

Earnings Release Q3 2015

Samsung Electronics

October 2015

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 2015 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.

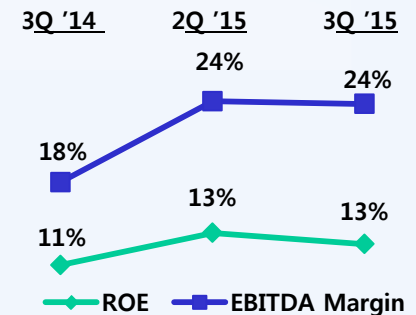
Income Statement

(Unit: KRW Trillion)

| | 3Q '15 | % of sales | 2Q '15 | % of sales | 3Q '14 |
|------------------------------------|--------------|---------------|--------------|---------------|--------------|
| Sales | 51.68 | 100.0% | 48.54 | 100.0% | 47.45 |
| Cost of Sales | 31.61 | 61.2% | 28.96 | 59.7% | 30.71 |
| Gross Profit | 20.07 | 38.8% | 19.58 | 40.3% | 16.74 |
| SG&A expenses | 12.68 | 24.5% | 12.68 | 26.1% | 12.68 |
| - R&D expenses | 3.42 | 6.6% | 3.34 | 6.9% | 3.34 |
| Operating Profit | 7.39 | 14.3% | 6.90 | 14.2% | 4.06 |
| Other non-operating income/expense | △0.08 | △0.2% | 0.50 | 1.0% | 0.54 |
| Equity method gain/loss | 0.02 | 0.0% | 0.03 | 0.1% | 0.00 |
| Finance income/expense | 0.06 | 0.1% | 0.19 | 0.4% | 0.24 |
| Profit Before Income Tax | 7.39 | 14.3% | 7.63 | 15.7% | 4.85 |
| Income tax | 1.93 | 3.7% | 1.88 | 3.9% | 0.62 |
| Net profit | 5.46 | 10.6% | 5.75 | 11.9% | 4.22 |

Key Profitability Indicators

| | 3Q '15 | 2Q '15 | 3Q '14 |
|----------------------------------|------------|------------|------------|
| ROE | 13% | 13% | 11% |
| Profitability (Net profit/Sales) | 0.11 | 0.12 | 0.09 |
| Asset turnover (Sales/Asset) | 0.87 | 0.84 | 0.85 |
| Leverage (Asset/Equity) | 1.37 | 1.35 | 1.42 |
| EBITDA Margin | 24% | 24% | 18% |



Segment Sales & Operating Profit

Sales

| | | (Unit: KRW Trillion) | | <u>3Q '15</u> | <u>QoQ</u> | <u>2Q '15</u> | <u>3Q '14</u> |
|--------------|---------------|----------------------|-------------|---------------|--------------|---------------|---------------|
| Total | | 51.68 | 6% ↑ | 48.54 | 47.45 | | |
| CE | | 11.59 | 3% ↑ | 11.20 | 11.60 | | |
| | VD | 6.97 | 5% ↑ | 6.66 | 7.21 | | |
| IM | | 26.61 | 2% ↑ | 26.06 | 24.58 | | |
| | Mobile | 25.94 | 2% ↑ | 25.50 | 23.52 | | |
| DS | | 20.31 | 14% ↑ | 17.87 | 16.29 | | |
| | Semiconductor | 12.82 | 14% ↑ | 11.29 | 9.89 | | |
| | - Memory | 9.14 | 8% ↑ | 8.49 | 7.93 | | |
| | DP | 7.49 | 13% ↑ | 6.62 | 6.25 | | |

Operating Profit

| | | (Unit: KRW Trillion) | | <u>3Q '15</u> | <u>QoQ</u> | <u>2Q '15</u> | <u>3Q '14</u> |
|--------------|---------------|----------------------|-------------|---------------|-------------|---------------|---------------|
| Total | | 7.39 | 0.50 | 6.90 | 4.06 | | |
| CE | | 0.36 | 0.15 | 0.21 | 0.05 | | |
| IM | | 2.40 | △0.36 | 2.76 | 1.75 | | |
| DS | | 4.65 | 0.79 | 3.87 | 2.33 | | |
| | Semiconductor | 3.66 | 0.26 | 3.40 | 2.26 | | |
| | DP | 0.93 | 0.38 | 0.54 | 0.06 | | |

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

※ Sales for each business unit includes intersegment sales.

Q3 Results and Outlook by Business Units

Semiconductor

[Q3 Results]

- Memory : Continued process migration and improved product mix
 - DRAM : Addressed solid demand for high value-added products such as DDR4/LPDDR4; Expanded 20nm migration
 - NAND : Increased high-density solution product (SSD/UFS) sales
- S.LSI : Began to supply 14nm foundry products, while solid demand for LSI continued under strong seasonality

[Q4 Outlook]

- Memory: Expand sales of high-density/solution products; Continue cutting-edge process migration
 - DRAM : While seasonal demand to slow down compared with previous years, server/mobile demand to remain solid due to acceleration of DDR4/LPDDR4 penetration and content increase; PC demand to improve QoQ
 - NAND : Increase demand for high-density mobile and SSD; Reinforce product competitiveness by 10nm-class migration and mass production of the 3rd gen V-NAND
- S.LSI: Expect earnings to improve driven by 14nm foundry supply growth

D P

[Q3 Results]

- OLED: Earnings improved led by launch of new products, improved productivity, an increase in mid to low-end panel shipments and external customer base
 - OLED shipments increased by high-30% QoQ
- LCD: Despite slowdown in demand as well as decline in ASP, shipment area increased due to trend toward larger size TV; Solid profit driven by increased shipments of TV panels such as UHD
 - TV panel shipments:
 - (units) increased by mid teen-digit % QoQ
 - (area) increased by low teen-digit % QoQ

[Q4 Outlook]

- OLED : Focus on enhancing cost competitiveness and expand external customer base by reinforcing mid- to low-end line-ups
- LCD : Plan to focus on cost reduction, inventory management and expanding customer base to address concerns in oversupply and ASP decline due to a slowdown of set demand in emerging market and LCD industry capacity expansion

Q3 Results and Outlook by Business Units

IM

[Q3 Results]

- Mobile: Strong shipment growth QoQ led by the launch of new models; Slight increase in revenue while profitability declined due to S6 price adjustment and product mix change
 - Smartphone: Strong shipment growth driven by new models, including S6 Edge+, Note5, A8, J5; Lower ASP due to increased sales in mid- to low-end products
 - Tablet : Despite weak market demand, shipments and earnings remained in line with the previous quarter
- Network: Profit improved QoQ due to overseas carriers' LTE network expansion

[Q4 Outlook]

- Market: Expect smartphone and tablet demand to grow QoQ, while competition to intensify under strong seasonality
- SEC: Focus on maintaining solid earnings by expanding shipments and by managing expenses efficiently
 - Smartphone: Expand sales of new models released in Q3
 - Tablet: Expect shipments to increase slightly due to strong seasonal demand

CE

[Q3 Results]

- TV : Market demand increased QoQ under strong seasonality; Earnings improved led by expanded sales of premium products such as UHD/ultra-large sized TV
 - Strong shipment growth mainly in developed markets, including Europe
 - LCD TV: North America QoQ 6% ↑ , Europe QoQ 14% ↑
 - Product-mix improved due to sales of high value-added UHD TV
 - UHD TV: QoQ 23% ↑ (Portion: 2Q 17% → 3Q 19%)
- Digital Appliances : Solid demand growth in North America; earnings improved QoQ led by strong sales of premium products
 - Revenue share of premium products: 2Q 47% → 3Q 49%

[Q4 Outlook]

- TV: Entering the year-end peak season, expect a significant demand increase in developed markets, but FX risks remain in emerging markets
 - Focus on premium product sales by seasonal promotion; Improve earnings through efficient product operation including profit-oriented line-up optimization
- Digital appliances: Focus on increasing revenue by sales of premium line-up and launching of new products (Add Wash, etc.)

[Appendix 1] Statement of Financial Position (K-IFRS)

(Unit : KRW Billion)

| | Sep 30, 2015 | Jun 30, 2015 | Sep 30, 2014 |
|---|------------------|------------------|------------------|
| Current Assets | 129,778.4 | 115,789.7 | 119,811.3 |
| - Cash * | 69,724.8 | 61,833.8 | 66,951.2 |
| - A/R | 27,631.5 | 25,578.1 | 24,069.5 |
| - Inventories | 22,841.1 | 19,311.2 | 18,872.7 |
| - Other Current Assets | 9,581.0 | 9,066.6 | 9,917.9 |
| Non Current Assets | 116,789.2 | 115,901.2 | 111,935.2 |
| - Investments | 14,035.0 | 14,466.2 | 17,709.7 |
| - PP&E | 86,560.4 | 84,666.3 | 76,012.1 |
| - Intangible Assets | 5,560.3 | 5,530.4 | 4,684.8 |
| - Other Non Current Assets | 10,633.5 | 11,238.3 | 13,528.6 |
| Total Assets | 246,567.6 | 231,690.9 | 231,746.5 |
| Liabilities | 65,838.9 | 57,754.2 | 68,278.8 |
| - Debts | 12,886.9 | 11,313.7 | 13,938.5 |
| - Trade Accounts and N/P | 9,842.9 | 6,766.9 | 9,483.4 |
| - Other Accounts and N/P & Accrued Expenses | 18,745.2 | 17,710.9 | 17,747.1 |
| - Income Tax Payables | 1,712.2 | 1,750.6 | 3,943.6 |
| - Unearned Revenue & Other Advances | 2,217.0 | 2,263.5 | 3,048.2 |
| - Other Liabilities | 20,434.7 | 17,948.6 | 20,118.0 |
| Shareholders' Equity | 180,728.7 | 173,936.7 | 163,467.7 |
| - Capital Stock | 897.5 | 897.5 | 897.5 |
| Total Liabilities & Shareholder's Equity | 246,567.6 | 231,690.9 | 231,746.5 |

* Cash = Cash and Cash equivalents + Short-term financial instruments + Short-term available-for-sale securities

| | Sep 30, 2015 | Jun 30, 2015 | Sep 30, 2014 |
|-------------------------|-----------------|-----------------|-----------------|
| Current ratio * | 245% | 251% | 225% |
| Liability/Equity | 36% | 33% | 42% |
| Debt/Equity | 7% | 7% | 9% |
| Net debt/Equity | -31% | -29% | -32% |

* Current ratio = Current assets/Current liabilities

[Appendix 2] Cash Flow Statement (K-IFRS)

(Unit : KRW Trillion)

| | 3Q '15 | 2Q '15 | 3Q '14 |
|--------------------------------------|--------------|--------------|--------------|
| Cash (Beginning of period)* | 61.83 | 56.13 | 60.66 |
| Cash flows from operating activities | 11.87 | 10.71 | 10.44 |
| Net profit | 5.46 | 5.75 | 4.22 |
| Depreciation | 5.10 | 4.95 | 4.33 |
| Cash flows from investing activities | -5.84 | -3.70 | -3.90 |
| Increase in tangible assets | -6.06 | -6.29 | -3.86 |
| Cash flows from financing activities | 1.31 | -1.67 | -0.20 |
| Increase in debts | 1.46 | 1.25 | -0.12 |
| Increase in cash | 7.89 | 5.71 | 6.29 |
| Cash (End of period)* | 69.72 | 61.83 | 66.95 |

* Cash = Cash and Cash equivalents + Short-term financial instruments + Short-term available-for-sale securities

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

(Unit : KRW Trillion)

| | Sep 30, 2015 | Jun 30, 2015 | Sep 30, 2014 |
|-----------------|-----------------|-----------------|-----------------|
| Net Cash | 56.84 | 50.52 | 53.01 |

* Cash = Cash and Cash equivalents + Short-term financial instruments + Short-term available-for-sale securities