

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

005930.KS - Q3 2015 Samsung Electronics Co Ltd Earnings Call

EVENT DATE/TIME: OCTOBER 29, 2015 / 12:30AM GMT

OVERVIEW:

Co. reported 3Q15 QoverQ revenue growth of approx. 6%.



CORPORATE PARTICIPANTS

Robert Yi *Samsung Electronics Co Ltd - Senior VP IR*

Jeeho Baek *Samsung Electronics Co Ltd - Senior VP, Semiconductor Business.*

ChangHoon Lee *Samsung Electronics Co Ltd - VP, Samsung Display*

Jin Young Park *Samsung Electronics Co Ltd - VP, Mobile Communications Business*

Young Lak Jung *Samsung Electronics Co Ltd - VP, Visual Display Business*

CONFERENCE CALL PARTICIPANTS

Young Park *Hyundai Securities - Analyst*

Nicolas Gaudois *UBS - Analyst*

Minjoon Yoo *Korea Investment & Securities - Analyst*

C.W. Chang *Nomura - Analyst*

Peter Yu *BNP Paribas - Analyst*

Sang-eun Lee *Korea Investment & Securities - Analyst*

Mark Newman *Sanford Bernstein - Analyst*

Peter Lee *NH Investment & Securities - Analyst*

Xu-Liang Sun *HSBC - Analyst*

S.C. Bae *Barclays - Analyst*

PRESENTATION

Operator

Good morning and good evening. First of all, thank you all for joining this conference call. And now we will begin the conference of the fiscal year 2015 third-quarter earnings results by Samsung Electronics. (Operator instructions). Now we shall commence the presentation on the fiscal year 2015 third-quarter earnings results by Samsung Electronics.

Robert Yi - Samsung Electronics Co Ltd - Senior VP IR

Good morning. This is Robert Yi from Investor Relations. Thank you for joining our third quarter earnings call. With me, representing the business units are Mr. Baek Jeeho, Senior VP of Memory Marketing, Mr. Hong Kyushik, VP of System LSI Marketing, Park Jin Young, VP of IT Mobile Business, Jung Young Lak, the VP of Visual Display, and Lee ChangHoon, the VP of Samsung Display, as well as Kim SangHyo, the Vice President of IR.

I would like to remind you that some of the statements we'll be making today are forward looking, based on the environment as we currently see it. And all such statements are subject to certain risks and uncertainties that could cause our actual results to be materially different from those expressed in today's discussion.

Before we go into third-quarter results, let me share a few points regarding Samsung Electronics' shareholder return that was just announced. We've been focused on investing in technologies and scale advantages to ensure our current and future growth. We placed highest priority in creating business structure that delivers sustainable growth.



We are proud of what we have accomplished over the years as we have strong technology leadership in many of our businesses as well as solid financial strength to continue to build for the future. Despite annually investing more than KRW20b in capital expenditure and KRW4b in R&D during the past several years, we were able to have positive free cash flow to add to our cash balance. We have been looking for ways to use the cash to create long-term value to the Company, as well as to our shareholders.

Over the several past months, we had extensive discussions internally about the best course of the action to increase the return to our shareholders and to optimize capital management. Also, we have reached out to our shareholders and investment community, and have heard back from many of you. We would like to express our gratitude and appreciation for your frank and honest feedback on many of these issues we are about to address today. The initiatives that we are about to announce -- which we have announced today are based on comprehensive review of our business and shareholder needs.

The first part of our shareholder return initiative is a share buyback and cancellation of KRW11.3 trillion, which is equivalent to \$10b. The Company believes that the current share price and the market value of Samsung Electronics are severely undervalued, both in terms of the ability to generate earnings and also in terms of the underlying assets, or the equity value of the Company.

Considering the severely undervalued nature of the share price, we feel that a share buyback at these levels is the correct decision. All the shares we purchase will be cancelled, as cancelling the shares and thus reducing the capital stock of the Company will be the most effective method to returning value to existing and long-term shareholders.

Over the years many shareholders have expressed a view that buying back and cancelling preferred shares, which are traded at a discount to common shares, is more efficient use of capital as we can buy and cancel more number of shares with the same amount of money, thus increasing the effectiveness of any future capital return to the remaining shareholders. The Company shares the same view.

Therefore, we plan to increase the portion of preferred shares for repurchase and cancellation under this buyback program as long as the price discount to common share is greater than 10%. We expect this will bring further increase to the future dividend per share as we can reduce higher number of shares outstanding, therefore having positive impact on both common and preferred shareholders.

We anticipate the buyback will take next few quarters, as the regulations in Korea that governs share buybacks stipulate that each share buyback authorized by the Board must be completed within three months, with a specified number of shares for each plan.

The Board today approved KRW4.2 trillion for the first phase of this buyback program. It will start on October 30 and last for approximately three months. As of the date before the Board's decision, preferred shares traded at about 22% discount to the common share. Therefore, we will increase the percent of preferred shares to be repurchased to 35% of the total shares to be purchased. Based on these facts, we will purchase 2.23m of common stock and 1.24m shares of preferred during this first phase.

The second part of our shareholder return initiative is three-year shareholder return policy. As we have explained, after detailed review the Company has decided to implement a rolling three-year shareholder return policy that will have the following components. First, the Company will return 30% to 50% of annual free cash flow to shareholders for the next three years. The annual shareholder return will consist of dividend and share buyback. Third, the next three years, annual shareholder return will focus primarily on dividends, with the remaining allocated capital to be utilized for share buybacks. Fourth, any shares that are to be repurchased will also be cancelled.

We will announce 2015 year-end dividend in January of 2016, when the Board makes the decision. We hope the size and the direction of the shareholder return to be announced will be able to meet the expectations of our shareholders.

Meanwhile, we are currently reviewing the introduction and implementation of quarterly dividend policy for 2016. We would welcome any feedback from our shareholders on this matter.

In concluding, I hope that these decisions clearly show our commitment to creating shareholder value through not only business growth, but also through capital allocation decisions which are beneficial to our shareholders, and that our shareholders will share our confidence in sustained



growth in our business and shareholder value. The fact remains that we are in a difficult operating environment. However, the opportunities to secure long-term growth through organic and inorganic ways also exist. We hope that our long-term shareholders will continue to trust and support our efforts as we do our best to ensure consistent and sustainable value enhancement.

Now I'll go over our third-quarter results. The overall revenue increased by approximately 6% compared to the previous quarter, mainly driven by semiconductor and display. The gross profit for the total Company also increased by KRW0.5 trillion. Our SG&A expenditure remained flat even though revenue increased, and the percent of revenue decreased due to our efforts to improve efficiencies across major categories.

The operating profit increased by KRW500b quarter on quarter and the operating margin also improved slightly. The third quarter operating profit was higher than the market expectations due to positive exchange rate impact from continued weak won against the currencies.

For your reference, the exchange rate impact was approximately KRW800b, mostly on the component businesses, which have greater US dollar long positions.

Other non-operating profit decreased significantly Q on Q due to one-off gain that we experienced on sale of investment in Samsung Techwin and Samsung General Chemical in the second quarter.

The business unit representatives will discuss their business results in more detail shortly.

Now I would like to make a few comments on the future outlook. In the fourth quarter we expect earnings to decline compared to the previous quarter, as we do not expect the positive exchange rate impact to continue into the fourth quarter. In terms of the overall businesses, we expect to maintain solid earnings led by earnings improvements of system LSI and an increase in the set business sales under strong seasonality.

For our component business, we are entering into weaker seasonal demand for memory products and weak LCD supply and demand balance. However, we expect system LSI earnings to improve led by an expansion of 14-nano foundry supply and we also expect OLED to maintain solid earnings. For the set business, we expect earnings to improve for the consumer electronics business, by actively expanding sales under year-end seasonality. And we will strive to maintain solid earnings of IM business by expanding Galaxy Note 5 sales as well as improving Galaxy S6 profitability.

It is too early to form a firm outlook of the global economy and the IT industry for 2016, at this time. However, our goal is to continue the growth and achieve strong profitability, by enhancing business competitiveness through our efforts to improve technology leadership and reinforce software and service capacity.

We expect various dynamic factors to affect the industry supply and demand conditions for the semiconductor business in 2016. We will focus on expanding high value-added memory products, increasing V-NAND technology capability, and diversifying 14-nano customer base.

For the display business, we will focus on improving cost as LCD supply and demand condition may worsen from increasing supply. For OLED, we will continue to expand external customer bases.

For our IM business, amid slowed growth of smartphone demand, we will strive to maintain profitability by reinforcing smartphone competitiveness through product differentiation, and strengthening services and software capabilities, including Samsung Pay, as well as by effectively managing cost.

For our consumer electronic business, we expect TV demand to increase led by global sporting events, such as the Olympics.

A few comments on capital expenditure plan. We expect our total capital expenditure in 2015 to be KRW27 trillion, approximately 14% increase from the previous year. By business areas, capital expenditure for semiconductor will be KRW15 trillion, the ratio of memory to system LSI of approximately 8 to 2, and for display it will be about KRW5.5 trillion. The increases are mainly from reinforcing our leadership of cutting-edge technologies, such as V-NAND, and for enhancing cost efficiencies of LCD production capacity.

During the third quarter we spent about KRW6 trillion on capital expenditure, KRW3.7 trillion for semi and KRW1.4 trillion for display. This brings the year-to-date capital expenditure to KRW19.2 trillion, which is approximately 72% of the annual plan.

As usually, I would like to share several data points for key business areas for your reference. For DRAM, the third quarter our bit growth was mid-teens and we experienced low teens of ASP decline. In Q4 we expect market DRAM bit growth to come in about mid-single-digit and we expect to outgrow the market -- I'm sorry, we will grow in line with the market in Q4. And for 2015 DRAM, we expect the market growth to be low to mid 20% and our bit growth for the year will low 30%.

For NAND flash, in third quarter our bit growth was low teens and we experienced low teens of ASP decline quarter on quarter. For Q4 we expect the market NAND bit growth to be low 20% and again we will grow in line with the market in Q4. That will bring the 2015 total market NAND bit growth at high 30%. We believe that our NAND bit growth for the year will be over 50%.

For large LCD panel business, in terms of revenue the LCD revenue represented about low 50% of the total display panel revenue and we experienced the ASP of low teens decline quarter on quarter. For the Q4 LCD panel business we expect the revenue mix to remain similar level as Q3. The LCD panel shipment in Q4, we expect to see increase of high-single-digit and we are expecting also ASP increase of high-single-digit.

For mobile business, our total handset shipment in Q3 was 105m units, and tablet sales of 8m units. Our blended ASP in the third quarter was about a mid-\$180, and within the smartphone sales the smartphone mix was about 80%. In Q4 we expect a small increase of total handset shipment. We do expect the blended ASP for the handset to increase in Q4. And the smartphone mix within total handset sales will rise to about mid 80%.

For TV business, in Q3 we shipped about 11m units of LCD TV and in Q4 our TV shipment is expected to grow about a 40% range.

Now I'll turn the conference call over to the gentlemen from the business units to share their views, starting with the semiconductor.

Jeeho Baek - Samsung Electronics Co Ltd - Senior VP, Semiconductor Business.

Good morning. This is Jeeho Baek from the memory marketing team. I'm going to present our business results for the third quarter and market outlook for the next quarter.

For the third quarter, for DRAM, although set unit growth was slower than the industry forecast, average DRAM content growth led overall demand. In particular, demand increased driven by flagship smartphone launches and solid data center demand, led by cloud and service expansion. We focused on reinforcing profitability and market leadership by expanding 20-nanometer migration and by actively responding to increasing demand for high value-added products, such as DDR4 and LPDDR4.

On NAND, high-density and mobile [street] demand increased from new smartphone launches. Also SSD demand increased due to growing PC SSD adoption and expanding high-density enterprise SSD demand. While we secure the profitability by expanding sales of high-end solution products, such as SSD and UFS, we have reinforced the core competitiveness by introducing third-generation V-NAND to the market.

Next I will comment on the memory market outlook and our strategy for the fourth quarter. For DRAM, even with the weak seasonality, compared to previous four quarters, we expect continued solid demand for mobile and server, driven by increased density of embedded DRAM and accelerated conversion of new enterprise product, such as DDR4 and LPDDR4. Also we expect DDR4 demand for PC to increase, led by new platform and OS products.

For Samsung Electronics, we will reinforce product competitiveness by actively responding to demand for our high-value-added and leading-edge products, such 8 gigabit DDR4 and LPDDR4. Also we will focus on profitability and continue to expand 20-nanometer process for our competitiveness.

For NAND, demand for solution products is expected to increase driven by new mobile product launches with high-density storage and by increasing SSD adoption rate in both PC and enterprise. We will continue to secure product competitiveness by expanding third-generation V-NAND supply

and 10 nanometer class migration. Also we will strengthen our market leadership by actively responding to demand for enterprise and PC SSD, and high-density mobile storage.

In the fourth quarter, although economic uncertainties are expected, such as exchange rate fluctuations, we will make the best effort to maintain profitability with advanced technology and flexible product mix.

Considering current global economic forecast, demand growth in 2016 is expected to be very similar to 2015. However, uncertainties are expected in the supply side, especially in ramping up leading-edge technology, such as 20-nanometers DRAM, with the vertical NAND and the finer geometry planar NAND.

We will strengthen market leadership and secure competitiveness by expanding supply of our main products, such as 20-nanometer high-density DDR4 and LPDDR4, and 10-nanometer class NAND, along with V-NAND.

Now moving on to the System LSI business. In the third quarter, under seasonality, earnings improved, driven by 14-nanometer foundry supply and solid LSI demand, such as CMOS imaging sensor. In the fourth quarter, despite slower seasonal demand, we expect earnings to improve from the third quarter, with the increase in 14-nanometer foundry supply. In 2016 we will continue to strengthen the basis for stable growth by diversifying applications, customer base, and product line-up, with our industry-leading 14-nanometer process technology.

Thank you for listening.

ChangHoon Lee - Samsung Electronics Co Ltd - VP, Samsung Display

Good morning. This is ChangHoon Lee from the panel department of Samsung Display.

For LCD panel, in the third quarter, despite tough market conditions, such as decreased overall panel shipments and ASP, we brought solid results, led by increasing sales and shipment area, thanks to the continued trend towards larger sized panel and strong demand for UHD TV panels. However, risk factors exist in the first quarter that could bring about overall oversupply and the decline in ASP, due to an increase in the industrial capacity and a decrease in demand of TV set makers from exchange rate fluctuations in the emerging markets. We will focus on cost reduction and inventory management in response to these tough market conditions of the fourth quarter.

For OLED panel, in the third quarter our earnings increased Q on Q, due to the release of new high-end smartphone panels for major customers, expansion of the customer base, and higher operation ratio. In the first quarter, although we expect competition among panel makers to intensify further, due to slowing growth of the smartphone market, we will make the best effort to expand external customer base and to increase the line utilization ratio.

Now I would like to present the outlook for the display market and our core strategies in 2016. For LCD panel, while we expect overall shipment area to increase YOY, it seems that total shipment may decrease. Furthermore, we expect the industrial capacity to increase YOY. We will appropriately respond to these tough market conditions in 2016, by continuously monitoring the market conditions, as well as by focusing on cost reduction and inventory management.

For OLED panel, while we expect the smartphone market growth to slow down YoY, growth will come mostly from emerging and low-end markets. Under this circumstance, we will efforts to reinforce product line-ups and expand customer base.

Furthermore, we will reinforce our market and technology leadership through technological improvement and mass production of flexible display, which is our mid, long-term growth engine. At the same time we will strive to secure new growth engines by reinforcing technical development of new applications, such as transparent, [gyro], head mount, and automotive display. Thanks for listening.

Jin Young Park - Samsung Electronics Co Ltd - VP, Mobile Communications Business

Good morning, everyone. I am Jin Young Park, from the mobile communications business. Today I would like to present our solid quarter business result for the IT and mobile communications division, and our outlook for the coming future.

In the third quarter overall market demand for both smartphones and tablets slightly increased QOQ due to typical seasonality. Our smartphone shipments largely increased, compared to the previous quarter, thanks to increased sales of new models, including the Galaxy Note 5, S6 Edge Plus, and the Galaxy A and J series. However, revenue of the mobile communications business slightly increased and the profit of IM division decreased Q on Q due to price repositioning of the Galaxy S6 and S6 Edge, and impacts of product mix.

Our largest screened flagship models, Galaxy Note 5 and S6 Edge Plus, newly released in the third quarter are receiving positive feedback from the market. Accordingly, we expect shipments to exceed their predecessors. The sales volume of the Galaxy A series expanded, as shipment of existing models and newly-launched Galaxy A8 increased. The Galaxy A8 is showing strong sales trend, mainly in China and Southeast Asia, which are the reasons, with strong demand for larger screened smartphones. Also the Galaxy J series received favorable responses from the emerging markets.

As for tablets, shipments remained at a similar level to the previous quarter.

In our networks business, business performance improved Q on Q mainly from increased LTE investment by our major overseas customers.

Now let's turn to outlook for the fourth quarter of 2015. Market demand for both smartphones and tablets is expected to increase Q on Q as we enter the year-end peak season. Meanwhile, we also forecast competition in the market to intensify further.

As for our Company, marketing expenses are expected to slightly increase due to seasonality. However, we will respond by increasing shipment volume of new smartphones for each price segment that were introduced in the third quarter and by continuously increasing efficiency in our expenses. Through these efforts, we will maintain our profit at a similar level to the previous quarter. Moving on to our tablets, we expect tablet shipments to increase QoQ, mainly with the Galaxy Tab S2 and A series. And for our networks business, business performance is expected to improve with expansion of overseas LTE business.

Finally, turning to the outlook for the year 2016, next year smartphone and tablet market is expected to grow Y on Y, but its growth rate will slow down, compared to the previous years. As for our smartphones, we will continue on with our meaningful innovations, to strengthen our position in the market. Moreover, we plan to globally expand Samsung Pay, our safe and simple mobile payments, that is receiving positive feedback from the market. We believe Samsung Pay will be able to give more customers differentiated experience that only our Galaxy Smartphones can provide. Also we will reinforce the competitiveness of our tablet and wearable devices to satisfy market need.

With the intensifying competition due to market growth slowdown, there may be some difficulties with our business. However, we will respond to tough market circumstances by strengthening our premium product competitiveness, while maintaining our key strategy of optimized product portfolio. With these efforts, we will do our best to expand smartphone sales and maintain solid business performance. Thank you.

Young Lak Jung - Samsung Electronics Co Ltd - VP, Visual Display Business

Good morning. I am Young Lak Jung, from the visual display marketing team. Now let me brief you on the third-quarter market conditions in the business regions.

In the third quarter as seasonal peak approaches the flat TV market demand increased Q on Q. However, due to continued currency depreciation in the emerging markets, demand decreased, compared to the same period last year. Under these market conditions our performance improved both Q on Q and year on year, powered by the growth of premium product sales, especially of UHD and the large-sized TVs. Moreover, our sales proportion of UHD TV increased, as we introduced affordable premium line up, and the profitability was enhanced, as model mix improved.

Next, moving on to the digital appliance business, in the third quarter North America continued its economic growth, but due to economy recession in the emerging markets, market demand decreased Q on Q. Under these local circumstances, we've expanded premium product sales in all advanced markets and strengthened sales of region-specific innovative products. As a result, our earnings improved compared to the previous quarter.

Moving on to the fourth quarter outlook, as the holiday peak season is around the corner, we are expecting a substantial increase in TV demand, mainly from North America and other advanced markets. However, due to a downturn in emerging markets caused by a lower consumer confidence, we expect a decrease in global demand by a small margin versus the same period last year.

Meanwhile, intense competition in the peak season is expected as TV sets makers are aiming to boost sales based on their year-end promotions in order to make up for their low performance in the first half. Under such market conditions, we'll actively seek to capture year-end season opportunities by offering our local-friendly promotion programs and expanding affordable premium product sales.

As for the digital appliance market, we will continue to push ahead with the sales growth by reinforcing the promotional activities and increasing shipment of our premium product.

And for the year 2016 outlook, following the trend of year 2015, we expect to see a continued increase in UHD content and customer preference for the larger inch TVs. In addition, due to the impact of sporting events such as the Brazil Olympics and the Euro Cup, we anticipate growth mainly in UHD and the largest screen TV sets. Based on our global brand positioning, we are planning to respond to soars in demand by actively increasing sales proportion of premium product lines, of S-UHD, (inaudible) and the largest size TVs. And in addition, we aim to improve profitability by optimizing line-ups and enhancing efficiency.

For the digital appliance market, demand may slow down as economic recession is expected to continue, excluding the US market. But we will continue to introduce innovative products and reinforce customer-friendly marketing activities and expand (inaudible) businesses in order to secure continuous growth momentum and profitability.

Thanks for the listening.

Robert Yi - Samsung Electronics Co Ltd - Senior VP IR

Thank you. This completes the Company's presentation and we'll turn to questions and answer session. Again, we'll provide a consecutive translation for Q&A session and we'd like to ask for your patience, that it may take a little bit longer than normal, just one-language announcements. Okay. Let's take questions please.

QUESTIONS AND ANSWERS

Operator

(Interpreted). (Operator instructions). Young Park, Hyundai Securities.

Young Park - Hyundai Securities - Analyst

(Interpreted). First of all, thank you very much for announcing a very satisfactory shareholder return initiative. Also, I congratulate you on the very positive performance for the third quarter, despite the industry situation itself not being very favorable.

My first question is about the semiconductor business, specifically about your plans of how to operate and manage your memory capacity. It seems that on the current track, your NAND flash memory capacity will probably be fully utilized by first quarter of 2016, which would mean that you will



probably need new capacity on the NAND side, at least by end of 2016. Do you have any decisions or plans regarding the location of the new capacity that you will probably be needing?

Also, it seems you have some extra space on fab 17, about 30,000 square meters. Do you have any plans, specific plans of how to use that space on fab 17?

Unidentified Company Representative

(Interpreted). Well, it seems you have a lot of information about the capacity, as if you are one of our employees. But I think there are a few pieces of the information that I probably need to correct.

Actually, on the NAND side we are already at full capacity. We are running at full capacity. So actually it won't be correct to say that we have any space. Actually, we do not have any space. But I think even next year, by running at our full capacity, we will be able to meet the bits that would be requiring next year and maybe produce a bit more extra on top of it, if necessary.

And so as of yet in terms of additional capacity building there are no decisions that we have made yet. All options are open. If we do need it, if market calls for it, we could add capacity. Where it would be, it could be either [Chuntek], China, [Kihung] or Hwaseong. That's still open. We will flexibly decide depending on the market situation next year.

Also, about the fab 17 DRAM, it's at full capacity. It's running at 20-nanos. Now specifically how much our full capacity at fab 17 is, I can't give you a quantity of it because there are some decreases or -- due to the migration process onto the 20-nano. But I can say that we are running at full capacity at fab 17, as well. And I think that with our current capacity, we will be able to meet next year's bit requirements, as well, on the DRAM.

Young Park - Hyundai Securities - Analyst

(Interpreted). Well, it seems, hearing your answer, the Company is not planning any aggressive capacity investments on the DRAM side next year, which actually alleviates some of the concerns regarding the DRAM industry outlook for next year and the impact that may have on the Company's performance.

My second question relates with the smartphone side of the business. During the presentation, looking at some of the numbers that were announced, it seems, in the third quarter, the smartphone shipments had what were about 81b units of shipment. And this basically implies that there was a significant increase in the shipment of the mid to low-end smartphones within your product mix, which is quite positive and welcoming. I'm wondering, can you give us some more detail on what initiatives were effective, in terms of enhancing the competitiveness, and also increasing the shipments of your mid to low-end smartphones?

Unidentified Company Representative

(Interpreted). Well, as you know very well, we've already started to streamline our mid to low end smartphone line-up, starting from end of last year, focusing on the Galaxy A and the J series. And we have during this streamlining of the line-up process focused more on the mid to low end models that have more competitiveness.

And this has not only resulted in the increase of shipments, as you have pointed out, but also the profitability of the smartphones themselves has enhanced, especially with the A series. In addition to the existing A series products, we have introduced the A8, which has also had very positive results. The A series, we're seeing is especially effective in terms of increasing in the Chinese, Southeast Asian, and European markets. The J series has also done very well, especially around the emerging market segment.



It seems that in the process of streamlining, adjusting our mid to low end product line-up, we were also able to capture the advantages, such as sharing components, also enhancing the yield and also enhancing the efficiency of the cost of expenses that are spent. And in terms of going forward, we plan to continue to maintain a very optimized product portfolio, and capture the effects of such an efficient portfolio.

Operator

(Interpreted). Nicolas Gaudois, UBS.

Nicolas Gaudois - UBS - Analyst

Yes, good morning and congratulations on announcing at last a comprehensive program for return to shareholders. On the business, first question is for mobile devices. It seems to us that so far the Note 5 and the priced down Galaxy S6 are actually offsetting the Galaxy S6 Edge and the Edge Plus. Does this lead you to reconsider your mix and pricing going forward for next year for forthcoming releases in the high end or should we actually expect that you'll make better use of Edge displays, beyond design for a third generation to come in next year? And I have a follow up for semis. Thank you.

Unidentified Company Representative

(Interpreted). As you have pointed out, the sales of the Edge, especially the S6 Edge, has not met market expectations. One factor was the disruptions that we had in terms of the initial supply of the 6 Edge, especially during the launching of it. That may have had an impact. But in terms of using the Edge as a display, we do believe that it is an opportunity to provide a differentiating user experience to the consumers. And that's why we have -- we will continue to additionally exert efforts to develop a way of using the Edge display to provide such a differentiating user experience.

Specifics regarding next year's flagship strategy, please understand that it is a bit too early for us to give you specific details. But we can say that because we have gone through various flagship model launches this year we will definitely consider the achievements as well as the areas for improvements that we have learned through this year's flagship launches, and reflect it for next year's product planning.

Nicolas Gaudois - UBS - Analyst

Great, so looking forward to it. And on the semi side, you indicated before in LSI that you're likely to ramp up in 2016 integrated application processes and modem as soon as (inaudible). Could you update us on your progresses there and which segments you would address between the high, mid, and potentially low end next year with those (inaudible)? Thank you.

Unidentified Company Representative

(Interpreted). Well, to give you an update on the status first before I give you next year's plan, in terms of the mid-range products actually we started mass production in third quarter. Already our mid-range products are on customer sets and are selling very well. And so we will continue to ship them. We've already started second half of this year and continuing on to the first half of next year.

Regarding the mobile market, our basic plan next year is to introduce and offer competitive products for all segments, and responding to the market trend.

Nicolas Gaudois - UBS - Analyst

Okay. Thank you.



Unidentified Company Representative

(Interpreted). Okay. Thank you.

Operator

(Interpreted). Minjoon Yoo, Korea Investment Securities.

Minjoon Yoo - Korea Investment & Securities - Analyst

(Interpreted). I have two questions related with CapEx. First, you've already mentioned the capacity planning and answered the question regarding capacity planning for the semi side of the business. It seems that that would indicate that perhaps the CapEx side for the semiconductor business next year may be decreasing versus the CapEx executed this year. Is it possible for you to give us a direction of the semiconductor CapEx year on year, next year versus this year, including DRAM, NAND and system LSI all together?

Second question regarding the display side. You've mentioned that the increase in OLED sales have also increased the utilization of your OLED capacity in the third quarter. Is there additional ramp-up volume left over and what does this imply in terms of the capacity planning for the future?

Unidentified Company Representative

(Interpreted). Well, regarding the CapEx, even looking at 2015 CapEx, actually the CapEx number that we had thought and mentioned at the start of the year and mid of the year, and now they're all different. And the changing of the CapEx, the actual expectations versus the actual execution, that I think in effect reflects how rapidly the market itself has changed.

And so considering all of that it's difficult for us to give you any CapEx numbers for next year with amount of certainty. Also considering the fact that some of the CapEx that were executed on the semiconductor side this year were actually investments that we had originally planned for next year, but that were brought forward to 2015. Considering that and what you have mentioned, it is difficult to completely rule out the possibility that CapEx next year on the semiconductor side may be less than what it was this year.

But because there are so many variables still left in the market situation next year, as Mr. [Park] had mentioned, it is difficult for us to give you any certainty. But, yes, there is a possibility that it may be less.

Unidentified Company Representative

(Interpreted). And your second question about the OLED business, I guess that could be divided up as two questions. One is how much of sales or shipments are we expecting to increase on the outside sale side? Second is what is the implication on that on increasing capacity for OLEDs next year?

Well, first of all, regarding OLED sales, we have achieved cost competitiveness even versus LCDs while maintaining very strong product performance. And based on this very competitive product performance, our OLED has continuously added on new outside customers. So next year we're thinking about 30% of our OLED sales will be going to outside customers -- or more than, excuse me, 30%-plus, more than 30% will be sold to outside customers.

Regarding capacity increases, as we have already announced, our A3 line has been in operation since last April. Regarding any additional capacity add-ons, that we will flexibly respond depending on the market situation while that we will continue to invest and enhance our existing lines to enhance the productivity as well as the yield, would also help our competitiveness.



Operator

(Interpreted). C.W. Chang, Nomura.

C.W. Chang - Nomura - Analyst

(Interpreted). Well, first of all, thank you very much for responding to the market's request for shareholder return. I hope that this also sets a very good example for other Korean companies to follow. First question regards the shares that you already have, the treasury shares that you already have. There are still concerns in the market that Samsung Electronics is waiting to use that in order to merge with SDS. Could you make any comments regarding this market concern?

Unidentified Company Representative

(Interpreted). First of all, we don't have any specific plans regarding the shares that we already have, the treasury shares that we already have.

Regarding your comment about SDS, merger with SDS, currently Samsung Electronics has no plans of merging with SDS, as we had announced in June. In general, regarding our position about merging with other affiliates or subsidiaries of the Group, if we do think any such merger is necessary with a subsidiary, it will be decided based on a comprehensive consideration of various factors, including potential synergy effects from such mergers as well as the shareholder values of the two companies. But once again, we are not considering any possibility of merging with SDS at this point.

C.W. Chang - Nomura - Analyst

(Interpreted). The second question is about the 3D NAND roadmap. In terms of roadmap, how many layers is it possible to stack? And once we reach a limit of layering, what are your plans or thoughts regarding geometric migration?

Unidentified Company Representative

(Interpreted). Well, that was a very good question. Thank you for a very good question. As you mentioned, 3D NAND, if it just scales in terms of layers, even thinking of it rationally, as the number of layers increases, the level of difficulty of a technology required to implement it would also increase.

And so in addition to the technical implementation, the level of difficulty itself will increase exponentially with each marginal layering. Also the costs and the investment required to implement additional layers itself would increase exponentially with the marginal increase of layers. So there is that factor. In addition to that, the efficiency in terms of production would also become that much more difficult with increase of layers. And on the other hand there has to be in the market demand for a very high-density chip for such layering itself to make any sense.

So even though there are many people who are talking about 36 and 48 layers, we believe, due to the differences in the implementation and the difficulties in the implementation itself, the cost of the same 36- to 48-layer product would have large differences, depending on who the maker is.

And so in addition to the cost there is also the performance because with more layers the technical difficulty itself goes up and the level of technical implementation would also depend on what the target market for that product is. For our case, our 3D NAND from the very start targeted the enterprise SSD market. If other players are targeting the same, they will also need to execute technology with a very high level of completeness.

So to give -- to make the long answer short, even though, yes, the number of layers is a factor, we believe that more important to that is to securing and gaining efficient production capabilities, which would lead to cost competitiveness, as well as guaranteeing the performance and reliability that customers who use the products expect.

Operator

(Interpreted). Peter Yu, BNP Paribas.

Peter Yu - BNP Paribas - Analyst

(Interpreted). First I have a question, some follow-up questions regarding the shareholder return program that you've announced. You've mentioned that basically it will be a program to buy back shares and then cancel them. Is it a possibility that the existing treasury shares that you have would also be cancelled? Is it a possibility?

The second is could you give us a rough breakdown of how much of the 30% to 40% of free cash flow that you will be using will be used for dividend payouts versus buyback and cancellations, because you said that both will be pursued even though the dividend would get a larger share?

Unidentified Company Representative

(Interpreted). Well, first of all, when we communicated with the market regarding the best way to provide shareholder return, buyback and cancellation was a very important requirement from the market or the demand from market for various issues, including the fact that the market believes that it is one of the ways of efficiently using the cash that the Company already has, that buying back and cancellation of shares in itself is another form of investing in the future of the Company. And that was separate from the existing shares that we have.

In terms of legal and regulatory settings, it is technically possible for us to cancel the shares that we already have, but currently we do not have plans of doing so.

Regarding the breakdown of the 30% to 50% of the annual free cash flow that we have mentioned today, as you know, as a company and a business that has significant investments each year, it is very difficult for us to give you any guidance regarding how much of -- because it's difficult for us to predict how much cash flow we would have, it's again difficult to give you any guidance on how that will be broken up between dividends and buyback.

But given the fact that we will be executing a very large-scale special buyback that we announced today, going forward free cash flow 30% to 50% will mainly -- will be used for dividends with priority versus share buyback. But given the fact that dividends, once increased, it's difficult to decrease a dividend, basically, the plan is to use the free cash flow mainly to either maintain or slightly increase dividends going forward, and what is left after that will be used for additional buyback.

Peter Yu - BNP Paribas - Analyst

(Interpreted). The second question is about the NAND industry and the market outlook in the mid to long term, the next two or three years. During the past month, as you have noticed, there has been a lot of M&A investment deals that were announced on the data storage side. This has triggered some concern in the market regarding the NAND market demand/supply situation for the next two and three years.

I'm wondering how Samsung interprets and reads these market movements that were announced. Would, for example, Intel's announcement of investing in a new fab, does that read -- is that read as increasing the risk of an oversupply in the NAND market in the future or could this actually be taken in the opposite way of this actually triggering this major transition from a 2D to a 3D NAND, so that there actually may be a shortage in the industry? So I'm wondering what your outlook on the industry demand/supply situation is from next year and for the next two to three years going forward.



Unidentified Company Representative

(Interpreted). It's a very difficult question that you have asked, but I think whether the NAND market in the next two to three years, I don't think it would decrease, but whether it will maintained at the current size or whether it would increase depends on a couple of variables, including how well each player succeeds in overcoming the technical difficulties as well as how much of a cost competitiveness each player successfully gains.

A lot of companies have either recently announced that they will start NAND or have announced M&As related with a NAND business. We cannot comment on what other companies are doing, but in effect the fact that they are investing and entering indicates that they are expecting demand to be there.

Related with SSDs, we're getting a lot of questions with that, but in a sense already 30% of the PCs are loaded with SSDs. So it's no longer a niche market anymore. It is, SSDs are one of the options that are competing with HDDs. And so even though, yes, cost, how much of a cost competitiveness it would have would be a factor, I do believe that there is a high possibility that the market itself would grow in the future.

And so given the fact that we are standing here as the industry itself migrates from the edge of planar on to 3D, our basic plan and response is to not only maintain but even widen our technology leadership. So that would give us the competitiveness which we would use as a very powerful weapon to further expand the market.

Operator

(Interpreted). Sang-eun Lee, Korea Investment & Securities.

Sang-eun Lee - Korea Investment & Securities - Analyst

(Interpreted). I have two simple questions regarding the TV business. First of all, 2015 TV demand seems to have been sluggish than what we had originally expected. Could you give us a brief outlook what you expect to see in terms of TV demand in the next year, 2016, especially given the fact that you would have the advantage of the base effect due to the sluggish 2015 demand as well as the fact that it's an even year and in even years there usually is a strong demand for TVs? Could you give us your TV demand outlook for the next year, especially focusing on the emerging markets?

The second question is about the Chinese TV companies. In addition, even the smaller private brand TV companies have recently been increasing their market share quite aggressively. Xiaomi has introduced a TV at very aggressive prices and they are even moving now into the US market. Given this fact, I'm wondering how Samsung looks upon and understands the situation caused by the Chinese TV companies. And what is your strategy to differentiate yourself versus the Chinese makers?

Unidentified Company Representative

(Interpreted). Regarding the demand outlook for 2016 for TVs, both our position and also the third-party market research firms are saying that, given the fact that especially the TV demand has been stagnant or has been decreasing during the past two to three years, that in 2016 TV demand would slightly increase versus 2015 demand.

There are various factors that explain this outlook, including the fact that there will be more UHD content and that there will be more larger, demand for larger models, especially, as you mentioned, next year there will be major sports events, including the Olympics and the Euro Cup that will also drive up TV demand. And so we believe that there will be an increase in demand slightly, especially focused on the UHD as well as large-size TVs would be the focus of most of the demand.

Regarding by region, 2015 Europe TV demand actually decreased year on year, but we think that there will be a slight increase in these developed markets in 2016. On the emerging side, due to economic situations and exchange rates, even next year the Latin American as well as the Eastern

European markets, it will be difficult to expect much recovery of demand in 2016 from that part of the emerging market. And so most of the increase in demand for emerging markets for TVs will mainly be pulled by Asia, where there will be a slight increase in demand.

Regarding our response plan towards the Chinese companies that are coming on very aggressively, Samsung still has a very strong position in the major markets based on its leadership in customer preference, customer awareness and market share. And so even if the Chinese companies are entering these markets, we are not planning on responding with them by taking on a direct price competition, because we have a very strong product line-up. We have our brand competitiveness, brand awareness as well as very strong technology leadership, and that is the way that we will be maintaining our position.

I should mention in the North American markets these Chinese companies have come up to have increased their market share slightly, but that's mainly in the very low end of the market. Most of the market share that you've mentioned that increased by the Chinese companies are mainly in China, in the local market of China or maybe in some other countries in Asia.

So our basic plan regarding the response to the Chinese companies is to leverage the distribution coverage that we have as well as the strong partnership that we have with the major distributors in each local market as well as our very cost-effective and efficient supply-chain management system, and to continue to leverage our technology advantage as well as brand awareness to maintain our position.

Even though we refrain from mentioning specific companies, Xiaomi, the one that you've mentioned, their basic sales is to get a TV manufactured from a Chinese OEM and to sell that directly through the Xiaomi webpage instead of going through distribution, which would give them a cost advantage. But that basically would be a model that would mainly be intended to focus on the Chinese internal domestic market.

Operator

(Interpreted). Mark Newman, Bernstein.

Mark Newman - Sanford Bernstein - Analyst

Hi. Thanks. Just reiterating, thanks a lot, a lot of appreciation from everybody on the recent announcement on shareholder returns.

My first question is on the DRAM capacity. I know there was question about this before. I'm not quite clear on the answer, so if I could just re-clarify, perhaps ask in a different way. You've obviously added a fair bit of DRAM capacity this year, about 40K in line 17. And I think partly because of that and partly because of demand weakness this year pricing is very, very weak. And so we're now seeing pricing has been quite -- very, very weak this year and I think Samsung's also suffering a little bit from that, not as much as the others, but starting to suffer a little bit from that in terms of weak pricing.

And I'm just wondering if you could specify what the bit growth plan or what the capacity and bit growth plan for DRAM will be going forward. Because we are going to see a lot more bit growth from some of your competitors, especially Micron now is back into shrinking their 20 nanometers as we speak, and so I'm just wondering if you could give a little bit more details on the strategy around DRAM capacity. And I have one follow-up on smartphones. Thanks.

Unidentified Company Representative

(Interpreted). Well, first of all, once again, I'm not in the position to comment on the bit growth expectations of other companies.

In terms of capacity and bit growth, specific bit growth from the capacity that we have that would be determined by how we operate the entire capacity, and that will depend on the environment as well as specific line circumstances as well as the product mix that we decide to run. And that will be decided by trying to find the mix that would maximize the efficiency of the capacity that we have. So it's very difficult to give you a bit

growth or how we will be utilizing our capacity in terms of how many pieces that will come out. But I can say that we are sufficiently utilizing the capacity that we have.

Now the bit growth even this year shifted from mid-20% to now we are down at low-20% bit growth. And that's because of specific yield situations in the 20-nano X, Y and Z lines. What we mentioned, when I say 20-nano for next year, I'm referring to what could be described as truly 20-nano. Because even though companies, different companies have different definitions of what 20-nano is, I'm saying, by truly 20-nano I'm referring to the 20-nano scaling of the process as well as chip size as well as the number of net dies that are produced.

And so in terms of yield, I believe that each company will have -- it won't be easy for them or companies to reach the amount of yield or productivity that is required to meet that.

And so in terms of bit growth production, supply production for next year, it's also product mix is also a factor in how much will be supplied because, as you know, in the overall product market PC now accounts for less than 20%. And so the makers or the companies are also shifting their capacity from PC over to servers and mobile product.

So, for example, the server and mobile products that have DDR4 or LPDDR4 interfaces, by increasing the share of those products in the product mix, because of the chip size that's required to implement them as well as the fact that they take on longer production lead times itself would naturally bring on a bit growth decrease effect, if companies increase the server or mobile products in their product mix.

And so next year overall I believe that the demand trend and the supply trend will be similar to this year, but there will be two variables that would have to be considered. One is how smoothly or how well companies are able to either ramp up or increase the productivity of their 20-nano processes. The second would be the product mix of what comes out of it. But my personal view is that even at maximum next year, bit growth mid-20% would probably be the maximum, but that's a personal view.

Mark Newman - *Sanford Bernstein - Analyst*

Okay. Thank you very much. One quick question on smartphones. The market growth is obviously slowing down. Looks like Samsung's having a little bit success now in the mid- and low-end. I've asked a similar question before because I think this is very important. The strategy of Samsung, are you going to be more focused on maintaining your market share? Do you think that maintaining market share and growing units is reasonable and do you think in that case that margins will come down further?

Unidentified Company Representative

(Interpreted). Well, for us market share and profitability, as you've heard several times, are both important and so we will be focusing on both of them. We will be enhancing our profitability by expanding the sales of our high-end flagship models, but also maintain scale and market share by expanding the share sales of mid- to low-end products.

Robert Yi - *Samsung Electronics Co Ltd - Senior VP IR*

(Interpreted). Even though the conference call has been going on for some time, there are still many people waiting in the question queue. And so I would like to propose that we take about three or four more questions and end the call at about 11:30 local time.

Operator

(Interpreted). Peter Lee, NH Investment & Securities.

Peter Lee - *NH Investment & Securities - Analyst*

(Interpreted). First I have a question regarding the SSD and V-NAND business. There were similar questions and answers related with this topic, but it seems recently the CPU companies and hard disk drive companies have started to make investments or acquisitions related with the NAND business. This actually could be interpreted in two ways. In one fact, that means new competition would come into the V-NAND space. But on the other hand, as you mentioned, this could imply that the SSD market (technical difficulty).

Operator

(Interpreted). We are disconnected with the host so please wait a minute please. Again, we are disconnected with the host so I would like to ask for your understanding. So please wait a minute.

Unidentified Company Representative

(Interpreted). The new investments that were announced, they are not planar NANDs. These are 3D NANDS. However, the specifics of what that investment would do, for example, of what kind of product will be produced using what types of processes and technologies and when those products will be coming to market has not been announced. So that is still (technical difficulty).

On the other hand, as we have already disclosed, we started mass production of our 48 layer, what we refer to as [V3] V-NAND, from the third quarter of this year and we're expecting that this will probably be our main product for 2016. And even though we will on the one hand continue to increase layers and follow the roadmap, next year another important focus for us would be to continue to enhance the process of this [V3] 48 layer, so that we are able to deliver on not only the performance as well as the reliability of the product, but also continue to increase our price competitiveness and cost competitiveness.

One thing that I can offer as a fact is that among the VNAND companies we are the only VNAND supplier currently in the market that has successfully qualified our products and has started mass production and have already acquired one or two years of track record already. That is a fact. And regarding other new companies I believe that time will tell and we will need to watch.

Peter Lee - *NH Investment & Securities - Analyst*

(Interpreted). The second question regards the display on the LCD side. Once again, the Chinese companies, including BOE, have been either investing or have been increasing their production. What is Samsung's strategy in terms of the display to respond to these new Chinese players?

Unidentified Company Representative

(Interpreted). Since you've asked about the basic direction that we have regarding the next generation line and investments for a next generation line, as we have mentioned during the past quarter, the next 10G line requires a massive amount of investment, which justifies us to go through that much more of a prudent decision-making process before we decide. And so we are considering various factors, including market demand, our customers' situations as well as other companies' situations, but it will be decided through a very prudent consideration.

Operator

(Interpreted). [Xu-Liang Sun], HSBC.

Xu-Liang Sun - HSBC - Analyst

(Interpreted). My question regards the Samsung Pay service. In Korea I've read through the media some data points that were released regarding the usage of Samsung Pay, for example the number of users, the number of VP users as well as the amounts that are being used per transaction. Samsung Pay has been launched in the US for about a month. Is it possible to give some data points in terms of US Samsung Pay adoption? For example, how many users do you have? What is that repeat usage rate? And how much is the amount per transaction that you're seeing in the US? And could you give us some initial feedback from the users in the US market?

Unidentified Company Representative

(Interpreted). We actually, as you mentioned, yes, we launched the Samsung Pay service in the US market, starting from late September. The initial market response has been very favorable. The usage rates also are far exceeding our original expectations in the US market. The US media has also given very positive feedback, especially focusing on the fact that it could be used in many more merchants and also the fact that it is very easy to use. Those were the two focuses of the positive media feedback.

Also we have completed our talks with Verizon as of last week, October 21. So now we will be opening our Samsung Pay service through all of the four major operators in the US market. And considering all of this, the positive initial response and the addition of Verizon, we're expecting the adoption and the usage of Samsung Pay to increase at a faster pace in the future.

Xu-Liang Sun - HSBC - Analyst

(Interpreted). My second question relates with the System LSI business. First of all, it seems the 14-nano foundry will be the mainstream of the focus for the System LSI business in 2016. Can you give us some more details or current situation of your plans of diversifying your 14-nano foundry business customer base? Do you have any strategies on how to obtain additional customers for the 14-nano foundry business?

Also regarding the migration to a 10-nano mass production, if it goes mass production, would that initially be for internal use or would it be for the foundry business? Do you have -- is there a time difference and if so, which one would be used for the 14-nano mass production first? And when do you think that will be, mass production of 10-nano next year, mass production, would it be closer to the first half or the second half of next year?

Unidentified Company Representative

(Interpreted). Regarding our 14-nano foundry business, we do have the industry's top process in the 14-nano business. And that is the major strength that gives us access to customers and will be the source of demand, strong demand for next year we're expecting.

Regarding the current situation of our plans of diversifying our foundry customer base, even though I'm not privileged to give you specific names, I can say that we are in the process of talking to many customers in various applications, applications being not only mobile, but other areas as well. We are in the process of talking and adding on these new customers for the foundry business.

If there is a strategy for us to obtain customers and diversify our customer base, that would be, first of all, the fact that we were the first of commercialize the 14-nano process this year. And we, going forward, are planning to make this into different version, maybe, for example, a high-performance version versus a low-cost version, which will give us that much more leverage in diversifying our foundry business customer base.

You've also asked about our 10-nano and if I may comment, once again, our 10-nano developments are all on track as planned and as we have mentioned before, we're thinking of starting mass production on a small scale from closer to end of next year. Regarding -- but that would also depend, when that would be would depend on the market situation as well as the customers' demand, when they need it. Regarding of whether

it will be used for internal use or for foundry business firms, that also would depend on the customers' schedules, but from our end, we are prepared to respond to any sort of situation.

We will take one last question before we end.

Operator

(Interpreted). S.C. Bae, Barclays.

S.C. Bae - Barclays - Analyst

(Interpreted). Well, first thank you very much for giving us a very clear shareholder return policy. I have a couple of clarifying questions though. Is it correct to understand that the KRW11.3 trillion of the special buyback and cancellation program that you announced is separate from the three-year free cash flow dedication that you have mentioned?

And also, if so, from the KRW11.3 trillion you've announced today specifically that KRW4 trillion will be used in the next three months. That would leave a balance of KRW7 trillion. Can you give us an idea what the timeframe would be in terms of executing these remaining KRW7 trillion of the special buyback program?

Unidentified Company Representative

(Interpreted). To answer your first question, yes, it is correct that the KRW11.3 trillion of the special buyback and cancellation program is completely separate from the three-year program that we announced of dedicating 30% to 50% of our annual free cash flow for shareholder return. That will be run over 2015, 2016 and 2017. And the two programs are completely separate.

Regarding the timeframe for the KRW11.3 trillion of buyback that we announced, as I mentioned during the presentation, due to regulatory requirements specific to Korea as well as the amount of shares available in the market for us to buy back, we will not be able to execute the KRW11.3 trillion of buyback in one round. We're thinking that it will probably be executed over three or four rounds. The specific number of rounds will depend on various factors, including the amount of increase in our share prices in the future. But currently, we do not expect to have to go beyond three to four rounds of buyback to execute the complete KRW11.3 trillion.

And to add, as we mentioned, under Korean regulation one round of buyback resolution needs to run for three months. And so three to four rounds of such buybacks in terms of calendar months would be similar to nine to 12 months.

And that completes the conference call. Thank you very much.

Editor

Portions of this transcript that are marked (interpreted) were spoken by an interpreter present on the live call. The interpreter was provided by the Company sponsoring this Event.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2015, Thomson Reuters. All Rights Reserved.