

Earnings Release Q1 2016

Samsung Electronics

April 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 1Q 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

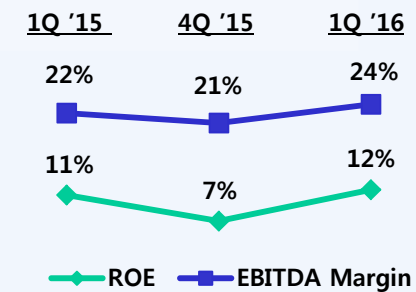
These uncertainties may cause our actual results to be materially different from those expressed in this document.

Income Statement

(Unit: KRW Trillion)	1Q '16	% of sales	1Q '15	% of sales	4Q '15
Sales	49.78	100.0%	47.12	100.0%	53.32
Cost of Sales	30.37	61.0%	28.96	61.5%	33.96
Gross Profit	19.41	39.0%	18.16	38.5%	19.35
SG&A expenses	12.73	25.6%	12.18	25.9%	13.21
- R&D expenses	3.57	7.2%	3.49	7.4%	3.46
Operating Profit	6.68	13.4%	5.98	12.7%	6.14
Other non-operating income/expense	0.36	0.7%	0.05	0.1%	△2.50
Equity method gain/loss	0.01	0.02%	0.06	0.1%	0.99
Finance income/expense	0.07	0.1%	0.13	0.3%	0.10
Profit Before Income Tax	7.12	14.3%	6.22	13.2%	4.72
Income tax	1.87	3.8%	1.59	3.4%	1.50
Net profit	5.25	10.6%	4.63	9.8%	3.22

Key Profitability Indicators

	1Q '16	1Q '15	4Q '15
ROE	12%	11%	7%
Profitability (Net profit/Sales)	0.11	0.10	0.06
Asset turnover (Sales/Asset)	0.82	0.82	0.90
Leverage (Asset/Equity)	1.35	1.36	1.36
EBITDA Margin	24%	22%	21%



Segment Sales & Operating Profit

Sales

(Unit: KRW Trillion)		<u>1Q '16</u>	YoY	<u>1Q '15</u>	QoQ	<u>4Q '15</u>
Total		49.78	6% ↑	47.12	7% ↓	53.32
CE		10.62	4% ↑	10.26	23% ↓	13.85
	VD	6.42	3% ↑	6.22	31% ↓	9.37
IM		27.60	7% ↑	25.89	10% ↑	25.00
	Mobile	26.94	8% ↑	24.99	12% ↑	24.08
DS		17.18	0.4% ↑	17.10	13% ↓	19.74
	Semiconductor	11.15	9% ↑	10.27	16% ↓	13.21
	- Memory	7.94	5% ↓	8.32	5% ↓	8.34
	DP	6.04	12% ↓	6.85	8% ↓	6.53

Operating Profit

(Unit: KRW Trillion)		<u>1Q '16</u>	YoY	<u>1Q '15</u>	QoQ	<u>4Q '15</u>
Total		6.68	0.70	5.98	0.54	6.14
CE		0.51	0.65	△0.14	△0.31	0.82
IM		3.89	1.15	2.74	1.66	2.23
DS		2.33	△1.06	3.39	△0.65	2.98
	Semiconductor	2.63	△0.30	2.93	△0.17	2.80
	DP	△0.27	△0.79	0.52	△0.57	0.30

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.

Q1 Results and Outlook by Business Units

Semiconductor

[Q1 Results]

- Memory : Expanded sales of high value-added products, while continuously improving cost structure
 - DRAM : Increased sales of high-density server/mobile DRAM; Expanded 20nm migration
 - NAND : Solution product portion increased; Accelerated mass-production of 3rd gen V-NAND
- S.LSI : Earnings decreased QoQ due to customer inventory adjustment, but improved YoY driven by 14nm supply increase

[Q2 Outlook]

- Memory: Expect solid demand for server/mobile DRAM and SSD
 - DRAM : Address increasing demand for high-value added products for server/mobile/graphics
 - NAND : Focus on sales expansion of V-NAND SSD for enterprise
- S.LSI: Expect earnings to improve, driven by supply increase for premium smartphones

['16 Outlook]

- Memory: Expect content growth and cloud service expansion to drive demand growth for high-density products in mobile/server applications
 - DRAM : Focus on profitability-focused product mix
 - NAND : Expand sales of high-density solution products such as V-NAND server SSD
- S.LSI : Strive to improve profitability by increasing 14nm shipments and enhancing SoC product line-up

D P

[Q1 Results]

- OLED: Earnings improved, driven by launch of new high-end products and expanded panel shipments
 - OLED shipments: (units) increased by mid-single% QoQ
- LCD : Earnings declined due to imbalance of supply/demand, and yield issue in adopting new TV Panel production technology

[Q2 Outlook]

- OLED : Maintain solid earnings by addressing increasing market demand
- LCD : Expect earnings to increase amid improved market supply/demand balance, driven by stabilized yield for new technology and supply expansion for UHD/ultra large-size products

['16 Outlook]

- OLED : Improve utilization by expanding customer base
 - Expand high value-added product line-ups
- LCD : Reinforce high value-added line-ups (UHD/Curved/ultra-large size); Strengthen cost competitiveness under improved balance of supply/demand in the 2H

Q1 Results and Outlook by Business Units

IM

[Q1 Results]

- Mobile : Earnings increased QoQ led by improved product mix with S7, and improved profitability of mid to low-end through streamlined line-up
 - Strong sales of S7 due to enhanced practical features as well as early introduction
 - Global sales expansion of 2016 A/J series
- Network : Earnings decreased slightly QoQ as LTE investments reduced

[Q2 Outlook]

- Market : Expect smartphone/tablet demand to remain flat QoQ amid weak seasonality
- Samsung : Focus on global expansion of S7 sales and maintaining solid profitability of mid to low-end products

['16 Outlook]

- Market: Expect smartphone demand growth to slow YoY, while tablet demand to decrease YoY
- Samsung : Focus on increasing earnings YoY through high-end sales growth and solid profitability of mid to low-end products
 - High : Launch new flagship model while sustaining solid S7 sales in 2H
 - Mid/Low : Focus on enhancing line-up competitiveness and maintaining cost efficiency, etc.

CE

[Q1 Results]

- TV : Earnings improved YoY substantially driven by expanded sales of premium product such as SUHD
 - Trend toward large-sized and high value-added TVs (UHD/Curved) expanded
 - . UHD TV Shipments 98%↑YoY, Curved TV 57%↑YoY
 - Shipments increased substantially, mainly in North America, Europe, and Latin America
- DA : Earnings improved YoY due to expanded sales of premium products including the Chef Collection and Active/Add Wash, mainly in North America and domestic market

[Q2 Outlook]

- TV : Expect earnings to improve QoQ driven by 2016 SUHD model launches and TV demand from sports events, e.g. Olympics
- DA : Under strong seasonality for Air Conditioner and Refrigerator, expect earnings to improve led by expanded sales of new premium product, e.g. Family Hub / Twin Cooling refrigerator

['16 Outlook]

- TV : Expect global TV demand to slow; Focus on growth through strengthening premium product sales
- DA : Focus on launching of innovative new products and enhancing B2B business

[Appendix 1] Financial Position

(Unit : KRW Billion)

	Mar 31, 2016	Dec 31, 2015	Mar 31, 2015
Assets	241,239.8	242,179.5	227,250.4
- Cash *	72,670.7	71,536.0	58,910.1
- A/R	25,505.6	25,168.0	24,911.7
- Inventories	18,749.9	18,811.8	19,119.8
- Investments	12,325.7	13,565.9	14,658.2
- PP&E	85,565.3	86,477.1	83,442.4
- Intangible Assets	5,375.0	5,396.3	5,338.5
- Other Assets	21,047.6	21,224.4	20,869.7
Total Assets	241,239.8	242,179.5	227,250.4
Liabilities	62,913.6	63,119.7	59,631.1
- Debts	11,265.6	12,874.0	9,847.3
- Trade Accounts and N/P	7,829.7	6,187.3	8,736.9
- Other Accounts and N/P & Accrued Expenses	20,164.9	20,493.1	21,126.1
- Income Tax Payables	1,894.9	3,401.6	2,109.1
- Unearned Revenue & Other Advances	2,655.9	2,336.2	2,482.8
- Other Liabilities	19,102.6	17,827.5	15,328.9
Shareholders' Equity	178,326.2	179,059.8	167,619.3
- Capital Stock	897.5	897.5	897.5
Total Liabilities & Shareholder's Equity	241,239.8	242,179.5	227,250.4

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

	Mar 31, 2016	Dec 31, 2015	Mar 31, 2015
Current ratio *	258%	247%	223%
Liability/Equity	35%	35%	36%
Debt/Equity	6%	7%	6%
Net debt/Equity	-34%	-33%	-29%

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow

(Unit : KRW Trillion)

	1Q '16	4Q '15	1Q '15
Cash (Beginning of period)*	71.54	69.77	65.67
Cash flows from operating activities	8.72	12.36	5.12
Net profit	5.25	3.22	4.63
Depreciation	5.12	5.05	4.56
Others	-1.66	4.08	-4.07
Cash flows from investing activities	-3.39	-6.28	-8.54
Increase in tangible assets	-4.74	-5.76	-7.76
Cash flows from financing activities	-4.26	-3.59	-2.62
Increase in debts	-1.45	0.15	-1.27
Acquisition of treasury stock	-2.90	-3.69	-1.32
Payment of dividends	-	-0.05	-
Increase in cash	1.13	1.77	-6.76
Cash (End of period)*	72.67	71.54	58.91

* 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, 2016	Dec 31, 2015	Mar 31, 2015
Net Cash	61.41	58.66	49.06

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