



## Samsung Electronics Announces Third Quarter Results

*Registers net profit of KRW 4.54 trillion on sales of KRW 47.82 trillion*

*3Q consolidated operating profit reaches KRW 5.20 trillion*

**SEOUL, Korea – Oct. 27, 2016** – Samsung Electronics today announced financial results for the third quarter ended Sept. 30, 2016. Samsung's revenue for the quarter was KRW 47.82 trillion, a decrease of KRW 3.87 trillion YOY, while operating profit for the quarter was KRW 5.20 trillion, a decrease of KRW 2.19 trillion YOY.

For the components businesses, operating profit increased QOQ due to expanded sales of high-end products, such as SSDs and flexible OLED panels, but decreased marginally YOY due to a price correction for DRAM during the first half of 2016.

For the IT & Mobile Communications Division, earnings declined due to the Galaxy Note7 discontinuation. However, the Consumer Electronics Division achieved solid earnings growth YOY driven by strong sales of SUHD TVs and premium home appliances.

The company estimated that the stronger Korean won against major currencies in the third quarter negatively impacted operating profit by approximately KRW 700 billion, mostly on the components business side.

Looking ahead to the fourth quarter, the company expects earnings to improve YOY driven by strong performance in the components business. The mobile business expects a recovery in its earnings to a similar level with that of the fourth quarter of 2015, led by solid sales of the Galaxy S7 and S7 edge.

For the semiconductor business in the fourth quarter, the company expects earnings to improve YOY due to increased sales of V-NAND based SSD. Earnings for the display business are projected to improve YOY due to recovery in LCD, amid declines in flexible OLED panel shipments QOQ resulting from the discontinuation of the Galaxy Note7.

Looking to 2017, the company will focus on achieving solid earnings growth through normalization of the mobile business while improving earnings for the components businesses through expansion of V-NAND and OLED panels.

Regarding the memory business, the company expects earnings in NAND to increase significantly, led by the supply expansion of the highly profitable V-NAND. It also expects to strengthen its technological leadership by expanding 64 layer V-NAND and 1Xnm DRAM.

In the System LSI business, the company will aim to sustain growth momentum by expanding leadership in 10-nanometer process technology.

For the OLED business, the company expects to achieve significant earnings improvement YOY, by expanding the supply of high-end flexible OLED panels.

Regarding the mobile business, the company will focus on expanding sales of new flagship products with differentiated design and innovative features, as well as regaining consumers' confidence. Samsung will

concentrate on strengthening its competitiveness by continuously enhancing solution capabilities such as KNOX, Samsung Pay and cloud-related and artificial intelligence-related services.

For the Consumer Electronics business, the company will look to further solidify its leadership in the premium TV market based on Quantum Dot technology and improve earnings in home appliances by expanding sales of premium products and strengthening its B2B business.

The company estimates total capital expenditure (CAPEX) for 2016 will be over KRW 27 trillion, a record high for the company. CAPEX for the semiconductor business is expected to reach KRW 13.2 trillion, while CAPEX for the display business will reach KRW 10.9 trillion, more than double the figure of 2015.

In particular, the company is focusing on investments on OLED and V-NAND with significant demand increase expected in OLED in 2017 as well as solid demand growth in V-NAND.

### **Semiconductor Delivers Strong Growth**

The Semiconductor business posted KRW 13.15 trillion in consolidated revenue and KRW 3.37 trillion in operating profit for the quarter.

Samsung saw significant growth in the Semiconductor business. In particular, demand for memory chips saw a remarkable increase, due mainly to high-density, high-performance mobile and server products, including V-NAND based SSD.

System LSI posted solid earnings on the back of 14-nanometer foundry demand and increased sales of mid-to-low end system-on-chip (SOC) and image sensors.

In the fourth quarter, strong demand for NAND is expected to continue thanks to the expanded adoption of SSD in all segments and the growing need for high-density chips for mobile devices. Market conditions for DRAM will remain stable, despite low seasonality, as mobile DRAM demand is expected to be solid due to new smartphone launches and increased shipments of high-density memory chips. For the memory business, the company will seek to further improve its product mix with differentiated products like V-NAND and 20-nanometer DRAM to drive revenue.

Meanwhile, Samsung anticipates leadership in logic process technology to be enhanced when it begins mass production of the industry's first 10-nanometer process and rolls out products in the fourth quarter.

Looking ahead to next year, the semiconductor business expects to improve profitability with differentiated products and solid market demand for high-performance and high-density products.

Particularly, with the rising need for greater storage capacity in mobile devices, demand for high-density mobile storage over 64GB will increase, while the adoption of high-density SSDs for enterprise, data centers and PCs will contribute to earnings. The company also expects to secure differentiated profitability through industry-leading products, including 48-layer V-NAND, and a focus on 64-layer migration.

In DRAM, the market will remain stable as demand for server and mobile memory chips is expected to grow due to the expansion of cloud services and high density mobile product.

In System LSI, the business will strive to ensure continuous growth through the full-scale ramp of 10-nanometer technology, while maintaining a high utilization rate of 14-nanometer capacity.

## **Continued Improvement in Display Performance**

The Display Panel segment posted KRW 7.06 trillion in consolidated revenue and KRW 1.02 trillion in operating profit for the quarter driven by increased earnings of OLED panels and increased shipments of large-sized LCD TV panels.

For the OLED business, third quarter earnings improved significantly QOQ due to an overall increase in shipments and expanded sales of high-end products including flexible displays.

For the LCD business, the third quarter saw a continued recovery as earnings turned to a profit and shipments of TV panel units grew significantly. The company secured profitability by increasing shipments of value-added products such as large-sized UHD panels, while also benefiting from improved supply-demand conditions and higher production yields and cost reduction.

Looking to the fourth quarter, Samsung expects continued demand growth for OLED panels under strong seasonality for the smartphone market. Against this backdrop, the company will seek to actively address demand for flagship products and achieve solid results by delivering an enhanced product mix.

As for the LCD market in the fourth quarter, Samsung expects a continuation of UHD TV market growth and migration toward larger screens. In response, the company will focus on improving sales and profitability by reducing manufacturing costs and enhancing production yields, as well as expanding its portfolio to value-added products such as ultra-large size, high resolution and curved panels.

Looking toward 2017, Samsung plans to improve earnings for the OLED business significantly YOY by expanding its supply of flexible displays to address demand for major smartphone customers. For the LCD business, against a forecasted continuation of demand growth for premium TV panels, Samsung will focus on strengthening profitability and the competitiveness of value-added products such as UHD and large-sized TV panels.

## **Mobile Posts Decline in Profit**

The IM Division posted KRW 22.54 trillion in consolidated revenue and KRW 0.10 trillion in operating profit for the quarter.

The Mobile business saw its earnings decrease significantly QOQ due to the effects of the discontinuation of the Galaxy Note7. However, smartphone shipments remained solid due to continued stable sales of its existing flagship devices, including the Galaxy S7 and S7 edge, and steady growth in the mid-tier Galaxy A and J series.

Looking ahead to the fourth quarter, smartphone and tablet demand is forecast to increase during the year-end peak season.

The company will strive to achieve comparable YOY earnings in the fourth quarter, helped by solid sales of the Galaxy S7 and S7 edge, while maintaining profitability in the mid-to-low end segment through increased shipments of new models.

As for 2017, the company anticipates a turnaround with the launch of new flagship smartphones. Next year will also see expansion of Samsung Pay rollouts and cloud-related services as well as the introduction of artificial intelligence related offerings.

Meanwhile, the Networks business expects to see continued improvement in profitability on the back of 4G LTE expansion in markets around the world.

## **Consumer Electronics Boosted by Premium Products**

The Consumer Electronics Division, including the Visual Display and Digital Appliances businesses, posted KRW 11.24 trillion in consolidated revenue and KRW 0.77 trillion in operating profit for the third quarter.

Earnings for Samsung's Visual Display business improved YOY led by expanded sales of premium products, such as SUHD and Curved TVs, despite global TV demand decreasing compared to the same period last year.

In the fourth quarter, Samsung expects to maintain solid performance by focusing on increasing sales of premium products, such as Quantum Dot SUHD TVs, and strengthening year-end promotional activities.

Looking ahead to 2017, Samsung will continue to provide innovative products based on Quantum Dot technology. Furthermore, the company will diversify sales through a focus on B2B products, such as LED signage, outdoor signage and gaming monitors, as well as expansion of online sales channels.

As for the Digital Appliances business, earnings improved YOY led by increased sales of premium innovative products such as Chef Collection kitchen appliances and new air conditioner models.

In the fourth quarter, the appliances business will continue to focus on its premium product lineup and expand its B2B business while reinforcing online marketing. For next year, Samsung will create new market opportunities and increase sales by introducing innovative premium products as well as customized products for local markets.

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## **About Samsung Electronics Co., Ltd.**

Samsung Electronics Co., Ltd. inspires the world and shapes the future with transformative ideas and technologies. The company is redefining the worlds of TVs, smartphones, wearable devices, tablets, cameras, digital appliances, printers, medical equipment, network systems, and semiconductor and LED solutions. For the latest news, please visit the Samsung Newsroom at [news.samsung.com](http://news.samsung.com).

\* Notice: Details about Samsung Electronics' capital expenditure and shareholder returns will be made available when disclosures have been filed with the nation's financial regulator before the 3Q earnings conference call.

※ Consolidated Sales and Operating Profit by Segment based on K-IFRS (2014~2016.3Q)

(Unit: KRW trillion)		2014					2015					2016		
		1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q
Sales	CE	11.32	13.00	11.60	14.27	50.18	10.26	11.20	11.59	13.85	46.90	10.62	11.55	11.24
	IM	32.44	28.45	24.58	26.29	111.76	25.89	26.06	26.61	25.00	103.55	27.60	26.56	22.54
	Semicon	9.39	9.78	9.89	10.66	39.73	10.27	11.29	12.82	13.21	47.59	11.15	12.00	13.15
	DP	6.10	6.33	6.25	7.05	25.73	6.85	6.62	7.49	6.53	27.49	6.04	6.42	7.06
	DS	15.56	16.23	16.29	17.71	65.79	17.10	17.87	20.31	19.74	75.03	17.18	18.43	20.29
	<b>Total</b>	<b>53.68</b>	<b>52.35</b>	<b>47.45</b>	<b>52.73</b>	<b>206.21</b>	<b>47.12</b>	<b>48.54</b>	<b>51.68</b>	<b>53.32</b>	<b>200.65</b>	<b>49.78</b>	<b>50.94</b>	<b>47.82</b>
OP	CE	0.19	0.77	0.05	0.18	1.18	-0.14	0.21	0.36	0.82	1.25	0.51	1.03	0.77
	IM	6.43	4.42	1.75	1.96	14.56	2.74	2.76	2.40	2.23	10.14	3.89	4.32	0.10
	Semicon	1.95	1.86	2.26	2.70	8.78	2.93	3.40	3.66	2.80	12.79	2.63	2.64	3.37
	DP	-0.08	0.22	0.06	0.47	0.66	0.52	0.54	0.93	0.30	2.30	-0.27	0.14	1.02
	DS	1.87	2.09	2.33	3.13	9.43	3.39	3.87	4.65	2.98	14.89	2.33	2.79	4.40
	<b>Total</b>	<b>8.49</b>	<b>7.19</b>	<b>4.06</b>	<b>5.29</b>	<b>25.03</b>	<b>5.98</b>	<b>6.90</b>	<b>7.39</b>	<b>6.14</b>	<b>26.41</b>	<b>6.68</b>	<b>8.14</b>	<b>5.20</b>

**Note 1:** Sales for each business include intersegment sales

**Note 2:** CE (Consumer Electronics), IM (IT & Mobile Communications), DS (Device Solutions), DP (Display Panel)

**Note 3:** Information on annual earnings is stated according to the business divisions as of 2016.

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