

Samsung's profit jumps 50 percent despite Galaxy fiasco

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A man walks by an advertisement of the Samsung Electronics Galaxy S7 Edge and S7 smartphones in Seoul, South Korea, Friday, Jan. 6, 2017. Samsung Electronics Co. said Friday that its profits in the last quarter of 2016 surged 50 percent to the highest level in more than three years, despite the Galaxy Note 7 fiasco. (AP Photo/Lee Jin-man)

Samsung Electronics Co. said Friday that its profits in the last quarter of 2016 surged 50 percent to the highest level in more than three years, despite the Galaxy Note 7 fiasco.

Analysts had expected Samsung's profits to surge thanks to its mainstay semiconductor business, but the result surpassed even the most optimistic forecasts. The semiconductor division cashed in on strong demand and a tight supply for microchips during the September-December period, likely contributing to more than half of its quarterly earnings.

In its earnings preview, Samsung said it posted 9.2 trillion won (\$7.8 billion) in operating profit, up from 6.1 trillion won a year earlier. It was the biggest quarterly income since the third quarter of 2013.

Analysts polled by FactSet expected a figure of 8 trillion won.

Sales fell 1 percent to 53 trillion won (\$44.9 billion). The company did not give net profit or breakdown figures for its businesses, which are due later this month.

For the full year, the South Korean tech giant saw a 10 percent gain in its annual income, its best result in three years.

"It's thanks to the improvement in semiconductors and displays on top of favorable foreign exchange rates," said Kim Young Woo, an analyst at SK Securities.



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The result is a bright spot for the tech giant that was obliged to do multiple recalls last year of products that included a popular smartphone and a washing machine.

The stellar financial results come as Samsung faces an investigation linking it to an influence-peddling scandal that led to the impeachment of President Park Geun-hye. Samsung already has postponed its annual personnel reshuffle, usually announced in December, due to the scandal.

Samsung Group faces allegations that Samsung Electronics and its affiliated companies paid money to foundations and a company

controlled by a long-time friend of Park's, Choi Soon-sil, in order to get the government's backing in a controversial merger of two Samsung affiliates related to Samsung's father-to-son leadership succession.

It is still unclear why the Galaxy Note 7 smartphones were prone to overheating and catching fire. That prompted two recalls and eventual discontinuation of the flagship product.

Tim Baxter, [chief operating officer](#) at Samsung's U.S. business, told reporters at the Consumer Electronics Show in Las Vegas on Wednesday that Samsung will share the root cause of the Galaxy Note 7 fires "very soon." Samsung has been investigating the issue for more than four months.

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