

Earnings Release Q1 2017

Samsung Electronics

April 2017

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 Q1 2017 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.

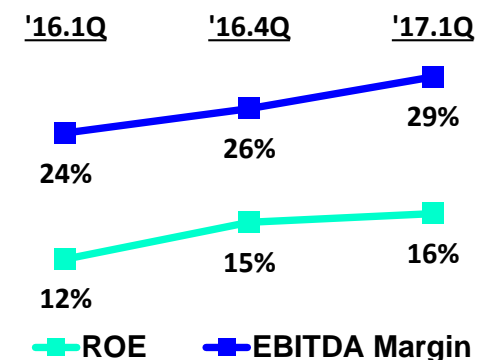
Income Statement

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(Unit: KRW Trillion)	1Q '17	% of sales	1Q '16	% of sales	4Q '16
Sales	50.55	100.0%	49.78	100.0%	53.33
Cost of Sales	28.16	55.7%	30.37	61.0%	30.88
Gross Profit	22.39	44.3%	19.41	39.0%	22.45
SG&A expenses	12.49	24.7%	12.73	25.6%	13.23
- R&D expenses	3.77	7.5%	3.57	7.2%	3.54
Operating Profit	9.90	19.6%	6.68	13.4%	9.22
Other non-operating income/expense	0.04	0.1%	0.36	0.7%	0.11
Equity method gain/loss	0.02	0.04%	0.01	0.02%	0.001
Finance income/expense	0.21	0.4%	0.07	0.1%	0.21
Profit Before Income Tax	10.16	20.1%	7.12	14.3%	9.55
Income tax	2.48	4.9%	1.87	3.8%	2.46
Net profit	7.68	15.2%	5.25	10.6%	7.09

Key Profitability Indicators

	1Q '17	1Q '16	4Q '16
ROE	16%	12%	15%
Profitability (Net profit/Sales)	0.15	0.11	0.13
Asset turnover (Sales/Asset)	0.77	0.82	0.85
Leverage (Asset/Equity)	1.38	1.35	1.36
EBITDA Margin	29%	24%	26%



Segment Sales & Operating Profit

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Sales

(Unit: KRW Trillion)

	1Q '17	1Q '16	4Q '16	YoY	QoQ
Total	50.55	49.78	53.33	2% ↑	5% ↓
CE	10.34	10.07	13.21	3% ↑	22% ↓
VD	6.46	6.42	9.09	1% ↑	29% ↓
IM	23.50	27.60	23.61	15% ↓	0.5% ↓
Mobile	22.47	26.94	22.65	17% ↓	1% ↓
DS	22.85	17.18	22.26	33% ↑	3% ↑
Semiconductor	15.66	11.15	14.86	40% ↑	5% ↑
- Memory	12.12	7.94	11.62	53% ↑	4% ↑
DP	7.29	6.04	7.42	21% ↑	2% ↓

Operating Profit

(Unit: KRW Trillion)

	1Q '17	1Q '16	4Q '16	YoY	QoQ
Total	9.90	6.68	9.22	3.22	0.68
CE	0.38	0.50	0.43	△0.12	△0.05
IM	2.07	3.89	2.50	△1.83	△0.43
DS	7.59	2.33	6.34	5.26	1.25
Semiconductor	6.31	2.63	4.95	3.68	1.36
DP	1.30	△0.27	1.34	1.57	△0.03

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

※ Sales for each business unit includes intersegment sales.

※ Sales and operating profit of each business stated above reflect the organizational structure as of 2017.

Semiconductor

[Q1 Results]

- Memory : Supply-demand remained tight due to limited supply in the industry
 - DRAM : Sales of high-end products such as high-density server DRAM / LPDDR4x increased
 - NAND : Focus on supplying 48-layer V-NAND solution products
- S.LSI : Improved earnings by increasing supply of mobile components for flagship smartphones

[Q2 Outlook]

- Memory: Expect solid server demand; demand for high-density products for mobile will continue
 - DRAM : Focus on supplying differentiated/high-value products based on stable 1X nm technology
 - NAND : Improve profitability by expanding supply of V-NAND based high-density server SSD
- S.LSI : Pursue stable earnings growth through sales of 10nm mobile APs and high-value LSI products such as image sensor/DDI

[`17 Outlook]

- Memory: Expect demand to increase mostly from server/mobile; Supply/demand conditions will remain solid throughout the year
 - Enhance technology strength and cost competitiveness by focusing on expanding process migration of 1X nm DRAM / 64-layer V-NAND
 - Possibility of 3D NAND supply increase in the industry
- S.LSI : Ensure stable supply increase of 10 nm products; Make stable demand base by diversifying foundry customers

D P

[Q1 Results]

- OLED: Earnings increased QoQ driven by solid demand for rigid panels and increased shipments of flexible panels due to expanding sales of new products
- LCD : Despite the reduction in production Capa due to strategic conversion of lines, earnings remained solid thanks to increased sales of high-ends such as UHD/large-sized screen, under strong ASP/supply-demand conditions

[Q2 Outlook]

- OLED : Expect to maintain solid earnings, due to major customers' launches of new flagship models
- LCD : Reinforce profitability by expanding sales of high-ends and enhancing cost competitiveness

[`17 Outlook]

- OLED : Increase YoY revenue by expanding supply of flexible OLED panels; Expect intense competition with LTPS LCD in mid to low-price range
- LCD : Although some uncertainties of increasing supply in the industry, try to ensure stable profitability by expanding shipments of high-ends (UHD/large-sized panels) and products with differentiated design (Frameless, etc.)

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[Q1 Results]

- Market : Smartphone/tablet demand declined QoQ under weak seasonality
- SEC: Earnings decreased QoQ due to declined S7 shipments/ASP
 - Smartphone shipments : Increased QoQ due to release of Galaxy A 2017 edition, etc.

[Q2 Outlook]

- Market : Expect smartphone/tablet demand to remain flat QoQ
- SEC: Improve Revenue/OP QoQ driven by S8 sales expansion
 - S8 : Focus on early global expansion and rich marketing activities
 - Smartphone shipments : Expect flat QoQ due to decreased sales of mid to low-end products

[`17 Outlook]

- Market : Expect solid replacement demand for mid to high-end smartphones, while expecting tough competition in 2H due to the release of new products in the market
- SEC: Improve smartphone sales and earnings YoY
 - High-end : Increase flagship products shipments, with S8 global expansion and release of new Note model in the 2H
 - Mid/Low : Focus on maintaining profitability by improving line-up efficiency continuously

C E

[Q1 Results]

- TV : Despite expanded sales of premium TV products such as Quantum Dot/Curved, earnings decreased YoY due to increased panel ASP and F/X impact
 - TV Shipments: Quantum Dot 39%↑, Curved 63%↑, 60"+ 39%↑ (YOY)
- DA : Revenue of refrigerator/washing machines increased under strong demand from North America, but earnings remained flat YoY due to new investment in B2B business

[Q2 Outlook]

- TV : Focus on earnings improvement by increasing the sales of premium line-ups including newly launching QLED TV
 - Enhance competitiveness in product differentiation: Picture quality (100% color volume, HDR 1500~2000 brightness), Innovative design (Invisible Connection, No-Gap Wall Mount), Usability (One Remote)
- DA : Focus on earnings improvement by responding to seasonal demand of Air Conditioner and expanding online sales for key retail networks

[`17 Outlook]

- TV : Strengthen premium product leadership and reinforce profitability by expanding high-end line-ups such as QLED TV / The Frame
- DA : Strengthen B2B business with North American builders' market (Built-in kitchen, system air-conditioner); Focus on increasing premium products through cooperation with retail networks and marketing activities

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
Assets	264,217.4	262,174.3	241,239.8
- Cash *	73,449.7	88,231.4	72,670.7
- A/R	22,340.7	24,279.2	25,505.6
- Inventories	21,857.6	18,353.5	18,749.9
- Investments	12,621.1	12,593.1	12,325.7
- PP&E	95,322.4	91,473.0	85,565.3
- Intangible Assets	14,775.9	5,344.0	5,375.0
- Other Assets	23,850.0	21,900.1	21,047.6
Total Assets	264,217.4	262,174.3	241,239.8
Liabilities	74,399.4	69,211.3	62,913.6
- Debts	13,249.3	15,282.4	11,265.6
- Trade Accounts and N/P	9,569.5	6,485.0	7,829.7
- Other Accounts and N/P & Accrued Expenses	25,287.1	24,053.2	20,164.9
- Income Tax Payables	3,422.2	2,837.4	1,894.9
- Unearned Revenue & Other Advances	1,653.3	2,043.9	2,655.9
- Other Liabilities	21,218.0	18,509.4	19,102.6
Shareholders' Equity	189,818.0	192,963.0	178,326.2
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	264,217.4	262,174.3	241,239.8

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

	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
Current ratio *	227%	259%	258%
Liability/Equity	39%	36%	35%
Debt/Equity	7%	8%	6%
Net debt/Equity	△32%	△38%	△34%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	1Q '17	4Q '16	1Q '16
Cash (Beginning of period) *	88.23	83.07	71.54
Cash flows from operating activities	10.60	10.99	8.72
Net profit	7.68	7.09	5.25
Depreciation	4.77	4.65	5.12
Others	△1.86	△0.76	△1.66
Cash flows from investing activities	△17.46	△8.98	△3.39
Purchases of PP&E	△8.90	△10.00	△4.74
Cash flows from financing activities	△5.19	1.59	△4.26
Increase in debts	△3.14	1.63	△1.37
Acquisition of treasury stock	△2.05	-	△2.90
Payment of dividends	-	△0.04	-
Increase in cash	△14.78	5.16	1.13
Cash (End of period) *	73.45	88.23	72.67

* 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)

	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
Net Cash	60.20	72.95	61.41

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