

Earnings Release Q2 2016

Samsung Electronics

July 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 2Q 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

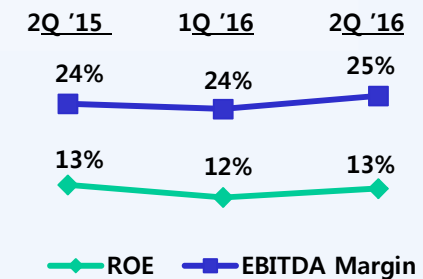
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	2Q '16	% of sales	2Q '15	% of sales	1Q '16
Sales	50.94	100.0%	48.54	100.0%	49.78
Cost of Sales	29.61	58.1%	28.96	59.7%	30.37
Gross Profit	21.33	41.9%	19.58	40.3%	19.41
SG&A expenses	13.18	25.9%	12.68	26.1%	12.73
- R&D expenses	3.50	6.9%	3.34	6.9%	3.57
Operating Profit	8.14	16.0%	6.90	14.2%	6.68
Other non-operating income/expense	△0.24	-	0.50	1.0%	0.36
Equity method gain/loss	0.004	0.01%	0.04	0.1%	0.01
Finance income/expense	0.16	0.3%	0.19	0.4%	0.07
Profit Before Income Tax	8.07	15.8%	7.63	15.7%	7.12
Income tax	2.22	4.4%	1.88	3.9%	1.87
Net profit	5.85	11.5%	5.75	11.9%	5.25

Key Profitability Indicators

	2Q '16	2Q '15	1Q '16
ROE	13%	13%	12%
Profitability (Net profit/Sales)	0.11	0.12	0.11
Asset turnover (Sales/Asset)	0.84	0.84	0.82
Leverage (Asset/Equity)	1.35	1.35	1.35
EBITDA Margin	25%	24%	24%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)		<u>2Q '16</u>	<u>2Q '15</u>	<u>1Q '16</u>	YoY	QoQ
총액		50.94	48.54	49.78	5% ↑	2% ↑
CE		11.55	11.20	10.62	3% ↑	9% ↑
	VD	6.61	6.66	6.42	1% ↓	3% ↑
IM		26.56	26.06	27.60	2% ↑	4% ↓
	Mobile	26.07	25.50	26.94	2% ↑	3% ↓
DS		18.43	17.87	17.18	3% ↑	7% ↑
	Semiconductor	12.00	11.29	11.15	6% ↑	8% ↑
	- Memory	8.43	8.49	7.94	1% ↓	6% ↑
	DP	6.42	6.62	6.04	3% ↓	6% ↑

Operating Profit

(Unit: KRW Trillion)		<u>2Q '16</u>	<u>2Q '15</u>	<u>1Q '16</u>	YoY	QoQ
Total		8.14	6.90	6.68	1.25	1.47
CE		1.03	0.21	0.51	0.82	0.52
IM		4.32	2.76	3.89	1.56	0.42
DS		2.79	3.87	2.33	△1.08	0.46
	Semiconductor	2.64	3.40	2.63	△0.75	0.01
	DP	0.14	0.54	△0.27	△0.41	0.40

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.

Q2 Results and Outlook by Business Units

Semiconductor

[Q2 Results]

- Memory : Earnings remained solid driven by demand increase for Mobile/SSD
 - DRAM : Expanded sales of 20nm high-density mobile/server DRAM
 - NAND : Continued strong demand for enterprise V-NAND SSD
- S.LSI : Earnings improved led by stronger demand for 14nm mobile AP in premium smartphones and sales increase of high megapixel CIS

[2H Outlook]

- Memory: Expect trend of high-density products to increase; Expect market conditions to stabilize
 - DRAM : Expect demand to increase, with the increase of high-density smartphones and expansion of new server platform; Focus on product mix to maximize profitability
 - NAND : Focus on addressing strong V-NAND demand of SAS/NVMe SSD and high-density mobile storage
- S.LSI: Expect to maintain stable revenue led by solid demand for 14nm foundry and sales increase of LSI products

[Q3 Outlook]

- Memory: Expect supply-demand conditions to improve, due to release of new smartphones and solid mobile demand for China under strong seasonality
- S.LSI : Expect demand for 14nm mid to low-end AP to increase and CIS sales to remain solid in China

D P

[Q2 Results]

- OLED: Earnings improved, driven by expanded shipments of newly launched high-end products and improved utilization rate
 - OLED shipments: increased by mid-teen% QoQ
- LCD : Shipments increased, led by growth of UHD TV market, continuous trend toward large-sized screen as well as improved supply-demand conditions; yield of TV panel has been stabilized
 - TV panel shipments: (unit) increased by high-single% QoQ (area) increased by mid-teen% QoQ

[2H Outlook]

- OLED : Expect earnings to increase, led by expanded sales of value-added products such as flexible and high-resolution, under overall demand increase
- LCD : Recover earnings by expanding shipments of high-end products such as UHD/ultra large-size

[Q3 Outlook]

- OLED : Maintain solid earnings by actively addressing customer demand
- LCD : Expand sales with focus on value-added panels, under improved balance of supply/demand and stabilized yield

Q2 Results and Outlook by Business Units

IM

[Q2 Results]

- Mobile : Earnings increased QoQ/YoY, led by S7 global sales expansion
 - Product mix improved, due to increased portion of Edge in S7
 - Mid to low-end maintained solid profitability through streamlining of product line-ups
- Network : Earnings improved due to increased LTE investment of major carriers

[2H Outlook]

- Market : Expect smartphone/tablet demand to increase due to strong seasonality
- SEC: Focus on YoY earnings increase by strengthening H/E line-up and maintaining solid profitability of mid to low-end products
 - High-end: Maintain solid sales led by new flagship product launch and continuous global sales of S7
 - Mid/Low : Expand global sales of A/J series while streamlining product line-ups

[3Q Outlook]

- Focus on smartphone sales increase under strong seasonality with launch of new model, while expecting marketing expense to increase QoQ due to seasonality

CE

[Q2 Results]

- TV : Earnings improved YoY, led by strong sales of premium products such as SUHD/Curved TVs amid new product launch and EuroCup impact
 - Shipments of UHD/Curved/60"+ large sized TV increased YoY
 - . UHD TV Shipments: 49%↑YoY, Curved 19%↑, 60"+ 33%↑
- DA : Under strong seasonality of Air conditioner, earnings improved YoY, led by expanded sales of premium products such as Chef Collections and New Air conditioner, etc.

[2H Outlook]

- TV : Focus on improving earnings YoY by addressing year-end seasonal demand, mainly with premium products
 - . Strengthen marketing activity for SUHD/Quantum Dot technology
- DA : Focus on sales of new premium innovative products such as Family Hub/Chef Collection, and Enhancing B2B Biz.

[3Q Outlook]

- TV : Under weak seasonality, secure profitability by expanding sales of high value-added products
- DA : Focus on sales expansion of Family Hub and Active/Add Wash

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Jun 30, 2016	Mar 31, 2016	Jun 30, 2015
Assets	243,960.7	241,239.8	231,690.9
- Cash *	77,140.4	72,670.7	62,283.2
- A/R	26,081.8	25,505.6	25,578.1
- Inventories	17,858.7	18,749.9	19,311.2
- Investments	12,271.6	12,325.7	14,016.8
- PP&E	84,635.0	85,565.3	84,666.3
- Intangible Assets	5,247.8	5,375.0	5,530.4
- Other Assets	20,725.4	21,047.6	20,304.9
Total Assets	243,960.7	241,239.8	231,690.9
Liabilities	62,118.2	62,913.6	57,754.2
- Debts	12,244.8	11,265.6	11,313.7
- Trade Accounts and N/P	7,344.7	7,829.7	6,766.9
- Other Accounts and N/P & Accrued Expenses	17,833.4	20,164.9	17,710.9
- Income Tax Payables	1,863.8	1,894.9	1,750.6
- Unearned Revenue & Other Advances	2,570.3	2,655.9	2,263.5
- Other Liabilities	20,261.2	19,102.6	17,948.6
Shareholders' Equity	181,842.5	178,326.2	173,936.7
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	243,960.7	241,239.8	231,690.9

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

	Jun 30, 2016	Mar 31, 2016	Jun 30, 2015
Current ratio *	271%	258%	251%
Liability/Equity	34%	35%	33%
Debt/Equity	7%	6%	7%
Net debt/Equity	-36%	-34%	-29%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	2Q '16	1Q '16	2Q '15
Cash (Beginning of period)*	72.67	71.54	58.91
Cash flows from operating activities	13.34	8.72	10.71
Net profit	5.85	5.25	5.75
Depreciation	4.83	5.12	4.95
Others	2.67	-1.66	0.01
Cash flows from investing activities	-4.39	-3.39	-6.03
Increase in tangible assets	-4.01	-4.74	-6.29
Cash flows from financing activities	-4.51	-4.26	-1.67
Increase in debts	0.70	-1.45	1.25
Acquisition of treasury stock	-2.45	-2.90	-
Payment of dividends	-2.92	-	-2.92
Increase in cash	4.47	1.13	3.37
Cash (End of period)*	77.14	72.67	62.28

* 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)

	Jun 30, 2016	Mar 31, 2016	Jun 30, 2015
Net Cash	64.90	61.41	50.97

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