

Earnings Release Q3 2016

Samsung Electronics

October 2016

Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided for the convenience of investors only, before the external audit on our 3Q 2016 financial results is completed. The audit outcomes may cause some parts of this document to change.

This document contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, "forward-looking statements" often address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "seeks" or "will ". "Forward-looking statements" by their nature address matters that are, to different degrees, uncertain.

For us, particular uncertainties which could adversely or positively affect our future results include:

- The behavior of financial markets including fluctuations in exchange rates, interest rates and commodity prices
- Strategic actions including dispositions and acquisitions
- Unanticipated dramatic developments in our major businesses including CE (Consumer Electronics), IM (IT & Mobile communications), DS (Device Solutions)
- Numerous other matters at the national and international levels which could affect our future results

These uncertainties may cause our actual results to be materially different from those expressed in this document.

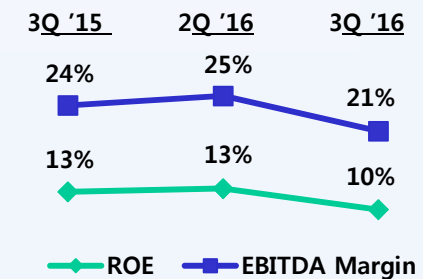
Income Statement

(Unit: KRW Trillion)

	3Q '16	% of sales	3Q '15	% of sales	2Q '16
Sales	47.82	100.0%	51.68	100.0%	50.94
Cost of Sales	29.41	61.5%	31.61	61.2%	29.61
Gross Profit	18.40	38.5%	20.07	38.8%	21.33
SG&A expenses	13.20	27.6%	12.68	24.5%	13.18
- R&D expenses	3.51	7.3%	3.42	6.6%	3.50
Operating Profit	5.20	10.9%	7.39	14.3%	8.14
Other non-operating income/expense	0.54	1.1%	△0.08	-	△0.24
Equity method gain/loss	0.01	0.01%	0.02	0.05%	0.004
Finance income/expense	0.23	0.5%	0.06	0.1%	0.16
Profit Before Income Tax	5.97	12.5%	7.39	14.3%	8.07
Income tax	1.43	3.0%	1.93	3.7%	2.22
Net profit	4.54	9.5%	5.46	10.6%	5.85

Key Profitability Indicators

	3Q '16	3Q '15	2Q '16
ROE	10%	13%	13%
Profitability (Net profit/Sales)	0.09	0.11	0.11
Asset turnover (Sales/Asset)	0.79	0.87	0.84
Leverage (Asset/Equity)	1.36	1.37	1.35
EBITDA Margin	21%	24%	25%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)		<u>3Q '16</u>	<u>3Q '15</u>	<u>2Q '16</u>	YoY	QoQ
총액		47.82	51.68	50.94	7% ↓	6% ↓
CE		11.24	11.59	11.55	3% ↓	3% ↓
	VD	6.60	6.97	6.61	5% ↓	0.1% ↓
IM		22.54	26.61	26.56	15% ↓	15% ↓
	Mobile	22.09	25.94	26.07	15% ↓	15% ↓
DS		20.29	20.31	18.43	0.1% ↓	10% ↑
	Semiconductor	13.15	12.82	12.00	3% ↑	10% ↑
	- Memory	9.86	9.14	8.43	8% ↑	17% ↑
	DP	7.06	7.49	6.42	6% ↓	10% ↑

Operating Profit

(Unit: KRW Trillion)		<u>3Q '16</u>	<u>3Q '15</u>	<u>2Q '16</u>	YoY	QoQ
Total		5.20	7.39	8.14	△2.19	△2.94
CE		0.77	0.36	1.03	0.41	△0.26
IM		0.10	2.40	4.32	△2.30	△4.22
DS		4.40	4.65	2.79	△0.26	1.61
	Semiconductor	3.37	3.66	2.64	△0.29	0.72
	DP	1.02	0.93	0.14	0.09	0.88

Note) CE (Consumer Electronics), IM (IT & Mobile communications), DS (Device Solutions), DP (Display Panel)

※ Sales for each business unit includes intersegment sales.

※ 2015 sales and operating profit of each business stated above reflect the organizational structure as of 2016.

Q3 Results and Outlook by Business Units

Semiconductor

[Q3 Results]

- Memory : Earnings improved significantly driven by increased shipments of high-density mobile/server products
 - NAND : Improved profitability by expanding 48-layer V-NAND
 - DRAM : Increased supply due to demand concentration of 20nm products
- S.LSI : Earnings remained solid due to strong demand of mid- to low-end SOC's and increasing sales of image sensors in China

[Q4 Outlook]

- Memory: Improve earnings/profitability through increasing sales of high value-added products such as V-NAND SSD
 - NAND : Expect demand to remain strong, driven by content increase in mobile and increased adoption of SSD; Expect tightness to continue due to limited expansion of 3D NAND supply
 - DRAM : Supply-demand conditions to remain stable, mainly in mobile/server
- S.LSI : Expect demand to remain solid for LSI / foundry products, despite seasonal component inventory adjustment in the market ; Maintain leadership in cutting-edge process technology through the industry's first 10nm mass production

D P

[Q3 Results]

- OLED: Earnings improved, driven by overall shipment increase and expanded portion of high-end products such as Flexible display
 - OLED shipments: increased by low-single% QoQ (Flexible): increased by high-teen% QoQ
- LCD : ASPs stabilized due to improved supply-demand conditions while cost structure improved; Secured profitability through increased shipments of high-end products such as UHD/large-sized screen
 - TV panel shipments: (unit) increased by high-teen% QoQ (area) increased by low-twenty% QoQ

[Q4 Outlook]

- OLED : Achieve solid earnings by actively responding to customers' demand for their flagship products and enhancing product mix
- LCD : Increase revenue and improve profitability by strengthening leading position in the UHD TV market and enhancing yield/cost competitiveness

Q3 Results and Outlook by Business Units

IM

[Q3 Results]

- Mobile : Earnings declined significantly QoQ, due to Note 7 issue
 - Sales of existing models including S7 remained solid
 - Sales of mid- to low-end line-ups such as A/J continued to grow
- Network : Improved operating profit QoQ, by supplying new LTE equipment to major customers

[Q4 Outlook]

- Market : Expect smartphone/tablet demand to increase under strong seasonality
- SEC: Strive to generate solid earnings by achieving steady sales of S7, etc., and maintaining profitability of mid- to low-end models
 - High-end: Focus on increasing sales of S7, S7 Edge, etc.
 - Mid-/Low-end : Launch new models and expand sales
 - Reinforce marketing activities such as sales promotion
- Network : Improve earnings by expanding LTE equipment sales to emerging market carriers, etc.

CE

[Q3 Results]

- TV : Earnings improved YoY, led by expanded sales of premium products such as SUHD/Curved TVs, under increased pre- promotional sales for year-end peak-season
 - Shipments of premium products such as UHD/Curved/60"+ ultra large-sized TV increased
 - . TV Shipments: UHD 47%↑, Curved 72%↑, 60"+ 72%↑ (YoY)
- DA : Earnings improved YoY, driven by strong sales of premium products, and continued demand for seasonal products such as Air conditioner

[Q4 Outlook]

- TV : Focus on improving earnings YoY by actively responding to year-end peak season, mainly with high-end products such as SUHD TV
 - . Strengthen marketing activity for Quantum Dot SUHD TVs, expanding sales of premium products
- DA : Focus on expanding sales of premium & innovative products such as Family Hub/Chef Collection/Add Wash

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Sep 30, 2016	Jun 30, 2016	Sep 30, 2015
Assets	244,471.5	243,960.7	246,567.6
- Cash *	83,068.1	77,140.4	69,767.2
- A/R	21,693.2	26,081.8	27,631.5
- Inventories	18,378.2	17,858.7	22,841.1
- Investments	10,456.8	12,271.6	13,992.6
- PP&E	83,873.8	84,635.0	86,560.4
- Intangible Assets	5,088.2	5,247.8	5,560.3
- Other Assets	21,913.2	20,725.4	20,214.5
Total Assets	244,471.5	243,960.7	246,567.6
Liabilities	64,935.1	62,118.2	65,838.9
- Debts	12,957.3	12,244.8	12,886.9
- Trade Accounts and N/P	7,857.3	7,344.7	9,842.9
- Other Accounts and N/P & Accrued Expenses	18,941.9	17,833.4	18,745.2
- Income Tax Payables	1,782.1	1,863.8	1,712.2
- Unearned Revenue & Other Advances	2,326.0	2,570.3	2,217.0
- Other Liabilities	21,070.5	20,261.2	20,434.7
Shareholders' Equity	179,536.4	181,842.5	180,728.7
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	244,471.5	243,960.7	246,567.6

* Cash = Cash and Cash equivalents, Short-term financial instruments, Short-term available-for-sale securities, Long-term time deposits, etc.

	Sep 30, 2016	Jun 30, 2016	Sep 30, 2015
Current ratio *	262%	271%	245%
Liability/Equity	36%	34%	36%
Debt/Equity	7%	7%	7%
Net debt/Equity	-39%	-36%	-31%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	3Q '16	2Q '16	3Q '15
Cash (Beginning of period)*	77.14	72.67	62.28
Cash flows from operating activities	14.34	13.34	11.87
Net profit	4.54	5.85	5.46
Depreciation	4.71	4.83	5.10
Others	5.09	2.67	1.31
Cash flows from investing activities	-5.68	-4.39	-6.24
Increase in tangible assets	-5.40	-4.01	-6.06
Cash flows from financing activities	-1.49	-4.51	1.31
Increase in debts	1.01	0.70	1.46
Acquisition of treasury stock	-2.36	-2.45	-
Payment of dividends	-0.15	-2.92	-0.15
Increase in cash	5.93	4.47	7.48
Cash (End of period)*	83.07	77.14	69.77

* Cash = Cash and Cash equivalents, Short-term financial instruments, Short-term available-for-sale securities, Long-term time deposits, etc.

Current State of Net Cash (Net Cash = Cash* - Debts)

(Unit : KRW Trillion)

	Sep 30, 2016	Jun 30, 2016	Sep 30, 2015
Net Cash	70.11	64.90	56.88

* Cash = Cash and Cash equivalents, Short-term financial instruments, Short-term available-for-sale securities, Long-term time deposits, etc.