

Earnings Release Q4 2017

Samsung Electronics

January 2018

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 Q4 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.

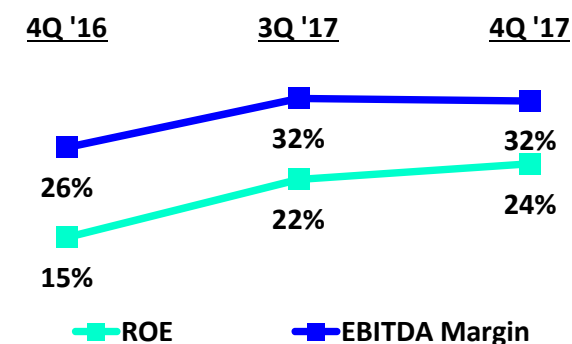
Income Statement

(Unit: KRW Trillion)

	4Q '17	% of sales	4Q '16	% of sales	3Q '17	FY '17	% of sales	FY '16	% of sales
Sales	65.98	100.0%	53.33	100.0%	62.05	239.58	100.0%	201.87	100.0%
Cost of Sales	35.73	54.2%	30.88	57.9%	33.00	129.29	54.0%	120.28	59.6%
Gross Profit	30.25	45.8%	22.45	42.1%	29.04	110.28	46.0%	81.59	40.4%
SG&A expenses	15.10	22.9%	13.23	24.8%	14.51	56.64	23.6%	52.35	25.9%
- R&D expenses	4.43	6.7%	3.54	6.6%	4.18	16.36	6.8%	14.11	7.0%
Operating Profit	15.15	23.0%	9.22	17.3%	14.53	53.65	22.4%	29.24	14.5%
Other non-operating income/expense	1.33	2.0%	0.11	0.2%	0.10	1.59	0.7%	0.77	0.4%
Equity method gain/loss	0.08	0.1%	0.001	0.002%	0.08	0.20	0.1%	0.02	0.01%
Finance income/expense	0.14	0.2%	0.21	0.4%	0.20	0.76	0.3%	0.68	0.3%
Profit Before Income Tax	16.70	25.3%	9.55	17.9%	14.91	56.20	23.5%	30.71	15.2%
Income tax	4.45	6.7%	2.46	4.6%	3.72	14.01	5.8%	7.99	4.0%
Net profit	12.26	18.6%	7.09	13.3%	11.19	42.19	17.6%	22.73	11.3%

Key Profitability Indicators

	4Q '17	4Q '16	3Q '17	FY '17	FY '16
ROE	24%	15%	22%	21%	12%
Profitability (Net profit/Sales)	0.19	0.13	0.18	0.18	0.11
Asset turnover (Sales/Asset)	0.94	0.85	0.89	0.85	0.80
Leverage (Asset/Equity)	1.38	1.36	1.38	1.38	1.36
EBITDA Margin	32%	26%	32%	31%	24%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)

	4Q '17	4Q '16	3Q '17	YoY	QoQ	FY '17	FY '16	YoY
Total	65.98	53.33	62.05	24% ↑	6% ↑	239.58	201.87	19% ↑
CE	12.72	13.21	11.13	4% ↓	14% ↑	45.11	45.10	0.01% ↑
VD	8.36	9.09	6.52	8% ↓	28% ↑	27.52	28.72	4% ↓
IM	25.47	23.61	27.69	8% ↑	8% ↓	106.67	100.30	6% ↑
Mobile	25.03	22.65	27.20	10% ↑	8% ↓	103.62	97.75	6% ↑
DS	32.05	22.26	28.02	44% ↑	14% ↑	108.17	78.15	38% ↑
Semiconductor	21.11	14.86	19.91	42% ↑	6% ↑	74.26	51.16	45% ↑
- Memory	17.94	11.62	16.30	54% ↑	10% ↑	60.30	37.86	59% ↑
DP	11.18	7.42	8.28	51% ↑	35% ↑	34.47	26.93	28% ↑
Harman	2.32		2.09		11% ↑	7.10		

Operating Profit

(Unit: KRW Trillion)

	4Q '17	4Q '16	3Q '17	YoY	QoQ	FY '17	FY '16	YoY
Total	15.15	9.22	14.53	5.93	0.61	53.65	29.24	24.40
CE	0.51	0.43	0.44	0.08	0.07	1.65	2.71	△1.06
IM	2.42	2.50	3.29	△0.08	△0.87	11.83	10.81	1.02
DS	12.20	6.34	10.85	5.86	1.35	40.33	15.85	24.48
Semiconductor	10.90	4.95	9.96	5.95	0.93	35.20	13.60	21.61
DP	1.41	1.34	0.97	0.08	0.44	5.40	2.23	3.17
Harman	0.06		△0.03		0.09	0.06		

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

※ Sales and operating profit of each business stated above reflect the organizational structure as of 2017, and the sales of business units include intersegment sales.

※ Harman's sales and operating profit figures are based on Samsung Electronics' fiscal year, and acquisition related expenses are reflected.

Q4 Results and Outlook by Business Unit

Semiconductor

[Q4 Results]

- Memory : Supply/demand conditions remained tight due to strong demand from server/mobile
 - DRAM : Focus on the differentiated products such as 1Xnm high-density server DRAM
 - NAND : Expanded sales of 64-layer V-NAND based Mobile storage/Server products
- S.LSI : Supply of APs/image sensors declined due to weak seasonality
- Foundry : Earnings growth stayed flat resulting from slow sales of major customers due to weak seasonality

[Q1 Outlook]

- Memory: Strong demand continues mainly from datacenter despite weak seasonality
 - DRAM shipment slows down due to capacity conversion of DRAM to image sensors in Line 11
- S.LSI : Increase shipment of APs/image sensors for flagship products
- Foundry : Expand mass-production of 10nm 2nd generation process; Benefit from cryptocurrency demand increase

['18 Outlook]

- Memory : Expect stable supply/demand conditions to continue, due to strong demand for server products and trend toward high-specification mobile products
 - DRAM : Increase product competitiveness by expanding 10nm-class process migration
 - NAND : Focus on profitability-focused supply/product-mix; Expand 64-layer V-NAND migration
- S.LSI : Continue to improve earnings by increasing supply of APs/image sensors
- Foundry : Strengthen leadership in technologies (7nm EUV, etc.) and expand customer bases

D P

[Q4 Results]

- OLED: Increased supply to premium smartphones
- LCD : Earnings decreased due to a decline in ASPs and shipment under weak seasonality

[Q1 Outlook]

- OLED : With the smartphone market entering a period of weak seasonality, intensified competition with LTPS LCD and slow demand for OLED may cause a decline in profitability
- LCD : Even though the industry is under weak seasonality, focus on securing profitability by increasing the portion of high-ends (UHD/ultra large-sized) sales

['18 Outlook]

- OLED : Actively respond to demand from major customers; Reinforce our competencies in new applications to secure new growth engines
- LCD : Focus on responding to market's needs for Ultra Large-size / high-resolution TVs; Promote qualitative growth by strengthening partnership with strategic customers

Q4 Results and Outlook by Business Unit

I M

[Q4 Results]

- Mobile: Improved product mix due to an increase in flagship sales, although smartphone sales decreased mainly from low-end models; Earnings decreased due to an increase in marketing cost amid strong seasonality
- N/W : Earnings remained weak as major overseas customers' LTE investments were concentrated in the first half of the year

[Q1 Outlook]

- Mobile: Expect earnings to improve driven by sales expansion of flagship products such as S9 release, etc.
- N/W: Enhance business fundamentals by pursuing the supply of LTE base stations to advanced markets such as North America

['18 Outlook]

- Mobile: Pursue earnings growth by the increase of premium products sales and maintaining profitability of mid/low-end products
 - High-end: Expand sales of flagship products with enhanced key features such as camera and services such as Bixby
 - Mid/Low : Continue the efforts of line-up efficiency and improve productivity, etc.
- N/W: Expand supply of next-generation network solutions for 5G commercialization to major markets including South Korea/U.S./Japan, etc.

C E

[Q4 Results]

- TV : QoQ earnings improved, led by an increase in sales of premiums such as ultra large-size/QLED TVs under strong seasonality, but earnings slightly decreased YoY due to the reshaping of product line-ups with reduced mid to low-end products
- DA : Revenue increased YoY driven by strong sales of premium products such as Flex Wash/Dual Door Oven, amid demand growth from advanced markets such as North America/Europe

[Q1 Outlook]

- TV : Under weak seasonality, Focus on securing profitability by expanding premium product sales and early release of new models
- DA : Increase sales of premium products such as Family Hub refrigerators/Quickdrive washing machines

['18 Outlook]

- TV : Increase premium line-ups such as 75" ↑ ultra large-size QLED/8K TVs; Apply Bixby/SmartThings to offer seamless connectivity/usability across devices; Strengthen leadership in premium products
- DA : Enhance premium product marketing, improve earnings by expanding the B2B business and increasing online sales

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Dec 31, 2017	Sep 30, 2017	Dec 31, 2016
Assets	301,752.1	296,578.6	262,174.3
- Cash *	83,604.4	76,080.7	88,231.4
- A/R	27,696.0	30,351.2	24,279.2
- Inventories	24,983.4	27,032.5	18,353.5
- Investments	16,644.2	15,402.3	13,871.9
- PP&E	111,665.6	109,006.1	91,473.0
- Intangible Assets	14,760.5	15,376.2	5,344.0
- Other Assets	22,398.0	23,329.6	20,621.3
Total Assets	301,752.1	296,578.6	262,174.3
Liabilities	87,260.7	85,887.3	69,211.3
- Debts	18,814.0	18,562.1	15,282.4
- Trade Accounts and N/P	9,083.9	11,367.4	6,485.0
- Other Accounts and N/P & Accrued Expenses	27,895.9	23,739.5	24,053.2
- Income Tax Payables	7,408.3	5,446.1	2,837.4
- Unearned Revenue & Other Advances	2,042.8	2,040.6	2,043.9
- Other Liabilities	22,015.8	24,731.6	18,509.4
Shareholders' Equity	214,491.4	210,691.3	192,963.0
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	301,752.1	296,578.6	262,174.3

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

	Dec 31, 2017	Sep 30, 2017	Dec 31, 2016
Current ratio *	219%	220%	259%
Liability/Equity	41%	41%	36%
Debt/Equity	9%	9%	8%
Net debt/Equity	△30%	△27%	△38%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	4Q '17	FY '17	FY '16
Cash (Beginning of period) *	76.08	88.23	71.54
Cash flows from operating activities	21.69	62.16	47.39
Net profit	12.26	42.19	22.73
Depreciation	5.71	20.59	19.31
Cash flows from investing activities	△8.96	△50.56	△22.44
Purchases of PP&E	△10.44	△42.79	△24.14
Cash flows from financing activities	△2.12	△12.56	△8.67
Increase in debts	0.93	2.59	2.14
Acquisition of treasury stock	△2.03	△8.35	△7.71
Payment of dividends	△1.00	△6.80	△3.11
Increase in cash	7.52	△4.63	16.70
Cash (End of period) *	83.60	83.60	88.23

* 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)

	Dec 31, 2017	Sep 30, 2017	Dec 31, 2016
Net Cash	64.79	57.52	72.95

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