics Co., Ltd.	298,818,100	4.4	₩ 6,484,353	₩ 14,657,028	₩ 14,657,028	₩ 11,564,260
Samsung Life Insurance Co., Ltd.	38,688,000	19.34	34,819	2,750,717	2,750,717	3,156,941
Samsung SDS Co., Ltd.	13,215,822	17.08	3,396,466	2,517,614	2,517,614	2,696,028
Samsung Heavy Industries Co., Ltd. and others			202,588	263,371	263,371	264,432
			<u>₩ 10,118,226</u>	<u>₩ 20,188,730</u>	<u>₩ 20,188,730</u>	<u>₩ 17,681,661</u>

Details of non-listed equities measured at financial assets at fair value through other comprehensive income as at September 30, 2019 and December 31, 2018, are as follows:

(in millions of Korean won)

	September 30, 2019			December 31, 2018	
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Book amount	Book amount
<b>Domestic Companies</b>					
HAN ALL Co., Ltd.	-	-	₩ -	₩ -	₩ 14,867
SECUI Co., Ltd.	1,000,000	8.7	500	14,662	14,396
The Korea Economic Daily Samsung Economics Research Institute	1,187,563	6.35	7,095	11,635	11,462
YOUNGJIN Global Co., Ltd. and others	120,000	1.00	903	903	903
	-	-	33,654	22,836	18,338
			<u>42,152</u>	<u>50,036</u>	<u>59,966</u>
<b>Overseas Companies</b>					
Korea Ras laffan LNG Ltd.	2,783,333	10.00	80,279	80,780	80,780
iMaketAsia Co., Ltd.	772,657	19.32	8,941	20,757	21,267
Samsung SDI (Hongkong) Limited	5,500,000	2.44	4,477	13,144	4,477
Samsung SDI America, Inc. and others	-	-	23,810	16,973	99,643
			117,507	131,654	206,167
			<u>₩ 159,659</u>	<u>₩ 181,690</u>	<u>₩ 266,133</u>

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Changes in gain or loss on valuation of financial assets at fair value through other comprehensive income for the nine-month period ended September 30, 2019, recorded as other component of equity, consist of the following:

*(in millions of Korean won)*

	<b>Balance at January 1, 2019</b>	<b>Change for the period</b>	<b>Income tax allocated</b>	<b>Balance at September 30, 2019</b>
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 4,887,296	₩ 2,515,990	₩ (665,456)	₩ 6,737,830

Upon disposal of these equity investments, any balance in the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

As at September 30, 2019 and December 31, 2018, debt instruments at fair value through other comprehensive income are as follows and the contractual cash flows under the instruments solely represent payments of principal and interest.

*(in millions of Korean won)*

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Current portion		
Government bonds	₩ 172	₩ 151
Non-current portion		
Government bonds	322	455
	<u>₩ 494</u>	<u>₩ 606</u>

Upon disposal of these debt investments, any balance in the accumulated other comprehensive income for these debt investments is reclassified to profit or loss.

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

Details of investments in associates and joint ventures as at September 30, 2019 and December 31, 2018, are as follows (Note 1.3):

(in millions of Korean won)

	Location	Percentage of ownership(%)	September 30, 2019			December 31, 2018		
			Acquisition cost	Net assets	Book amount	Acquisition cost	Net assets	Book amount
<b>Associates</b>								
Dongducheon Dream Power Co., Ltd. <sup>2</sup>	Korea	31.52	₩ 115,456	₩ 93,777	₩ 41,182	₩ 115,456	₩ 90,276	₩ 37,680
Tianjin Eco-City Shengxing Development Co., Ltd.	China	40.00	10,968	12,969	10,765	10,968	12,382	10,147
KST POWER NORTE S.A. DE C.V.	Mexico	-	-	-	-	6,229	26,500	25,285
Hanwha General Chemical Co., Ltd.	Korea	20.05	274,900	638,082	635,385	274,900	604,930	601,676
Samsung Bioepis Co., Ltd. <sup>3</sup>	Korea	50.00	2,867,835	249,696	2,513,327	2,868,389	201,067	2,494,952
Others <sup>4</sup>			149,135	227,764	157,731	142,593	206,915	144,895
			<u>3,418,294</u>	<u>1,222,288</u>	<u>3,358,390</u>	<u>3,418,535</u>	<u>1,142,070</u>	<u>3,314,635</u>
<b>Joint ventures</b>								
Korea LNG Limited	Bermuda	20.00	83,507	48,328	48,328	83,507	38,861	38,861
South Kent Wind LP	Canada	49.99	69,311	(10,042)	43,409	69,311	6,946	63,258
SP Belle River LP	Canada	42.49	16,425	22,039	19,191	21,126	26,173	23,201
Kelar S.A.	Chile	35.00	40,026	40,340	48,037	40,026	34,659	42,084
Others			216,636	230,130	154,702	201,378	238,856	145,932
			<u>425,905</u>	<u>330,795</u>	<u>313,667</u>	<u>415,348</u>	<u>345,495</u>	<u>313,336</u>
			<u>₩ 3,844,199</u>	<u>₩ 1,553,083</u>	<u>₩ 3,672,057</u>	<u>₩ 3,833,883</u>	<u>₩ 1,487,565</u>	<u>₩ 3,627,971</u>

<sup>1</sup> The investments in associates and joint ventures are all non-listed.

<sup>2</sup> As at September 30, 2019, investments in Dongducheon Dream Power Co., Ltd., (Acquisition cost: ₩ 115,456 million), are pledged as collateral to a financial institution against the borrowings (total borrowing limit of ₩ 1,285,000 million) of Dongducheon Dream Power Co., Ltd. In addition, the Group provides fund supplement commitment on expected working capital deficit of Dongducheon Dream Power Co., Ltd. up to ₩ 18,800 million (Note 28).

<sup>3</sup> On June 29, 2018, Biogen Therapeutics Inc. exercised a call option that would allow Biogen Therapeutics Inc. to increase its ownership interest in Samsung BioEpi Co., Ltd., the investee of the Group, up to 50% minus one share. Accordingly, the Group's ownership interest decreased from 94.61% to 50% plus one share subsequent to the exercise. Although the Group owns more than 50% of the ownership interest in Samsung BioEpi Co., Ltd., it is classified as investments in associates because the Group cannot unilaterally control the activities of the Board and the decisions made on the shareholders' meeting in accordance with the composition of the Board of Directors under the shareholders' agreement and the quorum for resolution of the shareholders' meetings.

<sup>4</sup> Investments in Gaziantep SPV (acquisition cost: ₩ 12,183 million) and Qurayyah Investment Company (acquisition cost: ₩ 52,215 million), are pledged as collateral against borrowings of investees (Note 28).

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Changes in investments in associates and joint ventures for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Beginning balance	₩	3,627,971	₩	5,770,859
Effect of Korean IFRS 1115 adoption		-		(34,216)
Acquisition		25,923		10,712
Disposal and others		(33,619)		(8,695)
Share of profit (loss)		107,673		(84,339)
Transfer		(543)		(2,188,425)
Others <sup>1</sup>		(55,348)		(44,524)
Ending balance	₩	<u>3,672,057</u>	₩	<u>3,421,372</u>

<sup>1</sup> Others include dividends, exchange differences, and others.

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Summarized financial information of major associates and joint ventures, including dividends received by the Group, as at and for the nine-month period ended September 30, 2019, is as follows:

		Summarized financial information									
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Revenue	Profit for the period	Other comprehensive income (loss)	Total comprehensive income (loss)	Dividends received
<b>Associates</b>											
	Dongducheon Dream Power Co., Ltd.	₩ 137,895	₩ 1,338,637	₩ 161,472	₩ 1,050,676	₩ -	₩ 481,680	₩ 1,509	₩ -	₩ 1,509	₩ -
	Tianjin Eco-City Shengxing Development Co., Ltd.	33,578	-	1,156	-	-	2	373	-	373	-
	Hanwha General Chemical Co., Ltd.	940,139	2,679,924	358,096	80,018	-	1,156,049	159,888	5,527	165,415	-
	Samsung Bioepis Co., Ltd. <sup>1</sup>	1,371,870	608,266	1,249,419	231,325	-	582,607	97,168	89	97,257	-
<b>Joint ventures</b>											
	Korea LNG Limited	1,055	240,728	12	132	-	56,697	55,107	31,525	86,632	10,936
	South Kent Wind LP	18,768	524,549	28,239	535,168	-	80,638	28,468	(17,905)	10,563	21,858
	SP Belle River LP	7,681	264,078	12,009	207,880	-	24,312	5,558	(9,968)	(4,410)	-
	Kelar S.A.	90,922	605,607	71,386	509,884	-	62,724	10,915	(3,447)	7,468	-

<sup>1</sup> Based on consolidated financial information.

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Summarized financial information of major associates and joint ventures, including dividends received by the Group, as at December 31, 2018, and for the nine-month period ended September 30, 2018, is as follows:

	Summarized financial information									
	December 31, 2018					2018				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Revenue	Profit (loss) for the period	comprehensive income (loss)	Other comprehensive income (loss)	Total comprehensive income received
<b>Associates</b>										
Dongducheon Dream Power Co., Ltd.	₩ 100,133	₩1,401,459	₩ 193,457	₩1,053,622	₩ -	₩ 561,358	₩ (16,798)	₩ -	₩ (16,798)	₩ -
Tianjin Eco-City Shengxing Development Co., Ltd.	32,530	-	1,575	-	-	-	470	-	470	-
KST POWER NORTE S.A. DE C.V.	95,667	440,141	40,239	417,629	-	91,283	6,844	563	7,406	-
Hanwha General Chemical Co., Ltd.	1,075,205	2,430,377	412,608	76,344	-	1,475,643	422,510	(1,224)	421,286	-
Samsung Bioepis Co., Ltd. <sup>1</sup>	1,332,992	564,199	1,229,279	265,777	-	250,686	(81,322)	(65)	(81,387)	-
<b>Joint ventures</b>										
Korea LNG Limited	712	193,701	5	105	-	39,297	38,082	7,124	45,206	7,635
South Kent Wind LP	30,347	486,566	27,721	475,297	-	79,707	32,417	13,812	46,228	21,713
SP Belle River LP	12,299	245,826	10,134	186,393	-	23,186	5,394	4,826	10,220	-
Kelar S.A.	78,591	557,105	68,997	467,674	-	57,757	6,245	-	6,245	-

<sup>1</sup> Based on consolidated financial information.

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Reconciliation of financial information to book amount of the major investments in associates and joint ventures as at September 30, 2019 and December 31, 2018, is as follows:

(in millions of Korean won)

	September 30, 2019					
	Net assets	Percentage of ownership (%)	Share in net assets	Difference between the cost of the investment and share in the investee's equity	Intragroup transactions	Book amount
<b>Associates</b>						
Dongducheon Dream Power Co., Ltd. <sup>1</sup>	₩ 264,385	31.52	₩ 93,777	₩ (29,702)	₩ (22,893)	₩ 41,182
Tianjin Eco-City Shengxing Development Co., Ltd.	32,423	40.00	12,969	(2,235)	31	10,765
Hanwha General Chemical Co., Ltd.	3,181,949	20.05	638,082	(4,149)	1,452	635,385
Samsung Bioepis Co., Ltd.	499,391	50.00	249,696	2,321,007	(57,376)	2,513,327
<b>Joint ventures</b>						
Korea LNG Limited	241,639	20.00	48,328	-	-	48,328
South Kent Wind LP	(20,089)	49.99	(10,042)	61,017	(7,566)	43,409
SP Belle River LP	51,869	42.49	22,039	-	(2,848)	19,191
Kelar S.A.	115,258	35.00	40,340	7,390	307	48,037

<sup>1</sup> Since the disproportionate capital increase by the other investor was classified as financial liabilities, the Group applied 35% of ownership interest when calculating share of profit or loss of the associate.

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(in millions of Korean won)

	December 31, 2018					
				Difference between the cost of the investment and share in the investee's equity	Intragroup transactions	Book amount
	Net assets	Percentage of ownership (%)	Share in net assets			
<b>Associates</b>						
Dongducheon Dream Power Co., Ltd. <sup>1</sup>	₩ 254,513	31.52	₩ 90,276	₩ (29,702)	₩ (22,894)	₩ 37,680
Tianjin Eco-City Shengxing Development Co., Ltd.	30,955	40.00	12,382	(2,235)	-	10,147
KST POWER NORTE S.A. DE C.V.	77,940	34.00	26,500	-	(1,215)	25,285
Hanwha General Chemical Co., Ltd.	3,016,630	20.05	604,930	(3,254)	-	601,676
Samsung Bioepis Co., Ltd.	378,449	50.00	201,067	2,334,588	(40,703)	2,494,952
<b>Joint ventures</b>						
Korea LNG Limited	194,304	20.00	38,861	-	-	38,861
South Kent Wind LP	13,895	49.99	6,946	64,173	(7,861)	63,258
SP Belle River LP	61,598	42.49	26,173	-	(2,972)	23,201
Kelar S.A.	99,025	35.00	34,659	7,390	35	42,084

<sup>1</sup> Since the disproportionate capital increase by the other investor was classified as financial liabilities, the Group applied 35% of ownership interest when calculating share of profit or loss of the associate.



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**13. Property, Plant and Equipment, and Intangible Assets**

Changes in property, plant and equipment for the nine-month periods ended September 30, 2019 and 2018, are as follows:

	2019					Total
	Land	Buildings and structures	Animals & plants	Others	Construction in progress	
<b>Beginning balance</b>						
Acquisition cost	₩ 1,765,847	₩ 2,445,589	₩ 70,112	₩ 2,311,017	₩ 101,085	₩ 6,693,650
Accumulated impairment and depreciation	(11,597)	(669,005)	(8,365)	(968,596)	(8,953)	(1,666,516)
Beneficiary's share of construction cost	-	-	-	(2,730)	-	(2,730)
	1,754,250	1,776,584	61,747	1,339,691	92,132	5,024,404
<b>Changes during the period</b>						
Acquisition	756	4,333	2,037	64,282	118,343	189,751
Disposal and others	(88)	(527)	(30)	(11,496)	-	(12,141)
Depreciation	-	(55,054)	(1,901)	(172,041)	-	(228,996)
Transfer	(20,415)	15,533	12	125,728	(157,714)	(36,856)
Others <sup>1</sup>	806	948	3,342	6,256	4,907	16,259
<b>Ending balance</b>	₩ 1,735,309	₩ 1,741,817	₩ 65,207	₩ 1,352,420	₩ 57,668	₩ 4,952,421
Acquisition cost	₩ 1,746,906	₩ 2,468,167	₩ 75,724	₩ 2,461,724	₩ 66,622	₩ 6,819,143
Accumulated impairment and depreciation	(11,597)	(726,350)	(10,517)	(1,106,775)	(8,954)	(1,864,193)
Beneficiary's share of construction cost	-	-	-	(2,529)	-	(2,529)
	₩ 1,735,309	₩ 1,741,817	₩ 65,207	₩ 1,352,420	₩ 57,668	₩ 4,952,421

<sup>1</sup> Others include exchange differences, changes in scope of consolidation and others.

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	2018					Total
	Land	Buildings and structures	Animals & plants	Others	Construction in progress	
<b>Beginning balance</b>						
Acquisition cost	₩ 1,833,890	₩ 2,361,047	₩ 69,108	₩ 1,952,215	₩ 288,863	₩ 6,505,123
Accumulated impairment and depreciation	(7,349)	(624,151)	(6,429)	(878,268)	-	(1,516,197)
Beneficiary's share of construction cost	-	-	-	(2,982)	-	(2,982)
	1,826,541	1,736,896	62,679	1,070,965	288,863	4,985,944
<b>Changes during the year</b>						
Acquisition	-	9,666	1,399	54,044	273,073	338,182
Disposal and others	(65,687)	(22,408)	(79)	(23,198)	(434)	(111,806)
Depreciation	-	(60,475)	(1,736)	(133,330)	-	(195,541)
Transfer	-	7,231	78	41,742	(52,647)	(3,596)
Impairment	(4,249)	-	-	-	(8,952)	(13,201)
Others <sup>1</sup>	295	34,451	(1,820)	(38,765)	872	(4,967)
<b>Ending balance</b>	₩ 1,756,900	₩ 1,705,361	₩ 60,521	₩ 971,458	₩ 500,775	₩ 4,995,015
Acquisition cost	₩ 1,768,498	₩ 2,384,631	₩ 68,238	₩ 1,921,352	₩ 509,727	₩ 6,652,446
Accumulated impairment and depreciation	(11,598)	(679,270)	(7,717)	(947,112)	(8,952)	(1,654,649)
Beneficiary's share of construction cost	-	-	-	(2,782)	-	(2,782)
	₩ 1,756,900	₩ 1,705,361	₩ 60,521	₩ 971,458	₩ 500,775	₩ 4,995,015

<sup>1</sup> Others include exchange differences, changes in scope of consolidation and others.

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Changes in intangible assets for the nine-month periods ended September 30, 2019 and 2018, are as follows:

	2019									
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Customer relationships	Brands	Orders on hand	Others	Total
<b>Beginning balance</b>	₩ 289,346	₩ 53,650	₩ 72,723	₩ 4,272	₩ 60,064	₩ 42,964	₩ 188,343	₩ 294,175	₩ 55,911	₩ 1,061,448
Acquisition	7,895	1,081	3,401	-	-	-	-	-	18,036	30,413
Disposal	-	(250)	(427)	-	-	-	-	-	(98)	(775)
Amortization	(14,126)	-	(23,166)	(831)	-	(4,117)	-	(38,259)	(6,608)	(87,107)
Impairment and reversal	-	265	-	-	-	-	-	-	-	265
Transfer	-	-	14,857	-	-	-	-	-	(12,223)	2,634
Others <sup>1</sup>	35,661	57	290	10	179	-	22	-	634	36,853
<b>Ending balance</b>	₩ 318,776	₩ 54,803	₩ 67,678	₩ 3,451	₩ 60,243	₩ 38,847	₩ 188,365	₩ 255,916	₩ 55,652	₩ 1,043,731

<sup>1</sup> Others include exchange differences, changes in scope of consolidation and others.

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	2018									
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Customer relationships	Brands	Orders on hand	Others	Total
<b>Beginning balance</b>	₩ 439,694	₩ 52,995	₩ 78,309	₩ 5,374	₩ 60,132	₩ 48,452	₩ 188,828	₩ 380,803	₩ 56,885	₩ 1,311,472
Acquisition	21,175	494	5,208	-	-	-	-	-	24,225	51,102
Disposal	-	(1,983)	(383)	(3)	-	-	-	-	(443)	(2,812)
Amortization	(11,895)	(9)	(35,171)	(828)	-	(4,116)	(397)	(73,559)	(6,607)	(132,582)
Impairment	(25,000)	5	-	-	-	-	-	-	-	(24,995)
Transfer	-	2,116	22,470	-	-	-	-	-	(18,969)	5,617
Others <sup>1</sup>	25,520	33	(579)	5	(75)	-	9	-	2,137	27,050
<b>Ending balance</b>	₩ 449,494	₩ 53,651	₩ 69,854	₩ 4,548	₩ 60,057	₩ 44,336	₩ 188,440	₩ 307,244	₩ 57,228	₩ 1,234,852

<sup>1</sup> Others include exchange differences, changes in scope of consolidation and others.

As at September 30, 2019, the Group entered into a Collateral Trust Agreement with KB Real Estate Trust Co., Ltd., which the Group provided its land and building located in Yongin-si, Gyeonggi-do as trust property. Simultaneously, the Group pledged the primary beneficiary certificate of the trust property as collateral to Woori Bank in relation to the short-term borrowings (Note 15).

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**14. Investment Properties**

Changes in investment properties for the nine-month periods ended September 30, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019			2018		
	Land	Building	Total	Land	Building	Total
<b>Beginning balance</b>	₩ 33,412	₩ 7,535	₩ 40,947	₩ 475,184	₩ 196,477	₩ 671,661
Effect of Korean IFRS						
1116 adoption (Note 32)	-	132,009	132,009	-	-	-
Acquisition	578	20,525	21,103	-	-	-
Disposal	-	-	-	(441,772)	(186,479)	(628,251)
Depreciation	-	(11,236)	(11,236)	-	(2,744)	(2,744)
Others <sup>1</sup>	-	494	494	-	333	333
<b>Ending balance</b>	<u>₩ 33,990</u>	<u>₩ 149,327</u>	<u>₩ 183,317</u>	<u>₩ 33,412</u>	<u>₩ 7,587</u>	<u>₩ 40,999</u>

<sup>1</sup> Others include adjustments due to exchange difference.

**15. Debentures and Borrowings**

Details of debentures and borrowings as at September 30, 2019 and December 31, 2018, are as follows:

(in millions of Korean won)

	September 30, 2019	December 31, 2018
<b>Current liabilities</b>		
Short-term borrowings	₩ 1,556,816	₩ 1,369,502
Current portion of long-term borrowings	809,549	874,319
Current portion of debentures	410,000	1,020,000
Less: Discount on debentures	(77)	(487)
	<u>2,776,288</u>	<u>3,263,334</u>
<b>Non-current liabilities</b>		
Long-term borrowings	159,912	474,932
Debentures	780,000	780,000
Less: Discount on debentures	(1,129)	(1,620)
	<u>938,783</u>	<u>1,253,312</u>
	<u>₩ 3,715,071</u>	<u>₩ 4,516,646</u>

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Short-term borrowings as at September 30, 2019 and December 31, 2018, consist of the following:

(in millions of Korean won)

	Creditors	Annual interest rate (%)	September 30, 2019	December 31, 2018
<b>Samsung C&amp;T and domestic subsidiaries</b>				
Loans in local currency <sup>1</sup>	Construction Guarantee Cooperative and others	1.40 ~ 2.84	₩ 331,223	₩ 211,223
Loans in foreign currency	Santander and others	BBSW+1.20, 2.65	99,848	47,347
Banker's usance	Woori Bank and others	L+0.40 ~ 2.00	27,352	44,469
Secured loans (Note 8)	Woori Bank and others	L+0.40 ~ 2.00	372,950	446,908
			<u>831,373</u>	<u>749,947</u>
<b>Foreign subsidiaries</b>				
General loans		0.5 ~ 8.95	725,443	619,555
			<u>725,443</u>	<u>619,555</u>
			<u>₩ 1,556,816</u>	<u>₩ 1,369,502</u>

<sup>1</sup> In relation to the borrowings, the land and building of the Group are provided as collateral to Woori Bank (Note 13).

As at September 30, 2019, the Group has entered into bank overdraft facility agreements amounting to ₩ 158,500 million and credit facility agreements amounting to ₩ 918,000 million with 11 banks, including Woori Bank. Also, the Group has entered into credit agreements using its notes receivables which are guaranteed, as collateral for up to ₩ 224,000 million with four banks, including Shinhan Bank.

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Debentures as at September 30, 2019 and December 31, 2018, consist of the following:

(in millions of Korean won)

	Issue date	Maturity	Annual interest rate (%)	September 30, 2019	December 31, 2018
<b>Non-guaranteed and publicly listed</b>					
No. 104-2	Mar. 7, 2014	Mar. 7, 2019	3.59	₩ -	₩ 150,000
No. 105-2	Oct. 6, 2014	Oct. 6, 2019	2.69	150,000	150,000
No. 108-2 <sup>1</sup>	Apr. 3, 2014	Apr. 3, 2019	3.41	-	260,000
No. 109-2	Dec. 1, 2015	Dec. 1, 2020	2.5	100,000	100,000
No. 110-1	Jun. 16, 2016	Jun. 16, 2019	1.74	-	200,000
No. 110-2	Jun. 16, 2016	Jun. 16, 2021	1.89	100,000	100,000
No. 111-1	Nov. 3, 2016	Nov. 3, 2019	1.99	210,000	210,000
No. 111-2	Nov. 3, 2016	Nov. 3, 2021	2.19	190,000	190,000
No. 112-1	Nov. 3, 2017	Nov. 3, 2020	2.59	150,000	150,000
No. 112-2	Nov. 3, 2017	Nov. 3, 2022	2.94	50,000	50,000
Private bonds	Oct. 24, 2014	Oct. 24, 2019	3.48	50,000	50,000
Private bonds	Apr. 27, 2018	Apr. 27, 2021	3.1	150,000	150,000
Private bonds	Apr. 27, 2018	Apr. 27, 2023	3.53	40,000	40,000
				<u>1,190,000</u>	<u>1,800,000</u>
Less: Current portion of debentures				<u>(410,000)</u>	<u>(1,020,000)</u>
				<u>₩ 780,000</u>	<u>₩ 780,000</u>

<sup>1</sup> Publicly listed debentures of former Cheil Industries Inc. (numbered from No. 42 to No. 44) were renamed as publicly listed debentures of Samsung C&T Corporation, numbered from No. 106 to No. 108, due to business combination and change of the Company's name.

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Long-term borrowings (including foreign currency) as at September 30, 2019 and December 31, 2018, consist of the following:

(in millions of Korean won)

Creditors	Annual interest rate (%)	September 30, 2019	December 31, 2018
<b>Denominated in Korean won</b>			
(Samsung C&T and domestic subsidiaries)			
Korea Development Bank (Facility loans)	2.86 ~ 3.57	₩ 369,350	₩ 472,050
Korea Housing & Urban Guarantee Corporation (Working capital loans)	-	6,980	7,259
Shinhan Bank and others (Long-term commercial paper)	2.33	100,000	400,000
		476,330	879,309
Less: Current portion of long-term borrowings		(464,429)	(520,579)
		11,901	358,730
<b>Denominated in foreign currency</b>			
(Samsung C&T and domestic subsidiaries)			
Korea National Oil Corporation (Condition loans and others)	1.50 ~ 5.00	34,401	32,899
Citibank Korea Inc. and others (General borrowings)	Libor + 0.65 ~ 0.70	119,222	110,965
SMBC (General borrowings)	Libor + 0.65	183,799	171,069
The Export-Import Bank of Korea and others (Facility loans)	3.73 ~ 4.22	48,052	71,007
<b>Foreign subsidiaries</b>			
SC Bank and others (General borrowings and others)	0.80 ~ 7.7	107,657	84,002
		493,131	469,942
Less: Current portion of long-term borrowings		(345,120)	(353,740)
		148,011	116,202
		₩ 159,912	₩ 474,932



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The annual maturities of long-term debts outstanding (excluding current portion) as at September 30, 2019, are as follows:

(in millions of Korean won)

	Debentures		Borrowings in Korean won		Borrowings in foreign currencies		Total	
October 1, 2020 ~ September 30, 2021	₩	500,000	₩	5,479	₩	853	₩	506,332
October 1, 2021 ~ September 30, 2022		190,000		279		12,423		202,702
October 1, 2022 ~ September 30, 2023		90,000		279		36,449		126,728
After October 1, 2023		-		5,864		98,286		104,150
	₩	780,000	₩	11,901	₩	148,011	₩	939,912

Long-term borrowings and debentures by currencies as at September 30, 2019 and December 31, 2018, are as follows:

(in millions of Korean won)

	Long-term borrowings		Debentures (Amortized cost)	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
US Dollars	₩ 89,100	₩ 83,630	₩ -	₩ -
Korean Won	11,901	358,730	778,871	778,380
Japanese Yen	12,584	6,678	-	-
Others	46,327	25,894	-	-
	₩ 159,912	₩ 474,932	₩ 778,871	₩ 778,380

**Samsung C&T Corporation and Subsidiaries**  
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**16. Net Defined Benefit Liabilities**

Details of net defined benefit liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
Defined benefit obligation	₩	828,182	₩	790,078
Less: Plan assets		(666,137)		(681,695)
Less: Contribution to National Pension Fund		(592)		(660)
	₩	<u>161,453</u>	₩	<u>107,723</u>

The Group under defined benefit plans is required to pay post-employment benefits to any employee who has provided one year or more of services as at reporting date, in accordance with the Group's policies on payment of post-employment benefits (in accordance with local regulations for overseas subsidiaries). Additionally, as at September 30, 2019, the Group is under contracts with Samsung Life Insurance Co., Ltd. for operations management and asset management of their defined benefit pension plans.

Details of defined benefit liabilities recognized in the consolidated statements of financial position as at September 30, 2019 and December 31, 2018, are determined as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
Present value of funded defined benefit obligations	₩	828,182	₩	790,078
Fair value of plan assets <sup>1</sup>		<u>(666,729)</u>		<u>(682,355)</u>
Net defined benefit liabilities	₩	<u>161,453</u>	₩	<u>107,723</u>

<sup>1</sup> The amount includes contributions to the National Pension Fund of ₩ 592 million (2018: ₩ 660 million).

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The amounts recognized in the consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	2019		2018	
	Three months	Nine months	Three months	Nine months
<b>Defined benefit plan</b>				
Current service cost	₩ 25,453	₩ 75,947	₩ 24,898	₩ 71,891
Interest expense	5,429	16,291	6,031	18,243
Return on plan assets	(4,419)	(13,277)	(5,545)	(16,559)
<b>Defined contribution plan</b>				
Post-employment benefits	1,235	4,439	1,393	3,412
Others	(856)	7,697	7,310	51,157
	₩ 26,842	₩ 91,097	₩ 34,087	₩ 128,144

Details of allocation of expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	2019		2018	
	Three months	Nine months	Three months	Nine months
Cost of sales	₩ 18,544	₩ 68,959	₩ 17,905	₩ 54,046
Selling and administrative expenses (post-employment benefits)	5,592	13,909	13,995	62,642
Selling and administrative expenses (research and development)	1,409	4,310	890	6,979
Other assets	1,297	3,919	1,297	4,477
	₩ 26,842	₩ 91,097	₩ 34,087	₩ 128,144

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**17. Provisions**

Changes in provisions for the nine-month periods ended September 30, 2019 and 2018, are as follows:

(in millions of Korean won)

	<b>2019</b>				
	<b>Construction warranties<sup>1</sup></b>	<b>Restoring cost<sup>2</sup></b>	<b>Provisions for construction losses<sup>3</sup></b>	<b>Others<sup>4</sup></b>	<b>Total</b>
January 1, 2019	₩ 180,538	₩ 38,477	₩ -	₩ 223,804	₩ 442,819
Additional provisions	29,467	5,154	77,310	53,213	165,144
Used and reversal	(28,145)	(17)	(30,716)	(75,691)	(134,569)
Transfer	-	-	162,136	57,733	219,869
Exchange differences	431	3,042	-	3,583	7,056
September 30, 2019	<u>₩ 182,291</u>	<u>₩ 46,656</u>	<u>₩ 208,730</u>	<u>₩ 262,642</u>	<u>₩ 700,319</u>
Current (Note 9)	₩ -	₩ -	₩ 208,730	₩ 100,741	₩ 309,471
Non-current	182,291	46,656	-	161,901	390,848

<sup>1</sup> The Group recognizes expenses, which are expected to be spent for future repairs, as a provision based on historical experience.

<sup>2</sup> The Group recognizes amounts discounted at present value, which are expected to be spent for future dismantling and removing of the oil and gas equipment or restoring the site, as a provision.

<sup>3</sup> The Group recognizes losses, which are expected to occur in construction contract, as a provision.

<sup>4</sup> Others include a provision for product warranty and a provision for bonuses.

(in millions of Korean won)

	<b>2018</b>			
	<b>Construction warranties<sup>1</sup></b>	<b>Restoring cost<sup>2</sup></b>	<b>Others<sup>3</sup></b>	<b>Total</b>
January 1, 2018	₩ 180,633	₩ 43,369	₩ 155,215	₩ 379,217
Effect arising from adoption of Korean IFRS 1115	(640)	-	3,223	2,583
Additional provisions	15,728	2,588	88,795	107,111
Used and reversal	(13,765)	(1,866)	(54,918)	(70,549)
Exchange differences	353	1,569	1,809	3,731
Other changes	-	(13,569)	-	(13,569)
September 30, 2018	<u>₩ 182,309</u>	<u>₩ 32,091</u>	<u>₩ 194,124</u>	<u>₩ 408,524</u>
Current (Note 9)	₩ -	₩ -	₩ 110,183	₩ 110,183
Non-current	182,309	32,091	83,941	298,341

<sup>1</sup> The Group recognizes expenses, which are expected to be spent for future repairs, as a provision based on historical experience.

<sup>2</sup> The Group recognizes amounts discounted at present value, which are expected to be spent for future dismantling and removing of the oil and gas equipment or restoring the site, as a provision.

<sup>3</sup> Others include a provision for product warranty and a provision for bonuses.

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### **Notes to the Consolidated Interim Financial Statements**

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#### **18. Contingencies and Commitments**

As at September 30, 2019, the Group has agreements with several financial institutions, including Woori Bank, for the guarantees of letters of credit related to the Group's export and import, totaling USD 365,504 thousand, for the guarantee of the performance of export contracts amounting to USD 280,882 thousand and for the guarantee of various trade finance with a limit of USD 2,587,318 thousand. The receivables from export transactions sold to financial institutions, which amount to USD 358,294 thousand, are not yet due as at September 30, 2019.

As at September 30, 2019, the Group has provided a note amounting to ₩ 500 million, and 21 blank checks and notes as collateral to related institutions for borrowings, performance guarantees, construction payment guarantees, and others.

As at September 30, 2019, the Group is contingently liable for loan guarantees, principally for foreign associates and joint ventures amounting to USD 144,746 thousand (Note 28). The Group provides performance guarantees on the construction contracts of its foreign operations limited to USD 207,346 thousand, and there are no guarantees provided by the Group for the performance of other construction companies' projects. Conversely, other construction companies provide guarantees for the performance of the Group's projects amounting to ₩ 625,943 million.

As at September 30, 2019, the Group has short-term export insurance with Korea Trade Insurance Corporation. The certificates issued by Korea Trade Insurance Corporation (insured amount of ₩ 49,243 million) relating to guarantees provided by financial institutions are pledged as collateral.

As at September 30, 2019, the Group has been named as the defendant in certain lawsuits brought against it in the normal course of business. The aggregate amount of 423 claims brought against the Group, is approximately ₩ 509,228 million and USD 463,601 thousand. The Group also files 74 counterclaims amounting to ₩ 307,495 million and USD 494,194 thousand. The Group's management believes that the ultimate resolution of the case will not have a material adverse effect on the operations or financial position of the Group.

On July 12, 2018, the SFC imposed administrative measures in accordance with Act on External Audit of Stock Companies against Samsung Biologics Co., Ltd. ("Logics"), a subsidiary of the Group, for alleged failure to disclose sufficient information in the financial statements of Logics from 2012 to 2015 regarding Logics' joint venture agreement with Biogen Therapeutics Inc. The measures included i) compulsory designation of external auditors for three years; ii) recommendation of dismissal of Logics' executives in charge; and iii) prosecution against Logics and its representative director (CEO).

On November 14, 2018, the SFC imposed the second administrative measures in accordance with the Act on External Audit of Stock Companies against Logics for violation of accounting standards by inappropriately applying consolidated method regarding investments in Samsung Bioepis from 2012 to 2018. The measures included i) compulsory designation of external auditors for three years; ii) recommendation of dismissal of Logics' representative director (CEO) and executives in charge; iii) referral of the case against Logics and its representative director (CEO) to the Prosecutors Office; iv) retrospective restatement of financial statements; and v) imposition of administrative fine of ₩ 8 billion.

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In order to demonstrate the legitimacy of the accounting, Logics submitted requests for cancellation of the measures ordered by SFC on October 8, 2018 and November 27, 2018, and submitted requests for suspension of measures on November 27, 2018 and December 18, 2018, to the Seoul Administrative Court (the "Court"). The trial proceedings are in progress (as discussed more in the following paragraphs).

Upon the request to the Court on November 27, 2018 relating to the second measures (made in November 14, 2018), Logics received the decision from the Court to suspend the measures imposed by SFC, which includes i) an order of a corrective measure (retrospective restatement of financial statements); ii) compulsory designation of external auditors for three years; iii) recommendation of dismissal of Logics' representative director (CEO); and the executives in charge until 30 days after the Court makes its final ruling on January 22, 2019. The SFC appealed to the Court's decision on January 30, 2019, but the Seoul High Court affirmed the decision of the Court and rejected the appeal by the SFC on May 13, 2019. The SFC appealed to the Supreme Court on May 23, 2019, but the appeal was rejected on September 6, 2019.

In addition, regarding the request for suspension of the first measures imposed by SFC (made in July 12, 2018) which were submitted on December 18, 2018, Logics received the decision from the Court to suspend measures ordered by SFC on February 19, 2019, which includes: i) external auditor designation by the regulator for three years; and ii) recommendation of dismissal of Logics' representative director (CEO) and the executives in charge until 30 days after the Court makes its final ruling. The SFC appealed to the Seoul High Court for the decision on February 21, 2019, but the Seoul High Court affirmed the decision of the Court and rejected the appeal by the SFC on March 24, 2019. The SFC appealed to the Supreme Court on June 10, 2019, but the appeal was rejected on October 11, 2019.

With respect to this matter, the investigation by the Seoul Central Prosecutors Office against the CEO and CFO of Logics (as well as an employee of Logics and certain employees of the affiliate of Logics) for alleged of violation of the Act on External Audit of Stock Companies, the Financial Investment Services and Capital Market Act, the Act on the Aggregated Punishment, Etc. of Specific Economic Crimes, and the Criminal Act (which includes allegations of document destruction) is also in progress. It is not possible to predict the outcome of the investigation.

As disclosed in Note 35 to the consolidated financial statements for the year ended December 31, 2015, issued on March 3, 2016, the Parent Company (formerly, Cheil Industries Inc.) of the Group merged with the former Samsung C&T Corporation on September 1, 2015, and acquired an additional 4.25% of shares in Logics held by the former Samsung C&T Corporation. Accordingly, the Group obtained a control over Logics. As a result, the Group measured the assets and liabilities of Logics at fair value in accordance with Korean IFRS 1103 paragraphs 18 and 45 and others. As a result, the Group expects that the first and second dispositions of the SFC for the Logics, dated July 12, 2018 and November 14, 2018, respectively, will not affect the consolidated financial statements of the Group. The Group's management will continue to monitor the progress of the lawsuit in the future.

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As at September 30, 2019, the Group has 1,255 forward exchange contracts amounting to USD 702,936 thousand, EUR 20,029 thousand, SGD 418 thousand, GBP 812 thousand, and SEK 3,548 thousand, and two interest rate swap contracts with financial institutions whose contracts amount to ₩ 100,000 million and USD 42,500 thousand. These forward exchange contracts and interest rate swap contracts are intended to hedge foreign exchange risk and interest risk exposures of the Group. In addition, the Group has entered into 164 commodity futures contracts with financial institutions with contract prices amounting to USD 89,024 thousand and three currency swap contracts with contract prices amounting to USD 129,244 thousand. For the nine-month period ended September 30, 2019, realized gains and losses from the contracts mentioned above, included in 'foreign exchange gain and loss', amount to approximately ₩ 60,535 million and ₩ 51,690 million, respectively.

As at September 30, 2019, details of gain (loss) on valuation of derivative instruments are as follows:

*(in millions of Korean won)*

		<b>Gain on valuation</b>	<b>Loss on valuation</b>	<b>Accumulated other comprehensive income (loss)</b>
Currency forward contracts	₩	17,009	₩ (10,920)	₩ (13)
Interest swap contracts		-	-	119
Currency swaps contracts		10,326	-	(7,488)
Commodity futures contracts		3,617	(2,688)	(1,340)

As at September 30, 2019, the Group has corporate purchase card agreements and collateral loan agreements using the trade receivables with a limit of ₩ 336,600 million with financial institutions, including Woori Bank.

On February 14, 2012, the Group entered into a share purchase agreement with JSC Samruk-Energy to purchase its shares related to the construction of and business investment in the coal-fired electrical power plant located in Kazakhstan. On August 31, 2016, the Group exercised the put option against JSC Samruk-Energy to re-sell the shares purchased from JSC Samruk-Energy considering the uncertainty of the investment. On November 16, 2018, after the negotiation of different views between the parties in relation to the exercise of the put option, the Group agreed to receive USD 146,400 thousand as a settlement of the project including the put option settlement from the JSC Samruk-Energy and the Kazakhstan government. On October 22, 2019, the Group received all of the settlement amount.

On April 30, 2015, the former Samsung C&T Corporation sold 22.99% of equity shares of Hanwha General Chemicals Co., Ltd. (formerly Samsung General Chemical Co., Ltd.) to Hanwha Chemical Co., Ltd. and Hanwha Energy Corporation (collectively "Acquirers"). According to the Share Purchase Agreement, the Group has the right to receive additional proceeds depending on the subsequent operating performance of Hanwha Total Petrochemical Co., Ltd. (formerly Samsung Total Petrochemical Co., Ltd.). The Group also has a priority right to request the Acquirers to purchase the remaining equity shares when Hanwha General Chemicals Co., Ltd. is publically listed. However, if Hanwha General Chemicals Co., Ltd. is not listed within 6 years (7 years if requested by Acquirers) from the closing date of the transaction, the Group and the Acquirers have the right to

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exercise put option (exercise price: the higher of a) the price per share calculated based on EV of 11.07 times the acquiree's adjusted EBITDA for the year prior to the fiscal year in which the put option is exercised, and b) ₩ 33,165.6 per share) and call option, respectively, on the remaining equity shares. In addition, the Acquirers have the right of first refusal when the Group attempts to dispose of the remaining equity shares. Also, if the Acquirers attempt to dispose of the equity shares of Hanwha General Chemicals Co., Ltd., the Group and the Acquirers respectively have tag-along right and drag-along right.

The Group has entered into agreements for long-term borrowings with financial institutions. If the Group fails to meet conditions specified below, the Group could lose benefit of time which could lead to early redemption of the borrowings.

Financial Institution	Condition	Description
Kookmin Bank	Retention of control	The Group shall remain as an affiliate of Samsung Group and current major shareholders shall hold control over the Group
SMBC	Retain Component ratio of shareholders	The proportion of shares held by Samsung Group and the Group shall remain over 50% and 30%, respectively
Mizuho Bank	Retain Component ratio of shareholders	The proportion of shares held by Samsung Group (Samsung C&T Corporation and Samsung Electronics Co., Ltd.) shall remain over 60%

In relation to the land lease agreement with Incheon Metropolitan City ("Incheon"), the Group receives exemption of rent from Incheon since the Group fulfilled the requirements set by the Public Property Management Ordinance of Incheon. The Group recognizes the fair value of exempt rent as intangible assets, and at the same time, the Group recognizes the same amount of government grants as a deduction of the carrying amount of the asset. Details of the lease agreement are as follows:

*(a) Period*

With the total lease period of 50 years, the initial lease period is 20 years from April 28, 2011, and can be extended on a 10-year basis.

*(b) Exemption requirement*

In order to remain qualified for rent exemption in accordance with Article 32 of Shared Assets Management Act of Incheon Metropolitan City, the Group has to meet certain requirements such as it shall maintain foreign direct investment of USD 20 million for the first 5 years of the lease period, and for the period thereafter the Group shall remain as foreign investment enterprise with employees over 300.



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The Group has entered into a memorandum of understanding with Samsung Life Insurance Co., Ltd., a major shareholder of Beijing Samsung Real Estate Co., Ltd., to transfer all of the Group's investment in Beijing Samsung Real Estate Co., Ltd. upon completion of constructing Samsung Beijing Office. The sales price will be determined by the median value of appraised values given by appraisal companies appointed by each parties. However, as at September 30, 2019, it is difficult to estimate the appraised value since the construction of the building has not been completed.

#### 19. Share Capital

The Group is authorized to issue 500 million shares with a par value of ₩ 100 per share. As at September 30, 2019, 189,690,043 shares of ordinary share and 1,627,440 shares of preferred share are issued and outstanding.

On September 14, 2015, the Group issued 56,317,483 shares (54,690,043 shares of ordinary share and 1,627,440 shares of preferred share) of new share for the merger with the former Samsung C&T Corporation.

As authorized in its Articles of Incorporation, the Group is able to issue convertible bonds which can be converted into ordinary shares and preferred shares of the Group, and bonds with warrants which grant the right to purchase new preferred shares to the amount of ₩ 850 billion each. As at September 30, 2019, there are no convertible bonds and bonds with warrants issued under these terms.

Details of treasury shares as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won, except number of shares)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Preferred share</b>	<b>Ordinary share</b>	<b>Preferred share</b>	<b>Ordinary share</b>
Number of shares	159,850	26,225,649	159,850	26,225,649
Acquisition cost	₩ 16,978	₩ 1,895,529	₩ 16,978	₩ 1,895,529

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**20. Other Components of Equity**

Other components of equity as at September 30, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
Treasury shares (Note 19)	₩	(1,912,508)	₩	(1,912,508)
Other capital adjustments		(245,036)		(245,036)
Financial assets at fair value through other comprehensive income (Note 11)		6,737,830		4,887,296
Share of other comprehensive income of associates and joint ventures		71,924		46,172
Share of other comprehensive loss of associates and joint ventures		(106,468)		(83,831)
Exchange differences		(105,906)		(183,675)
Cash flow hedge (Note 18)		(8,722)		699
	₩	<u>4,431,114</u>	₩	<u>2,509,117</u>

**21. Selling and Administrative Expenses**

Selling and administrative expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>				<b>2018</b>			
	<b>Three months</b>		<b>Nine months</b>		<b>Three months</b>		<b>Nine months</b>	
Salaries and others	₩	191,176	₩	532,403	₩	203,013	₩	612,088
Welfare		29,292		90,927		28,594		84,718
Depreciation		48,767		145,922		39,374		119,706
Travel		15,475		41,765		12,849		36,008
Commission		149,254		447,696		201,659		564,096
Rent		70,812		238,539		45,893		152,950
Freight		90,349		241,120		76,689		221,547
Taxes and dues		14,830		39,440		11,680		17,099
Advertising		16,532		42,110		18,406		45,422
Research and development		21,093		66,342		18,239		62,296
Impairment loss (reversal) (Note 8)		2,992		5,546		(21,723)		(23,192)
Computational service fee		11,892		32,162		12,454		36,036
Sales promotion cost		8,606		24,387		9,365		25,793
Others		52,090		155,010		56,082		157,924
	₩	<u>723,160</u>	₩	<u>2,103,369</u>	₩	<u>712,574</u>	₩	<u>2,112,491</u>

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**22. Other Income and Expenses**

Other income and expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

(in millions of Korean won)

	2019		2018	
	Three months	Nine months	Three months	Nine months
<b>Other income</b>				
Share of profit of associates and joint ventures	₩ 11,731	₩ 57,244	₩ 2,646	₩ 45,638
Dividend income	106,518	448,937	106,572	448,071
Foreign exchange gain	75,352	175,937	79,143	173,614
Gain on translation of foreign currency	53,488	157,247	4,395	138,560
Gain on disposal of investments	97	13,706	(222)	19,503
Gain on disposal of property, plant and equipment	608	2,680	2,340	52,591
Gain on disposal of investment properties	-	-	195,080	241,064
Reversal of impairment loss on intangible assets	199	279	335	335
Gain on disposal of intangible assets	-	15	11	208
Reversal of provision for impairment (Note 8)	6,246	22,480	11,080	13,846
Gain on insurance settlement	310	551	19	166
Others	22,243	61,865	19,900	73,872
	<u>₩ 276,792</u>	<u>₩ 940,941</u>	<u>₩ 421,299</u>	<u>₩ 1,207,468</u>
<b>Other expenses</b>				
Share of loss of associates and joint ventures	₩ (2)	₩ 42	₩ (1)	₩ 2
Foreign exchange loss	79,429	183,889	92,877	191,131
Loss on translation of foreign currency	25,427	117,873	25,660	110,651
Loss on valuation of financial assets measured at fair value through profit or loss	465	465	9,106	9,106
Impairment loss on investments	-	-	26,277	26,277
Loss on disposal of investments	172	636	1,850	1,959
Impairment loss on property, plant and equipment	-	-	8,953	13,202
Loss on disposal of property, plant and equipment	1,632	5,038	3,928	6,804
Impairment loss on intangible assets	14	14	25,319	25,330
Loss on disposal of intangible assets	115	532	494	557
Loss on disposal of trade receivables	5,182	18,600	4,936	17,420
Donations	3,551	12,328	3,479	13,714
Other impairment loss (Note 8)	12,703	26,319	52,793	74,384
Others	8,770	116,835	25,688	118,817
	<u>₩ 137,458</u>	<u>₩ 482,571</u>	<u>₩ 281,359</u>	<u>₩ 609,354</u>

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**23. Breakdown of Expenses by Nature**

Expenses recorded by nature as cost of sales, selling and administrative expenses in the consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

(in millions of Korean won)

	2019		2018	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	₩ 4,412,370	₩ 12,620,821	₩ 4,331,584	₩ 12,478,096
Construction outsourcing	1,456,709	4,792,033	1,513,800	4,654,746
Employee benefit expenses	628,888	1,804,161	597,579	1,838,736
Commission	347,473	932,132	289,213	1,036,557
Freight	92,621	246,864	77,730	224,450
Research and development	21,093	66,342	18,239	62,296
Heavy construction equipment usage	45,984	153,191	50,951	151,712
Rent	93,118	312,284	76,776	246,481
Taxes and dues	21,268	107,246	37,139	117,693
Depreciation and amortization	104,622	335,883	92,137	288,962
Insurance	11,261	36,954	13,389	41,298
Outsourcing fee	147,012	355,513	132,912	333,215
Others	135,924	758,095	275,203	849,161
	₩ 7,518,343	₩ 22,521,519	₩ 7,506,652	₩ 22,323,403

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**24. Adjusted Operating Profit and Loss**

Details of adjusted operating profit that are voluntarily classified based on the Group's own criteria by adjusting other income or expense items reflecting the operating performance of the Group from items that are not included within operating profit in the consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Operating profit in the consolidated statements of comprehensive income	₩ 216,277	₩ 542,118	₩ 273,829	₩ 861,126
Share of profit of associates and joint ventures (other income/other expenses)	11,733	57,202	2,647	45,636
Dividends income	106,518	448,937	106,572	448,071
Foreign exchange loss	(4,077)	(7,952)	(13,734)	(17,517)
Gain (loss) on translation of foreign currency	28,061	39,374	(21,265)	27,909
Loss on valuation of financial assets at fair value through profit or loss	(465)	(465)	(9,106)	(9,106)
Impairment loss on investments	-	-	(26,277)	(26,277)
Gain (loss) on disposal of investments	(75)	13,070	(2,072)	17,544
Impairment loss on property, plant and equipment	-	-	(8,953)	(13,202)
Gain (loss) on disposal of property, plant and equipment	(1,024)	(2,358)	(1,588)	45,787
Gain on disposal of investment properties	-	-	195,080	241,064
Reversal of impairment loss on intangible assets (impairment loss)	185	265	(24,984)	(24,995)
Loss on disposal of intangible assets	(115)	(517)	(483)	(349)
Other impairment loss	(6,457)	(3,839)	(41,713)	(60,538)
Donations	(3,551)	(12,328)	(3,479)	(13,714)
Loss on disposal of trade receivables	(5,182)	(18,600)	(4,936)	(17,420)
Others	13,783	(54,419)	(5,769)	(44,779)
Adjusted operating profit	₩ 355,611	₩ 1,000,488	₩ 413,769	₩ 1,459,240

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**25. Financial Income and Expenses**

Financial income and expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

(in millions of Korean won)

	2019		2018	
	Three months	Nine months	Three months	Nine months
Interest income:				
Deposits in bank	₩ 11,383	₩ 40,238	₩ 10,348	₩ 30,895
Securities	1,175	3,526	1,176	3,527
Loans	2,036	12,663	10,498	21,435
Overdue interest	6	27	15	23
Present value discounts	683	2,416	1,169	2,366
Finance lease receivables	158	585	-	-
Others	4,353	14,702	5,128	16,220
Foreign exchange gain	3,172	8,129	19,348	32,730
Gain on translation of foreign currency	22,068	58,913	32,745	91,277
<b>Total financial income</b>	<b>45,034</b>	<b>141,199</b>	<b>80,427</b>	<b>198,473</b>
Interest expenses:				
Short-term borrowings	13,135	36,631	12,958	39,604
Long-term borrowings	3,098	16,797	9,108	23,726
Debentures	7,720	28,221	14,472	49,863
Lease liabilities	2,090	6,695	-	-
Others	(7,388)	17,741	8,124	17,326
Capitalized interests (3.39%)	-	-	(4,289)	(10,781)
Foreign exchange loss	3,138	8,530	2,996	13,216
Loss on translation of foreign currency	17,951	49,883	28,952	70,525
<b>Total financial expenses</b>	<b>39,744</b>	<b>164,498</b>	<b>72,321</b>	<b>203,479</b>
<b>Financial expenses (income), net</b>	<b>₩ (5,290)</b>	<b>₩ 23,299</b>	<b>₩ (8,106)</b>	<b>₩ 5,006</b>

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**26. Income Tax Expense**

Income tax expense is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

**27. Earnings per Share**

Basic earnings per ordinary share for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in Korean won and in shares)</i>	<b>2019</b>	<b>2018</b>
Profit for the period <sup>1</sup>	₩ 716,410 million	₩ 1,046,770 million
Profit for the period attributable to ordinary shares	709,980 million	1,037,401 million
Weighted average number of ordinary shares outstanding	163,464,394 shares	163,464,540 shares
Basic earnings per ordinary share	₩ 4,343	₩ 6,346

<sup>1</sup> The amount is the profit attributable to the owners of the Parent Company for the period.

Basic earnings per preferred share for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in Korean won and in shares)</i>	<b>2019</b>	<b>2018</b>
Profit for the period <sup>1</sup>	₩ 716,410 million	₩ 1,046,770 million
Profit for the period attributable to preferred shares	6,430 million	9,369 million
Weighted average number of preferred shares outstanding	1,467,590 shares	1,467,591 shares
Basic earnings per preferred share	₩ 4,381	₩ 6,384

<sup>1</sup> The amount is the profit attributable to the owners of the Parent Company for the period.

Since there is no dilutive potential ordinary share, the diluted earnings per ordinary share and the basic earnings per ordinary share are the same for the nine-month periods ended September 30, 2019 and 2018, respectively.

**28. Related Party Transactions**

As at September 30, 2019, the Group's related parties consist of 47 associates and joint ventures, including Samsung Bioepis Co., Ltd. and other related parties (Note 1.3). Meanwhile, the Enterprise Group, which the Group belongs to, in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea, consists of 61 entities including Samsung Electronics Co., Ltd., as at September 30, 2019.

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Significant transactions between the Parent Company and related parties (associates, joint ventures and other related party) for the nine-month periods ended September 30, 2019 and 2018, and the related account balances as at September 30, 2019 and December 31, 2018, consist of the following:

(in millions of Korean won)	Sales <sup>2</sup>		Purchases		Receivables		Payables	
	2019	2018	2019	2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
<b>Associates</b>								
Samsung Bioepis Co., Ltd.	₩ 13,307	₩ 5,708	₩ -	₩ -	₩ 6,595	₩ 2,181	₩ -	₩ -
Waris Gigih Engineering & Technology Sdn. Bhd.	61	48	-	-	-	-	-	-
Gangneung Eco Power Co.,Ltd.	296,444	50,731	-	-	15,530	6,832	-	118,263
Gaziantep Hospital Management Investment Company	9,820	24,295	-	-	-	-	14,031	-
TOK Advanced Materials Co., Ltd.	-	-	66,218	67,794	-	-	5,238	4,560
Rabigh Investment Company	-	-	-	-	-	51,926	-	-
Others	455	706	2	4,568	-	98	-	-
<b>Joint ventures</b>								
FCC Saudi LLC	4,299	22,840	-	-	1,184	-	-	-
Others	674	694	-	5	11,718	10,843	-	-
<b>Other related parties<sup>4</sup></b>								
Samsung Electronics Co., Ltd.	3,221,309	2,123,411	100,859	76,052	1,198,532	1,678,553	241,455	196,829
Others	263,083	737,409	3,324	7,055	55,552	46,891	28,723	28,777
<b>Others<sup>1</sup></b>								
Samsung SDS Co., Ltd.	33,780	15,448	61,420	71,279	7,168	13,901	28,181	27,461
Samsung Life Insurance Co., Ltd. <sup>3</sup>	9,604	41,502	3,137	3,157	2,457	6,870	41,767	41,767
Others	77,863	78,684	69,582	78,806	46,486	46,179	149,192	149,798

<sup>1</sup> The entities are not included in the scope of related parties in accordance with Korean IFRS 1024, but are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea.

<sup>2</sup> Unbilled revenue from construction contracts based on the percentage of completion of ₩ 964,531 million (2018: ₩ 158,606 million) is excluded from sales. In addition, due from customer for contract work amounting to ₩ 387,567 million (December 31, 2018: ₩ 223,627 million) and due to customers for contract work amounting to ₩ 235,449 million (December 31, 2018: ₩ 931,316 million) are excluded from receivables and payables, respectively.



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<sup>3</sup> As at September 30, 2019, the Group deposited ₩ 470,122 million (December 31, 2018: ₩ 494,669 million) in Samsung Life Insurance Co., Ltd. as plan assets. There is no additional contribution made by the Group for the nine-month period ended September 30, 2019.

<sup>4</sup> For the nine-month period ended September 30, 2019, over 10% of the Group's revenue (including its subsidiaries' revenues) are derived from the customer. The revenue derived from the customer amounting to ₩ 5,435,024 million is reported from Construction, Trading and Resort segments of the Group.

Significant transactions between the Group and related parties (associates, joint ventures and other related parties) (the above transactions are excluded) for the nine-month periods ended September 30, 2019 and 2018, and the related account balances as at September 30, 2019 and December 31, 2018, consist of the following:

<i>(in millions of Korean won)</i>	<b>Sales<sup>2</sup></b>		<b>Purchases</b>		<b>Receivables</b>		<b>Payables</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Associates</b>								
Samsung Bioepis Co., Ltd.	₩ 88,777	₩179,015	₩ 20,164	₩ 1	₩ 27,299	₩ 69,667	₩ 331	₩ 20,367
KST POWER NORTE S.A. DE C.V.	-	1,461	-	-	-	40,862	-	-
Others	17	215	-	-	64	184	7	-
<b>Joint ventures</b>								
FCC Saudi LLC	69,041	31,863	-	-	289	-	36,637	43,519
LJG Green Source Energy Alpha S.R.L.	1,164	1,084	-	-	22,049	19,705	-	-
Kelar S.A.	1,653	1,552	-	-	34,312	30,345	-	-
Others	1,898	37,668	-	9	308	473	-	-
<b>Other related parties</b>								
Samsung Electronics Co., Ltd.	349,162	337,933	25,890	8,325	158,483	81,651	23,966	9,221
Others	888,183	903,888	2,491	3,594	91,061	100,221	4,102	8,375
<b>Others<sup>1</sup></b>								
Samsung SDS Co., Ltd.	22,616	22,274	35,215	41,332	8,345	2,852	9,745	20,110
Samsung Life Insurance Co., Ltd. <sup>3</sup>	12,988	10,675	552	2,376	3,443	955	1,410	1,410
Others <sup>3</sup>	564,319	493,905	33,534	95,399	162,951	123,410	41,390	86,662

<sup>1</sup> The entities are not included in the scope of related parties in accordance with Korean IFRS 1024, but are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea.

<sup>2</sup> Unbilled revenue from construction contracts based on the percentage of completion of ₩ 96,534 million (2018: ₩ 13,301 million) is excluded from sales. In addition, Due from customer for contract work amounting to ₩ 47,750 million (December 31, 2018: ₩ 19,537 million) and due to customers for contract work amounting to ₩ 16,662 million (December 31, 2018: ₩ 58,939 million) are

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excluded from receivables and payables, respectively.

<sup>3</sup> As at September 30, 2019, the Group (except for the Parent Company) deposited ₩ 161,141 million (December 31, 2018: ₩ 151,930 million) and ₩ 34,868 million (December 31, 2018: ₩ 35,091 million) as plan assets in Samsung Life Insurance Co., Ltd. and Samsung Fire & Marine Insurance Co., Ltd., respectively.

Major fund transactions with related parties for the nine-month periods ended September 30, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019		2018	
	Loans	Repayments	Loans	Repayments
<b>Associates</b>				
KST POWER NORTE S.A. DE C.V. <sup>1</sup>	₩ -	₩ 30,380	₩ -	₩ -
Rabigh Investment Company	-	56,046	-	-

<sup>1</sup> During the nine-month period ended September 30, 2019, the Group disposed its loans to KST POWER NORTE S.A. DE C.V. to Samsung Asset Management Co., Ltd., an entity included in the scope of Enterprise Group.

Payment guarantees for the liabilities of associates and joint ventures provided by the Group as at September 30, 2019, are as follows:

(in thousands of US dollars)

	Principal debtor	Guaranteed period	Guaranteed amount	
			Actual borrowings	Guaranteed amount
<b>Associates</b>				
Terminal KMS de GNL, S. de R.L. de C.V.	Santander and others	September 1, 2029	\$ 87,248	\$ 87,248
<b>Joint venture</b>				
Kelar S.A.	BTMU and others	April 30, 2031	13,304	13,304
			<u>\$ 100,552</u>	<u>\$ 100,552</u>

For the nine-month period ended September 30, 2019, the Group received ₩ 377,082 million of dividends (2018: ₩ 393,748 million) from the related parties. For the nine-month period ended September 30, 2019, the Group received ₩ 129,105 million (2018: ₩ 103,958 million) from the entities that are not related parties of the Group in accordance with Korean IFRS 1024, but included in the Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea. For the nine-month period ended September 30, 2019, there are no declared dividends to related parties, and there are no unpaid dividends to related parties as at September 30, 2019 and December 31, 2018. Also, for the nine-month period ended September 30, 2019, there are no declared dividends to the entities in the same Enterprise Group (2018: ₩ 23,320 million). As at September 30, 2019 and December 31, 2018, there are no unpaid dividends to these entities.

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For the nine-month period ended September 30, 2019, the Group made additional contribution of ₩ 24,723 million (2018: ₩ 44,977 million) to associates, and recovered ₩ 45,175 million (2018: ₩ 8,695 million) from associates and joint ventures.

As at September 30, 2019, the Group recognized lease liabilities of ₩ 58,503 million and lease receivables of ₩ 19,186 million in relation to a lease contract for buildings from the entities that are not related parties of the Group in accordance with Korean IFRS 1024, but included in the Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea.

As at September 30, 2019, investments in Dongducheon Dream Power Co., Ltd., (Acquisition cost: ₩ 115,456 million), are pledged as collateral to a financial institution against the borrowings (total borrowing limit of ₩ 1,285,000 million) of Dongducheon Dream Power Co., Ltd. In addition, the Group provides payment guarantees in relation to the debenture of Dongducheon Dream Power Co., Ltd. amounting to ₩ 18,800 million (Note 12).

As at September 30, 2019, investments in Gaziantep SPV (acquisition cost: ₩ 12,183 million) and Qurayyah Investment Company (acquisition cost: ₩ 52,215 million), are pledged as collateral against borrowings of investees (Note 12).

The Group has entered into a lease agreement in relation to use of land with Incheon Metropolitan City and has entered into a sublease agreement with Samsung Bioepis Co., Ltd. with the consent of Incheon Metropolitan City.

The Group recognized salaries and post-employment benefits for the key management as expenses, amounting to ₩ 3,736 million and ₩ 692 million, respectively. The key management includes directors (executive and non-executive), auditors and other managements. Meanwhile, the Group introduced long-term incentive plans for its executives based on a three-year management performance criteria and recognized the cumulative estimated incentive cost for the past periods as non-trade payable and provision for bonuses. For the nine-month period ended September 30, 2019, the Group recognized expenses amounting to ₩ 2,018 million.

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**29. Cash Generated from (Used in) Operations**

Reconciliation between operating profit and net cash inflow (outflow) from operating activities, for the nine-month periods ended September 30, 2019 and 2018, is as follows:

<i>(in Korean won)</i>	<b>2019</b>	<b>2018</b>
Profit for the period	₩ 694,820,839,126	₩ 943,668,849,718
<b>Addition</b>		
Income tax expense	332,839,002,351	380,591,028,646
Interest expense	106,084,812,053	119,737,680,034
Depreciation and amortization	400,448,216,616	330,866,748,931
Post-employment benefits	78,961,364,063	73,574,164,981
Impairment loss (reversal)	5,545,638,828	(23,191,522,151)
Other impairment loss	26,318,935,343	74,384,280,886
Transfer in provision for construction losses	77,310,291,881	59,299,711,234
Transfer in provision for construction warranties	21,412,431,090	15,441,811,311
Loss on foreign currency translation	167,755,864,519	181,175,567,960
Loss on disposal of investments	636,038,594	1,959,353,053
Impairment loss on investments (reversal)	(40)	26,277,390,637
Loss on valuation of financial assets at fair value through profit or loss	464,917,096	9,105,613,666
Loss on disposal of property, plant and equipment	5,037,604,339	6,803,711,152
Impairment loss on property, plant and equipment	-	13,201,520,486
Loss on disposal of intangible assets	531,713,603	556,698,416
Impairment loss on intangible assets	13,940,268	25,329,732,398
Share of loss of associates and joint ventures	18,828,022,375	147,676,439,007
Others expenses	62,976,497,897	102,454,031,801
	<u>1,305,165,290,876</u>	<u>1,545,243,962,448</u>
<b>Deduction</b>		
Interest income	(74,157,630,729)	(74,466,110,109)
Dividend income	(448,936,945,928)	(448,070,978,614)
Gain on foreign exchange translation	(216,160,177,224)	(229,837,241,329)
Reversal of provision for construction losses	(30,716,237,267)	(54,447,127,333)
Reversal of provision for impairment	(22,479,658,915)	(13,846,347,405)
Gain on disposal of investments	(13,706,299,431)	(19,502,670,368)
Gain on valuation of financial assets at fair value through profit or loss	(390,324,537)	(37,500,000)
Gain on disposal of property, plant and equipment	(2,679,840,996)	(52,591,132,867)
Gain on disposal of intangible assets	(15,010,649)	(207,942,102)
Reversal of impairment loss on intangible assets	(279,036,368)	(334,792,667)
Gain on disposal of investment properties	-	(241,063,607,549)
Share of profit of associates and joint ventures	(126,501,382,760)	(63,337,791,007)
Other income	(5,957,218,923)	(4,114,391,520)
	<u>(941,979,763,727)</u>	<u>(1,201,857,632,870)</u>

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<i>(in Korean won)</i>	2019	2018
<b>Changes in operating assets and liabilities</b>		
Decrease in trade receivables	627,226,432,640	712,643,429,069
Decrease (increase) in other current assets	143,023,789,326	(300,344,252,387)
Increase in inventories	(170,201,863,283)	(278,705,425,003)
Increase (decrease) in trade payables	11,491,964,867	(76,495,656,030)
Decrease in other current liabilities	(1,475,991,447,942)	(719,520,003,951)
Decrease in provisions for construction warranties	(20,090,497,892)	(13,764,768,898)
Increase in long-term unearned income	31,058,124,152	22,150,267,284
Increase (decrease) in long-term non-trade payables	(3,992,344,543)	21,904,644,440
Payment of defined benefit liability	(55,759,528,929)	(125,850,420,172)
Decrease in plan assets	29,146,899,160	83,015,295,634
Transfer in of defined benefit liability	33,531,550	2,409,000,614
Others	(38,234,175,842)	(43,021,794,635)
	<u>(922,289,116,736)</u>	<u>(715,579,684,035)</u>
<b>Cash generated from operations</b>	<u>₩ 135,717,249,539</u>	<u>₩ 571,475,495,261</u>

Changes in liabilities arising from financial activities for the nine-month period ended September 30, 2019, are as follows:

	<i>(in millions of Korean won)</i>		<u>Transactions without cash flows</u>		
	At January 1, 2019	Cash flows from financial activities	Amortization	Others <sup>2</sup>	At September 30, 2019
Short-term borrowings	₩ 1,369,502	₩ 120,740	₩ -	₩ 66,574	₩ 1,556,816
Long-term borrowings <sup>1</sup>	1,349,251	(413,247)	-	33,457	969,461
Debentures	1,797,893	(610,000)	901	-	1,188,794
	<u>₩ 4,516,646</u>	<u>₩ (902,507)</u>	<u>₩ 901</u>	<u>₩ 100,031</u>	<u>₩ 3,715,071</u>

<sup>1</sup> Long-term borrowings include current portion of borrowings and debentures.

<sup>2</sup> Others include changes due to exchange differences and others.

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**30. Segment Information**

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

Summary of information on the Group's operations by business segment as at and for the nine-month periods ended September 30, 2019 and 2018, is as follows:

	2019							Total
	Construction	Trading	Fashion	Resort	Food and beverages	Bio	Common	
External sales	₩ 8,957,531	₩ 12,903,038	₩ 1,320,850	₩ 514,678	₩ 1,643,472	₩ 388,265	₩ -	₩ 25,727,834
Internal sales	(41,707)	(2,481,418)	(73,732)	(1,350)	(65,989)	-	-	(2,664,196)
Net sales	8,915,824	10,421,620	1,247,118	513,328	1,577,483	388,265	-	23,063,638
Operating profit (loss)	403,460	85,919	2,070	25,423	74,764	(49,517)	-	542,118
Adjusted operating profit (loss)	620,708	231,784	72,103	55,689	68,000	(47,796)	-	1,000,488
Total assets <sup>1</sup>	7,834,720	4,086,230	1,332,550	2,449,603	628,524	6,002,365	21,013,918	43,347,910

<sup>1</sup> For total assets, the common amount is separately presented.

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	2018							Total
	Construction	Trading	Fashion	Resort	Food and beverages	Bio	Common	
External sales	₩ 8,992,667	₩ 13,282,131	₩ 1,329,964	₩ 510,918	₩ 1,490,706	₩ 362,398	₩ -	₩ 25,968,784
Internal sales	(40,590)	(2,616,284)	(64,985)	(2,754)	(59,641)	-	-	(2,784,254)
Net sales	8,952,077	10,665,847	1,264,979	508,164	1,431,065	362,398	-	23,184,530
Operating profit (loss)	605,495	151,947	(12,518)	32,974	70,350	12,878	-	861,126
Adjusted operating profit	922,698	295,686	95,404	70,781	61,827	12,844	-	1,459,240
Total assets <sup>1</sup>	7,828,607	4,231,313	1,188,772	2,421,805	628,524	7,661,157	22,150,175	46,110,353

<sup>1</sup> For total assets, the common amount is separately presented.

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Summary of information on the Group's operations by geographic areas for the nine-month periods ended September 30, 2019 and 2018, is as follows:

(in millions of Korean won)

	2019				
	Domestic	Asia	Europe	The Americas	Total
Total revenue	₩ 17,399,096	₩ 6,243,264	₩ 890,997	₩ 1,194,477	₩ 25,727,834
Intercompany revenue	(1,592,895)	(859,303)	(186,944)	(25,054)	(2,664,196)
Revenue from external customers	₩ 15,806,201	₩ 5,383,961	₩ 704,053	₩ 1,169,423	₩ 23,063,638

(in millions of Korean won)

	2018				
	Domestic	Asia	Europe	The Americas	Total
Total revenue	₩ 17,579,801	₩ 6,114,632	₩ 878,872	₩ 1,395,479	₩ 25,968,784
Intercompany revenue	(1,756,321)	(731,389)	(181,752)	(114,792)	(2,784,254)
Revenue from external customers	₩ 15,823,480	₩ 5,383,243	₩ 697,120	₩ 1,280,687	₩ 23,184,530

### 31. Financial Risk Management

#### 31.1 Financial Risk Management

The Group is exposed to various financial risks such as market risk, credit risk and liquidity risk while performing various activities. Market risk arises from currency risk, fair value interest rate risk, cash flow interest rate risk and price risk.

As these interim financial statements do not include all the financial risk management and disclosures required for the annual financial statements, please refer to the December 31, 2018 annual financial statements.

There has been no significant change in the risk management department and other risk management policy of the Group since December 31, 2018.



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**31.2 Fair Value Measurement**

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at September 30, 2019 and December 31, 2018 are as follows:

(in millions of Korean won)

	<b>September 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>				
Financial assets at fair value through other comprehensive income	₩ 20,188,730	₩ 494	₩ 181,690	₩ 20,370,914
Financial assets at fair value through profit or loss	1	300,039	263,928	563,968
Derivative financial instruments:				
Held for trading	-	9,542	26,990	36,532
Hedging	-	30,085	-	30,085
	<u>₩ 20,188,731</u>	<u>₩ 340,160</u>	<u>₩ 472,608</u>	<u>₩ 21,001,499</u>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments:				
Held for trading	₩ -	₩ 42,519	₩ -	₩ 42,519
Hedging	-	2,050	-	2,050
	<u>₩ -</u>	<u>₩ 44,569</u>	<u>₩ -</u>	<u>₩ 44,569</u>

(in millions of Korean won)

	<b>December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>				
Financial assets at fair value through other comprehensive income	₩ 17,681,661	₩ 605	₩ 266,134	₩ 17,948,400
Financial assets at fair value through profit or loss	2,172	540,081	177,257	719,510
Derivative financial instruments:				
Held for trading	-	9,557	26,990	36,547
Hedging	-	9,552	-	9,552
	<u>₩ 17,683,833</u>	<u>₩ 559,795</u>	<u>₩ 470,381</u>	<u>₩ 18,714,009</u>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments:				
Held for trading	₩ -	₩ 16,331	₩ -	₩ 16,331
Hedging	-	3,220	-	3,220
	<u>₩ -</u>	<u>₩ 19,551</u>	<u>₩ -</u>	<u>₩ 19,551</u>

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

During the nine-month period ended September 30, 2019, there has been no significant change in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities.

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Valuation techniques and the inputs used in the fair value measurement related to recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy and disclosed fair value are as follows:

<i>(in millions of Korean won)</i>	<b>Fair value</b>	<b>Level</b>	<b>Fair value measurements</b>	<b>Inputs</b>
<b>Financial assets measured at fair value</b>				
Energy industry equities	₩ 80,780	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Cooperative contribution	45,491	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Other equities	319,347	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Investment bonds	300,533	2	Discounted cash flow method	Counterparty credit risk and others
<b>Derivatives (assets)</b>				
Currency forwards and others	39,627	2	Market approach	Currency forwards rate, discount rate and others
Option	26,990	3	LSMC model	Underlying asset (East Central Tower Building)
<b>Derivatives (liabilities)</b>				
Currency forwards and others	44,569	2	Market approach	Currency forwards rate, discount rate and others

*Valuation process of fair value measurements classified in level 3*

The finance department of the Group's divisions is responsible for fair value measurements which contain fair value measurement categorized in Level 3 for the purpose of financial report and the said department reports periodically the fair value valuation process and its outcome on reporting schedule at the end of every year.

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**32. Changes in Accounting Policy**

As explained in Note 2 above, the Group has adopted Korean IFRS 1116 *Leases* from January 1, 2019. In accordance with the transitional provisions in Korean IFRS 1116, comparative figures have not been restated. The application of Korean IFRS 1116 has impact on the financial statements as follows.

**32.1 Adjustments recognized on adoption of Korean IFRS 1116 Leases**

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.94%.

*(in millions of Korean won)*

	<b>January 1, 2019</b>	
Operating lease commitments disclosed as at December 31, 2018	₩	544,436
Discounted using the lessee's incremental borrowing rate of at the date of initial application		496,607
Less: short-term leases recognized on a straight-line basis as expense		(8,221)
Less: low-value leases recognized on a straight-line basis as expense		(3,181)
<b>Lease liability recognized as at January 1, 2019</b>		<b>485,205</b>
Of which are:		
Current lease liabilities (other current liabilities)		107,693
Non-current lease liabilities (other non-current liabilities)		377,512
	₩	485,205

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at December 31, 2018. The Group recognized impairment loss of ₩ 16,114 million and net lease investment bonds arising from sublease of ₩ 29,271 million that would have required an adjustment to the right-of-use assets at the date of initial application.

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**32.2 Impacts on the consolidated financial statements with adoption of Korean IFRS 1116**  
**Leases**

(a) Amounts recognized in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Right-of-use assets <sup>1</sup>		
Land	₩ 11,069	₩ 11,517
Buildings and structures	222,148	257,630
Animals & plants	12,379	13,230
Others	22,402	26,725
	<u>267,998</u>	<u>309,102</u>
Investment properties <sup>2</sup>	121,208	132,009
	<u>₩ 389,206</u>	<u>₩ 441,111</u>

<sup>1</sup> Presented separately as the line item 'right-of-use assets' in the consolidated statements of financial position.

<sup>2</sup> Right-of-use assets for the lease contracts which satisfy the definition of investment properties are classified as investment properties and presented as the line item 'investment properties' in the consolidated statements of financial position.

Additions to the right-of-use assets during the 2019 financial year were ₩ 39,323 million.

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Lease liabilities <sup>1</sup>		
Current	₩ 119,537	₩ 107,693
Non-current	306,332	377,512
	<u>₩ 425,869</u>	<u>₩ 485,205</u>

<sup>1</sup> Included in the line item 'other current liabilities' and 'other non-current liabilities' in the statements of financial position.

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As at September 30, 2019, the lease liabilities are classified according to the remaining period of time to the expiration date of the contract.

(in millions of Korean won)

	September 30, 2019					
	Book amount	Cash flows by terms of contract	Cash flow schedule until the expiration date			
			1 year or less	1 year ~ 2 years	2 years ~ 3 years	More than 3 years
Lease liabilities	₩ 425,868	₩ 474,887	₩ 130,919	₩ 93,414	₩ 63,045	₩ 187,509

(b) Amounts recognized in the consolidated statements of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

(in millions of Korean won)

	2019	
Depreciation of right-of-use assets		
Land	₩	4,665
Buildings and structures		55,528
Animals & plants		879
Others		12,040
	₩	<u>73,112</u>
Depreciation of investment properties	₩	10,801
Interest expense relating to lease liabilities (included in cost of sales and financial expenses)		10,680
Expense relating to short-term leases (included in cost of sales and administrative expenses)		40,352
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)		36,345
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		206,949

(c) The total cash outflow from lease agreements was ₩ 377,845 million.

(d) Adjustments at the date of initial application

In applying Korean IFRS 1116 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- right-of-use assets: increase by ₩ 309,102 million
- investment properties: increase by ₩ 132,009 million
- net lease receivables: increase by ₩ 29,271 million
- prepaid expenses: decrease by ₩ 1,292 million
- lease liabilities: increase by ₩ 485,205 million
- retained earnings: decrease by ₩ 16,114 million

*(e) Impact on segment disclosure and earnings per share*

For the nine-month period ended September 30, 2019, all segment assets and liabilities have increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

<i>(in millions of Korean won)</i>	2019							Total
	Construction	Trading	Fashion	Resort	Bio	Common		
Segment assets	₩ 195,750	₩ 38,750	₩ 139,795	₩ 25,403	₩ 8,672	₩ 23	₩ 408,393	
Segment liabilities	196,989	38,909	155,493	26,328	8,127	23	425,869	

The impact on earnings per share of the adoption of Korean IFRS 1116 for the nine-month period ended September 30, 2019 is not material.

**32.3 The Group's leasing activities and how these are accounted for**

*(a) Leasing activities*

The Group leases various offices, housing for employees, stores, heavy equipment and cars. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

*(b) Accounting policies for lease*

- Classification of lease

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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#### - Measurement of right-of-use assets and lease liabilities

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Meanwhile, the Group allocates the consideration to lease and non-lease components on the basis of the relative stand-alone price as at the lease commencement date or the reassessment date for any contract that contains a lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

#### - Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment.

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- Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

- Subleases

The accounting treatment as a lessor did not change significantly from the one under Korean IFRS 1017 *Leases*. If the Group is an intermediate lessor, however, the Group determines the classification of the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

The Group subleased some of the buildings, and the leases are classified as operating leases or finance leases in accordance with Korean IFRS 1116.