

Samsugn SDS 3Q 2018 Earnings Release

Oct. 25, 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 review on our 3Q18 financial results is completed. The review outcomes may cause some parts of this document to change.

This document may contain “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:

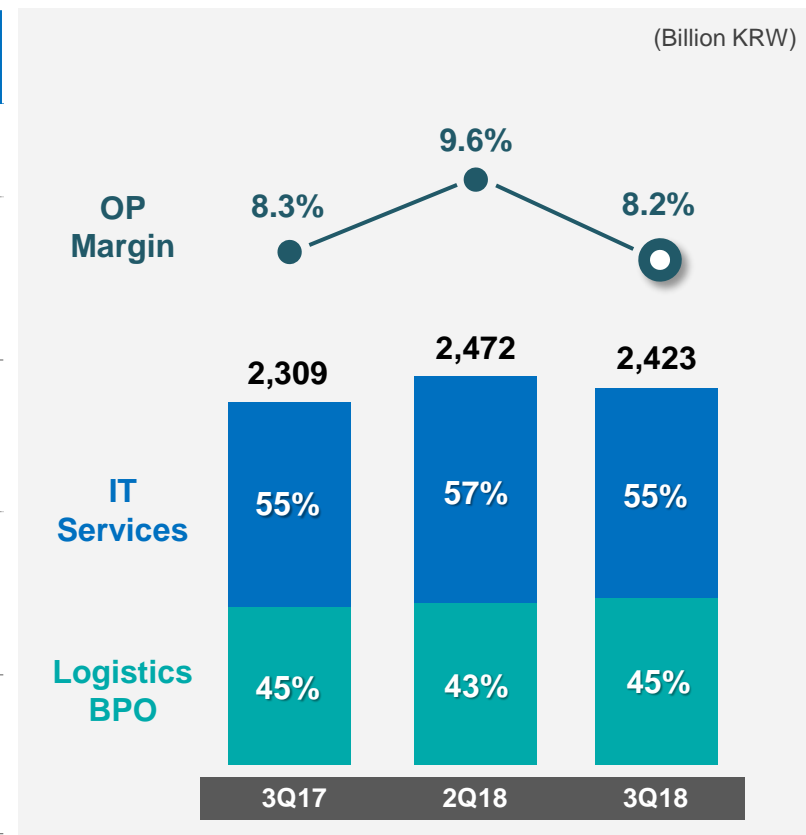
- The behavior of financial markets including fluctuations in exchange rates, interest rates
- Strategic actions including dispositions and acquisitions
- Unanticipated dramatic developments in our major businesses
- Numerous other matters at the national and international levels which could affect our future results

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

1 Earnings Overview

- ▶ Revenue of 2,423 billion KRW (+4.9% YoY)
 - IT Services growth with strategic IT businesses
 - Logistics BPO growth with expansion of external customer business
- ▶ Operating profit of 199 billion KRW (+3.8% YoY)

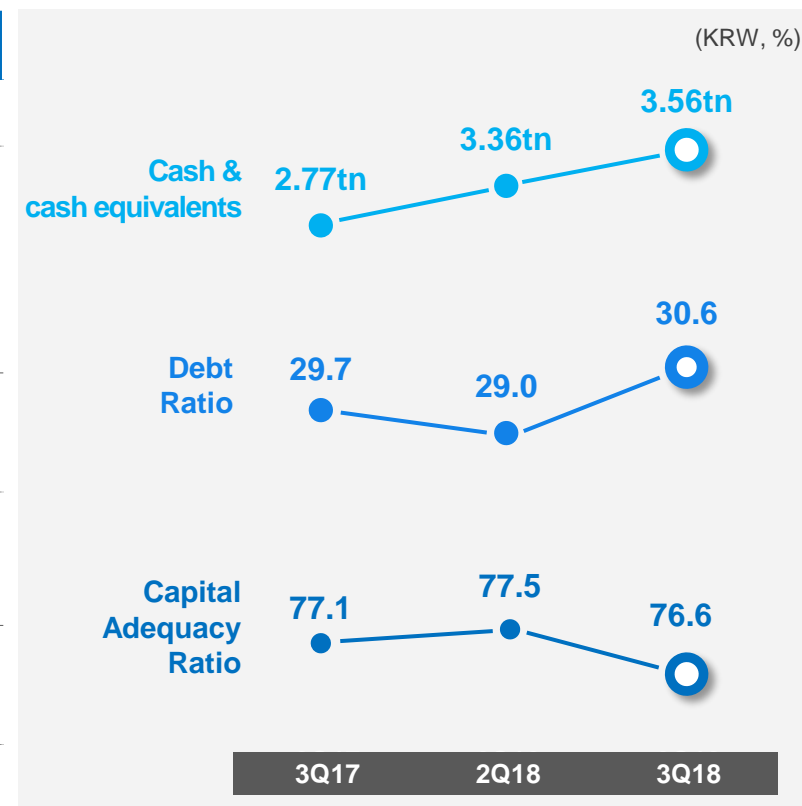
(Billion KRW)	3Q17	2Q18	3Q18	YoY	QoQ
Revenue	2,309	2,472	2,423	+4.9%	-2.0%
IT Services	1,276	1,416	1,336	+4.7%	-5.7%
Logistics BPO	1,033	1,056	1,087	+5.2%	+3.0%
Operating profit	192	238	199	+3.8%	-16.0%
(%)	8.3%	9.6%	8.2%		
IT Services	181	227	198	+9.4%	-12.6%
Logistics BPO	11	10	1	-88.0%	-87.7%
Net profit	149	187	143	-4.1%	-23.5%
(%)	6.5%	7.6%	5.9%		



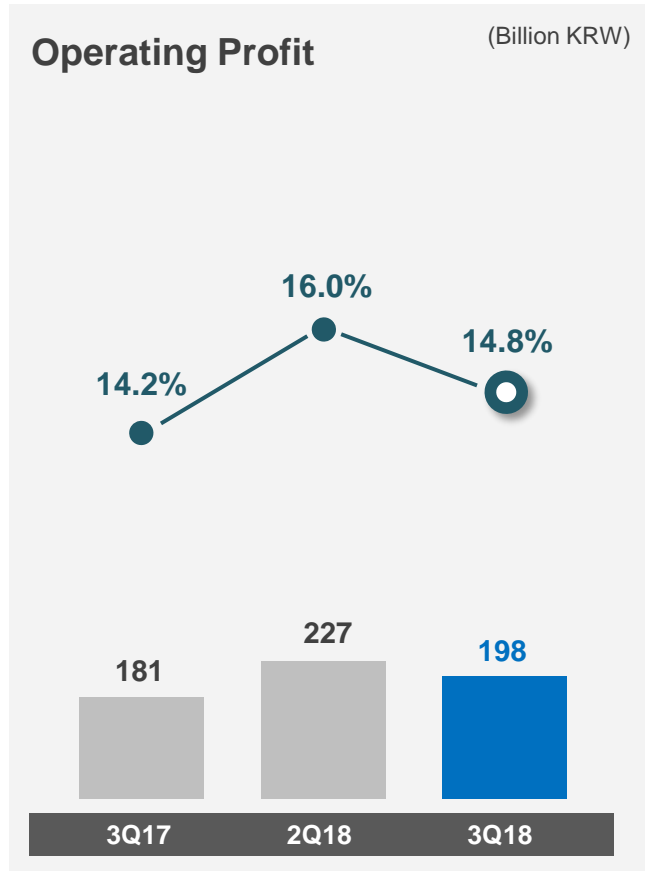
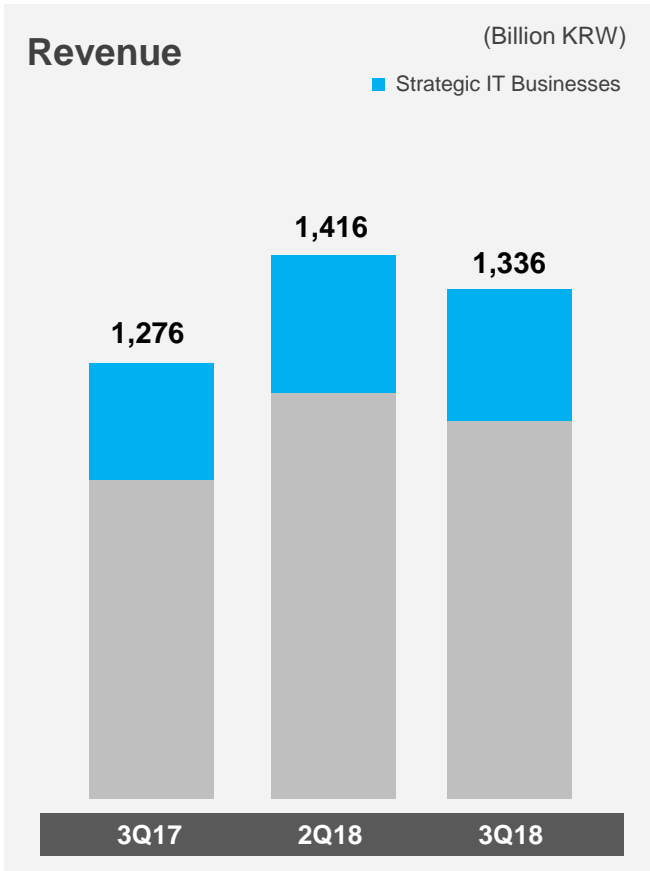
2 Financial Position

- ▶ **Asset 7,867 billion KRW** (+8.5% YoY) - Cash & cash equivalent 3.6 trillion KRW
- ▶ **Liabilities 1,842 billion KRW** (+10.9% YoY) - Debt ratio 30.6%
- ▶ **Equity 6,026 billion KRW** (+7.7% YoY) – Capital adequacy ratio 76.6%

(Billion KRW)	3Q17	2Q18	3Q18	YoY	QoQ
Asset	7,253	7,623	7,867	+8.5%	+3.2%
Current assets	5,091	5,520	5,757	+13.1%	+4.3%
Cash & cash equivalents	2,767	3,361	3,559	+28.6%	+5.9%
Non-current assets	2,162	2,103	2,110	-2.4%	+0.4%
Liabilities	1,661	1,715	1,841	+10.9%	+7.4%
Debt Ratio(%)	29.7%	29.0%	30.6%		
Current liabilities	1,373	1,437	1,525	+11.1%	+6.1%
Non-current liabilities	288	278	316	+9.8%	+14.2%
Equity	5,592	5,908	6,026	+7.7%	+2.0%
Capital adequacy ratio (%)	77.1%	77.5%	76.6%		
Common Stock	39	39	39	-	-



- ▶ Revenue of 1,336 billion KRW (+4.7% YoY)
 - Revenue growth driven by strategic IT businesses
- ▶ Operating profit of 198 billion KRW (+9.4% YoY), margin of 14.8%



3Q18 Results

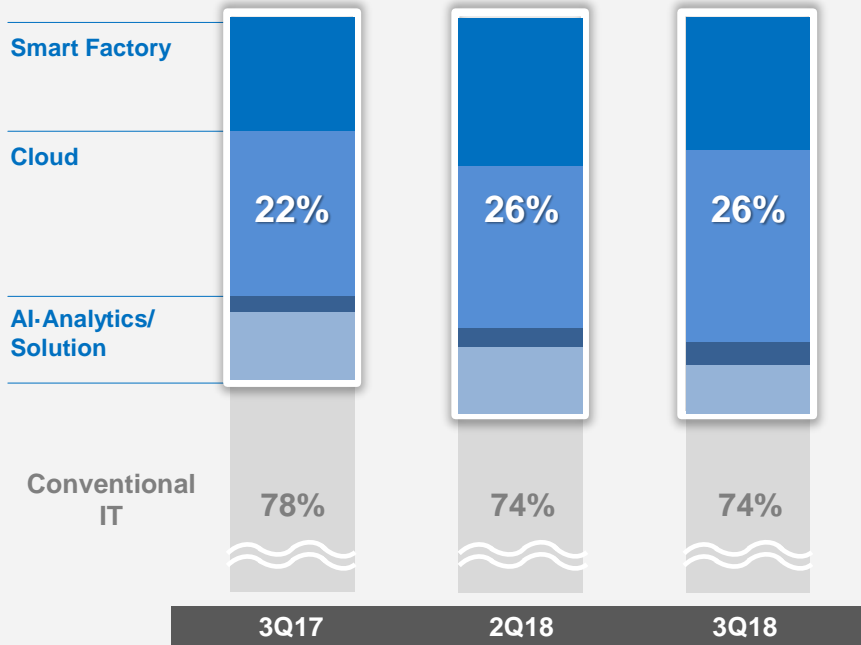
- Strategic IT businesses (+24% YoY) drove IT Services growth
- OP improved due to strategic IT businesses growth and cost reduction

4Q18 Outlook

- Smart Factory revenue increase with semiconductor production line expansion
- Cloud revenue increase with cloud migration and services demand

▶ Strategic IT businesses revenue increased by 24%, endorsing growth in IT Services

Strategic IT Businesses Revenue %



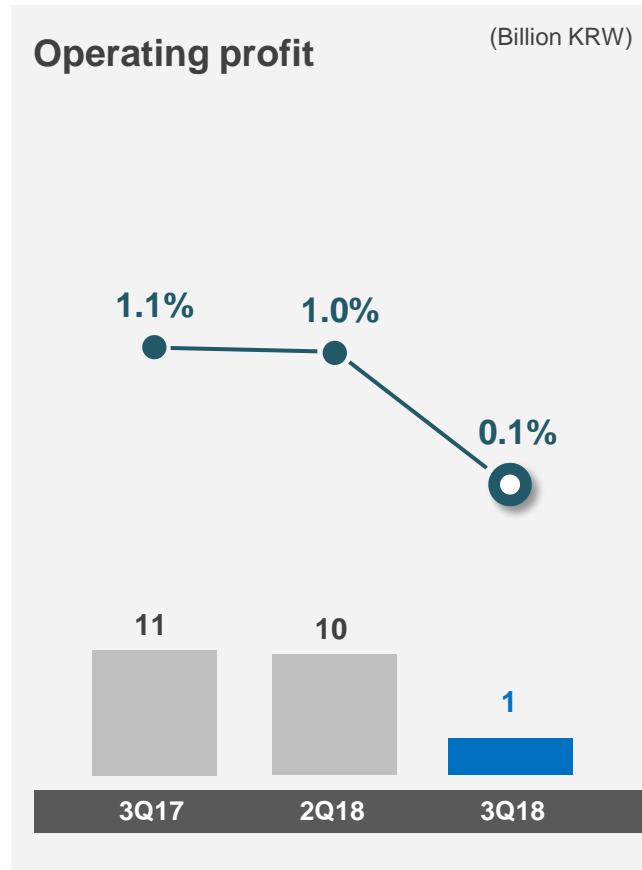
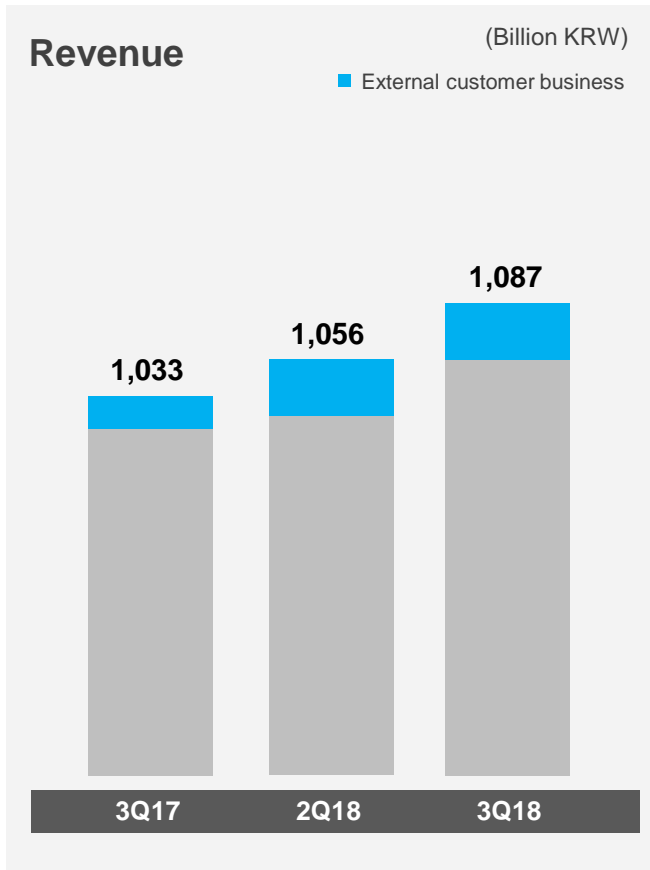
Revenue Trend

- Revenue increased with Smart Factory and Cloud service
- Strategic IT business revenue % : 22% (3Q17) → 26% (3Q18)

Business Overview

- **Smart Factory** - Intelligent semiconductor fab, MES upgrade
- **Cloud** - Private cloud migration, Public cloud for mobile services
- **AI-Analytics** - Brightics AI Platform
- **Solution** - External business expansion of Nexshop and EMM

- ▶ Revenue of 1,087 billion KRW (+5.2% YoY)
 - Revenue growth with expansion of external customer business
- ▶ Operating profit of 1 billion KRW (-88% YoY), margin of 0.1%



3Q18 Results

- Revenue growth with IT products trading volume and external customer business
- Operating profit decreased due to a leap in air/ocean freight charges

4Q18 Outlook

- Trading volume up in peak season and external customer expansion
- Profit improvement through cost reduction and trading volume increase

[Appendix 1] Income Statement

SAMSUNG SDS

(Billion KRW)	2017					2018		
	1Q	2Q	3Q	4Q		1Q	2Q	3Q
Revenue	2,150	2,374	2,309	2,467	9,299	2,357	2,472	2,423
COGS	1,810	1,990	1,929	2,076	7,804	1,972	2,032	2,032
Gross profit	340	384	380	391	1,495	385	440	391
Margin (%)	15.8%	16.2%	16.4%	15.9%	16.1%	16.3%	17.8%	16.1%
SG&A	193	198	187	184	763	203	202	192
Operating profit	147	186	192	207	732	182	238	199
Margin (%)	6.8%	7.8%	8.3%	8.4%	7.9%	7.7%	9.6%	8.2%
Non-operating gain & loss	-3	15	14	-6	20	10	33	22
Profit before income tax	144	201	207	200	752	192	271	221
Income tax expense	53	58	58	42	210	61	84	78
Net profit	91	143	149	159	542	132	187	143
Margin (%)	4.2%	6.0%	6.5%	6.4%	5.8%	5.6%	7.6%	5.9%

[Appendix 2] Statement of Financial Position

SAMSUNG SDS

(Billion KRW)	2014	2015	2016	2017	'18.1H	'18.3Q
Asset	5,546	6,332	6,842	7,278	7,623	7,867
Current assets	3,228	3,845	4,548	5,118	5,520	5,757
Non-current assets	2,318	2,487	2,294	2,160	2,103	2,110
Liabilities	1,332	1,555	1,551	1,558	1,715	1,841
Current liabilities	1,118	1,390	1,347	1,325	1,437	1,525
Non-current liabilities	214	165	204	233	278	316
Equity	4,214	4,777	5,291	5,720	5,908	6,026
Common Stock	39	39	39	39	39	39
Cash & cash equivalents*	1,651	1,951	2,456	2,925	3,361	3,559
Debts & borrowings	20	11	7	1	3	5
Depreciation & amortization	397	390	365	333	77	76
CAPEX	407	467	182	186	42	58

* Including short-term financial instruments

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